

JOURDAN RESOURCES INC.

Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Independent Auditors Report

To the Shareholders of Jourdan Resources Inc.

Opinion

We have audited the financial statements of Jourdan Resources Inc. (the “Company”), which comprise the statement of financial position as at December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the 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 financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on May 1, 2018.

As part of our audit of the financial statements of the Company for the year ended December 31, 2018, we also audited the adjustments described in Note 17 that were applied to restate the financial statements as at December 31, 2017 and 2016 for the effects of a correction of errors. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of the Company for the year ended December 31, 2017 and 2016 other than with respect to the adjustments, and accordingly, we do not express any opinion or any other form of assurance on the financial statements for the year ended December 31, 2017 and 2016 taken as a whole.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2018 and, as of that date, the Company had limited working capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that 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 comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the 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 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 risks 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 of the audit resulting in this independent auditor's report is Glen McFarland.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 12, 2019

Jourdan Resources Inc.
Statements of Financial Position

(Expressed in Canadian dollars)

| As at: | | December 31, 2018 | December 31, 2017 (restated) (Note 17) | December 31, 2016 (restated) (Note 17) |
|------------------------------------------|-------|----------------------|-------------------------------------------------|-------------------------------------------------|
| | Notes | | | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | | \$ 537,548 | \$ 93,228 | 67,296 |
| Amounts receivable | 4 | 267,817 | 117,871 | 37,261 |
| Marketable securities | 5 | 2,000 | 4,500 | 67,500 |
| Total current assets | | 807,365 | 215,599 | 172,057 |
| Non-current assets: | | | | |
| Exploration and evaluation properties | 6 | 1,010,565 | 900,815 | 38,815 |
| TOTAL ASSETS | | \$ 1,817,930 | \$ 1,116,414 | \$ 210,872 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 7, 12 | \$ 262,764 | \$ 419,363 | 571,680 |
| Flow-through share premium liability | 8 | 138,783 | - | - |
| Due to related party | | - | - | 64,630 |
| Other liabilities | 15 | 433,345 | 433,345 | 490,623 |
| Total liabilities | | 834,892 | 852,708 | 1,126,933 |
| Equity: | | | | |
| Share capital | 9 | 17,763,890 | 16,846,262 | 14,864,690 |
| Warrants | 10 | 378,401 | 258,950 | - |
| Contributed surplus | 10 | 3,077,365 | 2,484,839 | 2,304,008 |
| Deficit | | (20,236,618) | (19,326,345) | (18,084,759) |
| Total equity | | 983,038 | 263,706 | (916,061) |
| TOTAL LIABILITIES AND EQUITY | | \$ 1,817,930 | \$ 1,116,414 | \$ 210,872 |
| Nature of operations and going concern | 1 | | | |
| Commitments and contingencies | 15 | | | |

Approved on behalf of the Board of Directors on April 12, 2019.

Rene Bharti

 Director

Michael Dehn

 Director

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

Jourdan Resources Inc.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

| | | For the years ended | |
|--------------------------------------------------------------|--------------|---------------------|---------------------|
| | | December 31, | |
| | | 2018 | 2017 |
| | Notes | | |
| Expenses: | | | |
| Consulting and management fees | 12 | \$ 199,547 | \$ 144,000 |
| Exploration and evaluation expenses | 6 | 464,719 | 385,583 |
| Professional fees | | (38,021) | 465,402 |
| Shareholder communications and filing fees | | 34,459 | 29,875 |
| General and administrative expenses | | 17,422 | 29,400 |
| Interest and bank charges | | 638 | 5,392 |
| Share-based compensation | 10 | 333,576 | 180,831 |
| Other (gains)/losses | | - | (61,897) |
| Loss before other items | | 1,012,340 | 1,178,586 |
| Other income/(expenses): | | | |
| Flow-through share premium recovery | 8, 15 | 104,567 | - |
| Net change in fair value of marketable securities | 5 | (2,500) | (63,000) |
| Net and comprehensive loss | | \$ 910,273 | \$ 1,241,586 |
| Loss per share | | | |
| Basic and diluted loss per share | | \$ 0.019 | \$ 0.049 |
| Weighted average number of common shares outstanding: | | | |
| Basic and diluted | | 48,371,056 | 25,579,874 |

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

Jourdan Resources Inc.
Statements of Changes in Shareholders' Equity/(Deficiency)
(Expressed in Canadian dollars)

| | Share capital | | Warrants | Contributed surplus | Deficit (As restated) | Total equity |
|-----------------------------------------------------------------|-------------------|-------------------|----------------|---------------------|--------------------------|----------------|
| | No. | \$ | | | | |
| Balance, December 31, 2016 | 7,742,581 | 14,864,690 | - | 2,304,008 | (18,084,759) | (916,061) |
| Shares issued from private placement - April 2017 | 16,100,000 | 1,207,500 | - | - | - | 1,207,500 |
| Private placement - share issue costs | - | (68,504) | - | - | - | (68,504) |
| Black Scholes- warrants | - | (258,950) | 258,950 | - | - | - |
| Shares issued to acquire properties | 5,700,000 | 662,000 | - | - | - | 662,000 |
| Shares issued in settlement of debt | 5,860,863 | 439,526 | - | - | - | 439,526 |
| Stock options granted | - | - | - | 180,831 | - | 180,831 |
| Net and comprehensive loss | - | - | - | - | (1,241,586) | (1,241,586) |
| Balance, December 31, 2017 | 35,403,444 | 16,846,262 | 258,950 | 2,484,839 | (19,326,345) | 263,706 |
| Balance, December 31, 2017 | 35,403,444 | 16,846,262 | 258,950 | 2,484,839 | (19,326,345) | 263,706 |
| Shares issued from private placement - June 2018 | 12,313,332 | 738,800 | - | - | - | 738,800 |
| Shares issued from flow-through private placement - June 2018 | 8,870,000 | 665,250 | - | - | - | 665,250 |
| Shares issued from flow-through private placement - August 2018 | 466,667 | 35,000 | - | - | - | 35,000 |
| Private placement - share issue costs | - | (29,137) | - | - | - | (29,137) |
| Black Scholes- warrants | - | (378,401) | 378,401 | - | - | - |
| Flow-through share premium liability | - | (243,350) | - | - | - | (243,350) |
| Expiry of warrants | - | - | (258,950) | 258,950 | - | - |
| Warrants exercised | 319,668 | 31,966 | - | - | - | 31,966 |
| Shares issued to acquire properties | 1,500,000 | 97,500 | - | - | - | 97,500 |
| Stock options granted | - | - | - | 333,576 | - | 333,576 |
| Net and comprehensive loss | - | - | - | - | (910,273) | (910,273) |
| Balance, December 31, 2018 | 58,873,111 | 17,763,890 | 378,401 | 3,077,365 | (20,236,618) | 983,038 |

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

Jourdan Resources Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

| | | For the years ended December 31, | |
|-----------------------------------------------------|-------|-------------------------------------|--------------------|
| | Notes | 2018 | 2017 |
| Cash provided by (used in): | | | |
| Operating activities: | | | |
| Net loss | | \$ (910,273) | \$ (1,241,586) |
| Items not involving cash: | | | |
| Share-based compensation | 10 | 333,576 | 180,831 |
| Net change in fair value of marketable securities | | 2,500 | 63,000 |
| Flow-through share premium | | (104,567) | - |
| Working capital adjustments: | | | |
| Changes in working capital items | 11 | (306,545) | (354,835) |
| Net cash (used in) operating activities | | (985,309) | (1,352,590) |
| Investing activities: | | | |
| Investment in exploration and evaluation properties | | (12,250) | (200,000) |
| Net cash (used in) investing activities | | (12,250) | (200,000) |
| Financing activities: | | | |
| Proceeds from private placement | | 1,439,050 | 1,647,026 |
| Private placement- share issue costs | | (29,137) | (68,504) |
| Exercise of warrants | | 31,966 | - |
| Net cash provided by financing activities | | 1,441,879 | 1,578,522 |
| Change in cash | | 444,320 | 25,932 |
| Cash, beginning of the year | | 93,228 | 67,296 |
| Cash, end of the year | | \$ 537,548 | \$ 93,228 |
| Supplemental Information: | | | |
| Shares issued for property acquisition | 9 | \$ 97,500 | \$ 662,000 |

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

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Jourdan Resources Inc. ("Jourdan" or the "Company") is incorporated under the *Canada Business Corporations Act*. The Company's registered office is located at 65 Queen Street West, Suite 815, Toronto, Ontario, M5H 2M5.

Jourdan specializes in the acquisition, exploration and development of mining properties in lithium and other minerals, primarily in Canada and has not yet identified a commercial mineral resource. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations, and do not include any adjustments to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at December 31, 2018, Jourdan has a working capital deficiency of \$27,527 (December 31, 2017 – \$637,109), and an accumulated deficit of \$20,236,618 (December 31, 2017 - \$19,326,345). These matters represent material uncertainties that cast significant doubt as to the Company's ability to continue as a going concern. The continuation of Jourdan as a going concern is dependent upon the ability of the Company to obtain the necessary equity financing to continue operations, the successful results of mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom or realize proceeds from their sale. Jourdan may periodically have to raise additional capital to fund projects and continue operations and while it has been successful in doing so in the past, there can be no assurance the Company will be able to do so in the future. Management believes Jourdan will obtain the funding required to maintain current levels of operations and continue as a going concern for the following year.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The Company has consistently applied the accounting policies used in the preparation of these financial statements throughout all periods presented. These financial statements were approved and authorized for issuance by the Board of Directors on April 12, 2019.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

These financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Foreign currency transactions

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The Canadian dollar has been determined as the functional currency of the Company as it is the currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than functional currency at period-end exchange rates are recognized in the statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exploration and evaluation

The costs of exploration properties and leases, including the cost of acquiring prospective properties and exploration rights are capitalized to exploration and evaluation assets. Pre-license costs are expensed in the period in which they are incurred. Exploration costs incurred, subsequent to acquisition, in exploration and evaluation activities, are expensed as incurred and included in the statement of loss and comprehensive loss until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties.

Financial assets and liabilities

Accounting policy under IFRS 9 applicable from January 1, 2018

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (continued)

Financial assets (continued)

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss. The Company’s cash and amounts receivable are recorded at amortized cost.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of earnings (loss). The Company’s marketable securities are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of earnings (loss) when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company’s only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

Accounting policy under IAS 39 applicable prior to January 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities is as follows:

All 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, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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

- a) Financial assets and liabilities at fair value through profit or loss ("FVTPL"): A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statements of loss and comprehensive loss.

Gains and losses arising from changes in fair value are presented in the statements of loss and comprehensive loss within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the reporting date, which is classified as non-current.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (continued)

- b) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statements of loss and comprehensive loss and are included in other gains and losses.
- c) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- d) Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets (including receivables):

At each reporting date, the Company assesses whether there is objective evidence that a financial asset not carried at fair value through profit or loss is impaired, and whether the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or indicators that a debtor or issuer will enter bankruptcy. If such evidence exists, the Company recognizes an impairment loss, as follows:

- a) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Losses are recognized in profit or loss and the carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- b) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statements of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.
- c) Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (continued)

Impairment of non-financial assets:

At the end of each reporting period and when events or changes in circumstances indicate that the carrying amounts of non-financial assets might not be recoverable, the Company reviews and evaluates the recoverable amount of its tangible and intangible assets, including its exploration and evaluation properties, to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the statements of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Cash

Cash is comprised of cash on hand and deposits. Deposits are held in Canadian chartered banks or in financial institutions controlled by a Canadian chartered bank.

Prepaid expenses

Prepaid expenses represent payments made or obligations incurred in advance of the receipt of goods or rendering of services. Prepaid expenses are typically included in other current assets on the statement of financial position.

Provisions

General

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statements of loss and comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of loss and comprehensive loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the statement of loss and comprehensive loss.

As at December 31, 2018 and 2017, the Company determined that it has no material rehabilitation obligations related to its assets.

Revenue recognition

Revenue from interest income and investment income from marketable securities is recognized when received.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability. The subsequent renunciation of such qualifying expenditures incurred by the Company in favor of the flow-through subscribers is reported as a reduction in the 'deferred premium on flow-through shares' liability and a corresponding reduction in deferred tax expense or as other income.

The Company indemnified the subscribers of current and previous flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

Operating segments

The Company has concluded that it has only one material operating segment (the exploration of its North American mineral licences) for financial reporting purposes.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share

Basic loss per share is calculated by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding for the year. In the event of the Company reporting net profit, the diluted loss per share will be similar to basic loss per share, except that the denominator will be increased to include the number of additional shares that would have been outstanding if the dilutive potential common shares in connection with the issued share options and warrants had been issued using the treasury stock method. The Company's options and warrants were anti-dilutive for the years ended December 31, 2018 and 2017.

Share-based payments

Share-based payments to directors, officers and employees are measured at the grant date fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value of stock-based payments is determined using the Black-Scholes option pricing model using assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, expected forfeitures and the expected life of the options. The expense is recognized to contributed surplus over the period during which the options vest based on the estimate of equity instruments expected to vest. Management is required to estimate forfeitures and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Unexercised expired stock options remain in contributed surplus.

Warrants

Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model in the same way as stock options. Upon exercise of warrants, consideration paid by the warrant holder together with the amount previously recognized in warrants is recorded as an increase to share capital. Unexercised expired warrants are transferred to contributed surplus.

Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management personnel of the reporting entity. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between said parties. Such transactions are measured at the amount of consideration established and agreed to by the related parties.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Contingencies

In assessing loss contingencies related to legal proceedings that are pending or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims and the amount of relief sought or expected to be sought.

If the assessment of a contingency suggests that a loss is probable, the amount can be reliably estimated, and there is a present obligation as a result of a past event, then a loss is recorded. The details of a contingent loss are disclosed unless the possibility of any outflow in settlement is remote. Legal fees incurred with pending legal proceedings are expensed as incurred.

Changes in accounting policies

Current accounting changes:

During fiscal 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards, including IFRS 2, IFRS 9 and IFRIC 22. The new standards and changes did not have any material impact on the Company's financial statements.

IFRS 9, Financial Instruments

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

| | Financial instrument classification | |
|------------------------------------------|-------------------------------------|----------------|
| | Under IAS 39 | Under IFRS 9 |
| Financial assets | | |
| Cash | Loans and receivables | Amortized cost |
| Amounts receivable | Loans and receivables | Amortized cost |
| Marketable securities | Available for sale | FVOCI |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

Future accounting changes:

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for annual accounting periods beginning on January 1, 2019 or later. Updates that are not applicable or are not consequential to the Company have been excluded.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company does not expect the adoption of IFRIC 23 to have a significant impact on its financial statements.

Future accounting changes (continued):

IFRS 16 – Leases (“IFRS 16”) was issued by the IASB on January 13, 2016 and will replace existing lease guidance in IFRS and related interpretations and requires companies to recognize most leases on the statement of financial position. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company does not expect the adoption of IFRS 16 to have a significant impact on its financial statements.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets and impact decisions as to when exploration and development costs should be capitalized or expensed. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of judgement and estimation uncertainty considered by management in preparing the financial statements include:

- Assets' carrying values and impairment charges

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Management exercises its judgment in determining when such events or changes in circumstances have arisen and where such circumstances evidence a significant or prolonged decline of fair value on assets indicating impairment.

- Share-based payment transactions and warrant valuations

The Company records share-based payments at fair value over the vesting period. The fair value of the grant is determined using the Black-Scholes options pricing model and management assumptions including the expected dividend yield, expected volatility, forfeiture rate, risk free rate and expected life. Should the underlying assumptions change, it will impact the fair value of the share-based payment. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

The main factor affecting the estimates of the fair value of share-based payments and warrants is the stock price expected volatility used. The Company currently estimates the expected volatility of its common shares based on trading history taking into consideration the expected life of the options.

- Capitalization of exploration and evaluation property expenditures

Management has determined that exploration and evaluation acquisition costs incurred during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

- Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

- Impairment of exploration and evaluation properties

While assessing whether any indications of impairment exist for exploration and evaluation properties, including producing properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties. Internal sources of information include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include, but are not limited to, estimates of the discounted future cash flows expected to be derived from the Company's exploration and evaluation properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties.

- Estimation of decommissioning and restoration costs and the timing of expenditures

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (CONTINUED)

- Income, value added, withholding and other taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Contingencies

Refer to Notes 1 and 15.

4. AMOUNTS RECEIVABLE

The Company's receivables arise from Harmonized sales tax ("HST") and Quebec sales tax ("QST") receivable due from Canadian tax authorities and other receivables.

| | December 31, 2018 | December 31, 2017 |
|------------------------|-------------------|-------------------|
| | \$ | \$ |
| Sales taxes receivable | 209,677 | 110,335 |
| Other | 58,140 | 7,536 |
| | <u>267,817</u> | <u>117,871</u> |

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

5. MARKETABLE SECURITIES

The Company held marketable securities as follows:

| December 31, 2018 | Number of Shares | Cost \$ | Fair Value \$ |
|--------------------------|------------------|----------------|------------------|
| Satori Resources Inc. | 50,000 | 50,000 | 2,000 |
| Aurtois Exploration Inc. | 312,000 | 50,000 | - |
| | | 100,000 | 2,000 |

| December 31, 2017 | Number of Shares | Cost \$ | Fair Value \$ |
|--------------------------|------------------|----------------|------------------|
| Satori Resources Inc. | 50,000 | 50,000 | 4,500 |
| Aurtois Exploration Inc. | 312,000 | 50,000 | - |
| | | 100,000 | 4,500 |

The fair values of the listed available-for-sale investments have been determined directly by reference to published price quotations in an active market with any gain or losses adjusted through the statement of loss and comprehensive loss.

6. EXPLORATION AND EVALUATION PROPERTIES

Reconciliation of the carrying amounts for the years ended December 31, 2018 and 2017 are as follows:

| | Balance December 31, 2017 | Additions | Impairment | Sale | Balance December 31, 2018 |
|---------------------------|---------------------------------|----------------|------------|------|---------------------------------|
| Quebec | \$ | \$ | \$ | \$ | \$ |
| Vallee and Baillarge | 38,815 | - | - | - | 38,815 |
| Rome Lithium | 50,000 | 98,663 | - | - | 148,663 |
| Pressiac La Corne Lithium | 212,000 | 11,087 | - | - | 223,087 |
| Baillarge North | 600,000 | - | - | - | 600,000 |
| Summary | 900,815 | 109,750 | - | - | 1,010,565 |

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

| | Balance December 31, 2016 | Additions | Impairment | Sale | Balance December 31, 2017 |
|---------------------------|---------------------------------|----------------|------------|------|---------------------------------|
| Quebec | \$ | \$ | \$ | \$ | \$ |
| Vallee and Baillarge | 38,815 | - | - | - | 38,815 |
| Rome Lithium | - | 50,000 | - | - | 50,000 |
| Pressiac La Corne Lithium | - | 212,000 | - | - | 212,000 |
| Baillarge North | - | 600,000 | - | - | 600,000 |
| Summary | 38,815 | 862,000 | - | - | 900,815 |

Vallee and Baillarge Property

The Vallee project is in the Val-d'Or region of Northern Quebec, in La Corne and Fieldmont townships. The Baillarge Lithium Project is located in La Corne Township. Certain claims were allowed to lapse in 2018. The Company arranged for the re-staking of claims of interest to the Company and is arranging the transfer of such re-staked claims to the Company. The property is subject to a 2% net smelter returns royalty, of which half (1% NSR) may be repurchased for \$1,000,000.

Rome Lithium property

On June 29, 2017, the Company and Fairmont Resources Inc. ("Fairmont") entered into a non-arms-length assignment agreement entitling Jourdan to acquire a 100% interest in the Rome Lithium property. In consideration for the acquisition, Jourdan: (i) paid \$50,000 in cash, (ii) issued 1,500,000 common shares of Jourdan, (iii) granted a 2% net smelter return ("NSR") on the property, of which half (1%) may be bought back for \$1,000,000 at any time, and (iv) will complete exploration expenditures of \$150,000 on the property on or before June 10, 2019.

Preissac La Corne Lithium Portfolio

On May 9, 2017, the Company entered into an option agreement with Alix Resources Inc. ("Alix") to acquire up to a 75% interest in Alix's Preissac La Corne Lithium portfolio (the "Alix Option") by issuing 600,000 common shares and by making payments of \$50,000. To complete the option, the Company is required to issue an additional 600,000 common shares of the company and make an additional payment of \$75,000, prior to April 17, 2019. The property under option is subject to a 1% NSR.

The Company also completed additional acquisition agreements to acquire a 100% interest in certain additional claims, subject to a 2% NSR.

Baillargé North property

On August 24, 2017, the Company acquired the Baillargé North property, subject to a 1% net smelter return. Jourdan paid \$50,000 in cash and issued 5,000,000 common shares on August 21, 2017.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company are as follows:

| | December 31, 2018 | December 31, 2017 |
|---------------------|-------------------|-------------------|
| | \$ | \$ |
| Trade payables | 185,764 | 314,363 |
| Accrued liabilities | 77,000 | 105,000 |
| | 262,764 | \$419,363 |

8. FLOW-THROUGH SHARE PREMIUM LIABILITY

During the year ended December 31, 2018, the Company recorded a flow-through liability totaling \$243,350. As the Company incurs eligible expenditures against this liability, the Company reduces the liability at the same rate and records this as a flow-through premium recovery on the statement of loss and comprehensive loss. As at December 31, 2018, the liability was reduced to \$138,783, and a flow-through share premium recovery of \$104,567 was recorded on the statements of loss for the year ended December 31, 2018.

As a result of the Company's flow-through financings in 2018, the Company is committed to incur \$700,250 in qualifying resource expenditures. The Company has filed its renunciation forms subsequent to December 31, 2018. As at December 31, 2018, the Company had incurred qualifying resource expenditures of \$300,895, and is committed to incur a balance of approximately \$399,355 before December 31, 2019. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares.

b) Issued and outstanding common shares

Reconciliation of the number and value of common shares for the years ended December 31, 2018 and 2017 were as follows:

| | <u>Number of Shares</u> | <u>Amount</u> |
|--------------------------------------------------------------|-------------------------|---------------------|
| | | \$ |
| Balance, December 31, 2016 | 7,742,581 | \$14,864,690 |
| Shares issued from private placement - April 2017 (iv) | 16,100,000 | 1,207,500 |
| Share issue costs (iv) | - | (68,504) |
| Black Scholes – warrants (iv) | - | (233,450) |
| Black Scholes - finder's fee (iv) | - | (25,500) |
| Shares issued to acquire exploration properties (vi) | 5,700,000 | 662,000 |
| Shares issued for debt (v) | 5,860,863 | 439,526 |
| Balance, December 31, 2017 | 35,403,444 | \$16,846,262 |
| Shares issued from private placement - June 2018 (ii) | 12,313,332 | 738,800 |
| Black Scholes - warrants (ii) | - | (274,301) |
| Shares issued from flow-through placement - June 2018 (ii) | 8,870,000 | 665,250 |
| Black Scholes - flow-through warrants (ii) | - | (98,900) |
| Shares issued from flow-through placement - August 2018 (ii) | 466,667 | 35,000 |
| Black Scholes - flow-through warrants (ii) | - | (5,200) |
| Flow-through premium liability (ii) | - | (243,350) |
| Share issue costs | - | (29,137) |
| Warrants exercised (i) | 319,668 | 31,966 |
| Shares issued to acquire exploration property (iii) | 1,500,000 | 97,500 |
| Balance, December 31, 2018 | 58,873,111 | 17,763,890 |

- (i) On April 10, 2018, the Company issued 319,668 common shares at \$0.10 per common share on the exercise of warrants for proceeds of \$31,966.
- (ii) On June 12, 2018, the Company closed the first tranche of a non-brokered private placement by issuing 12,313,332 non-flow-through units at a price of \$0.06 per non flow-through unit and 8,870,000 flow through units at a price of \$0.075 per flow-through unit, for aggregate gross proceeds of \$1,404,050. On August 1, 2018, the Company closed the final tranche of the non-brokered private placement by issuing 466,667 flow-through units at a price of \$0.075 per unit for gross proceeds of \$35,000.

Each non flow-through unit consisted of one common share and one common share purchase warrant. Each flow-through unit consisted of one common share and one half of one common share purchase warrant. The warrants have an exercise price of \$0.10 per common share on that date that is 24 months from the issuance closing date. The fair value of the warrants was estimated to be \$378,401 using the Black-Scholes pricing model with the following assumptions:

Jourdan Resources Inc.

Notes to the Financial Statements

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9. SHARE CAPITAL (CONTINUED)

b) Issued and outstanding common shares (continued)

expected dividend yield 0%; expected annual volatility 156%; risk-free interest rate 1.90% to 2.08% and expected average life 2 years.

The flow-through shares were issued at an average premium of \$0.026 per share to the current market price of the Company's shares on the date of issue. The premium is recognized as a liability of \$138,783 as at December 31, 2018.

- (iii) On June 15, 2018, the Company issued 1,500,000 common shares to Fairmont Resources to acquire an interest in the Rome Lithium property. The shares were valued at \$97,500, based on the quoted market value of the Company's shares at the time of issuance.
- (iv) On April 11, 2017, the Company closed a non-brokered private placement by issuing an aggregate of 16,100,000 units at a price of \$0.075 per unit for gross proceeds of \$1,207,500. The Company paid arm's length finders an aggregate amount of \$68,504 and issued an aggregate of 813,387 non-transferable finder warrants. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.10 per share until April 10, 2018. The fair value of the warrants was estimated to be \$258,950 using the Black-Scholes pricing model with the following assumptions: annual volatility 123%; risk-free interest rate 1.0% and expected average life of 1 year.
- (v) On April 28, 2017, the Company issued 5,860,863 common shares at \$0.075 per common share based on the quoted market price of the Company's shares in settlement of outstanding debt of \$439,526.
- (vi) On May 16, 2017, the Company entered into an option to acquire a 75% interest in the Alix Option and issued 600,000 common shares at the quoted market price of \$0.16 per share at the time of issuance. See Note 6.

On May 16, 2017, the Company acquired a 100% interest in the JF claims and issued 100,000 common shares at the quoted market price of \$0.16 per share at the time of issuance.

On August 21, 2017, the Company completed the acquisition of the Baillargé North property and issued 5,000,000 common shares at the quoted market price of \$0.11 per share at the time of issuance.

Jourdan Resources Inc.

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10. RESERVES

Options and share purchase warrant transactions for the years ended December 31, 2018 and 2017 are summarized as follows:

a) Warrants

Warrants are issued within units of private placements as an incentive to the investor.

Details of share purchase warrant transactions for the years ended December 31, 2018 and 2017 are as follows:

| | Number of warrants | Weighted average exercise price \$ |
|-----------------------------------------------------|--------------------|---------------------------------------|
| Balance, December 31, 2016 | - | - |
| Warrants issued from private placement | 8,050,000 | 0.10 |
| Finder warrants issued from private placements | 813,387 | 0.10 |
| Balance, December 31, 2017 | 8,863,387 | 0.10 |
| Warrants exercised | (319,668) | 0.10 |
| Warrants expired | (8,543,719) | 0.10 |
| Warrants issued from non flow-through placement | 12,313,332 | 0.10 |
| Warrants issued from flow-through private placement | 4,668,333 | 0.10 |
| Balance, December 31, 2018 | 16,981,665 | 0.10 |

As at December 31, 2018, the Company has share purchase warrants outstanding as follows:

| Grant date | Expiry date | Number Outstanding | Number Exercisable | Fair value at grant date \$ | Exercise price \$ |
|----------------|----------------|--------------------|--------------------|--------------------------------|----------------------|
| June 12, 2018 | June 12, 2020 | 16,748,332 | 16,748,332 | 373,201 | 0.10 |
| August 1, 2018 | August 1, 2020 | 233,333 | 233,333 | 5,200 | 0.10 |
| | | 16,981,665 | 16,981,665 | 378,401 | 0.10 |

b) Stock options

The Company has adopted a share-based payment plan under which the board of directors may award options for common shares to directors, officers, employees and consultants. The maximum number of shares issuable under the plan represents 10% of the issued and outstanding common shares of the Company. The maximum number of shares which may be reserved for issuance to any optionee pursuant to share options may not exceed 5% of the common shares outstanding at the time of grant and 2% for consultants.

The exercise price of each option is determined by the board of directors and cannot be less than the market value of the common shares on the day prior to the grant, and the term of the options cannot exceed ten years. Certain options vest over periods of time, determined by the board of directors.

Jourdan Resources Inc.

Notes to the Financial Statements

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10. RESERVES (CONTINUED)

b) Stock options (continued)

On June 13, 2018, the Company granted 2,450,000 stock options to certain directors, officers and consultants. The options vest immediately and have a term of 5 years, expiring on June 12, 2023. Each option will allow the holder to purchase one common share in the Company at a price of \$0.08. The fair value of the stock options was estimated using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, expected annual volatility 173%, risk-free interest rate 2.14% and expected average life 5 years.

On December 14, 2018, the Company granted 700,000 stock options to certain directors, officers and consultants. The options vest immediately and have a term of 3 years, expiring on December 14, 2021. Each option will allow the holder to purchase one common share of the Company at a price of \$0.05. The fair value of the stock options was estimated using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, expected annual volatility 145%, risk-free interest rate 2.03% and expected average life 3 years.

On May 31, 2017, the Company granted 2,500,000 stock options to purchase common shares in the capital of the Company to certain consultants, directors and officers of the Company. The options vest immediately and have a term of 5 years, expiring on May 31, 2022. Each option will allow the holder to purchase one common share of the Company at a price of \$0.17. The fair value of the stock options was estimated using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield 0%, expected annual volatility 124%, risk-free interest rate 1.07% and expected average life 5 years.

Details of the stock option transactions for the years ended December 31, 2018 and 2017 are as follows:

| | Number of options | Exercise price \$ | Remaining life |
|--------------------------------------------|-------------------|----------------------|----------------|
| Outstanding as at December 31, 2016 | 220,000 | 0.50 | 6.2 |
| Options granted - May 2017 | 2,500,000 | 0.17 | 4.4 |
| Outstanding at December 31, 2017 | 2,720,000 | 0.20 | 4.5 |
| Options granted - June 2018 | 2,450,000 | 0.08 | 4.5 |
| Options granted - December 2018 | 700,000 | 0.05 | 3.0 |
| Outstanding at December 31, 2018 | 5,870,000 | 0.13 | 3.8 |

As at December 31, 2018, the Company had stock options outstanding and exercisable as follows:

| Grant date | Expiry date | Number Outstanding | Number Exercisable | Fair value at grant date \$ | Exercise price \$ |
|-------------------|-------------------|--------------------|--------------------|--------------------------------|----------------------|
| March 25, 2014 | March 25, 2024 | 220,000 | 220,000 | 93,100 | 0.50 |
| May 31, 2017 | May 31, 2022 | 2,500,000 | 2,500,000 | 310,000 | 0.17 |
| June 12, 2018 | June 12, 2023 | 2,450,000 | 2,450,000 | 186,250 | 0.08 |
| December 14, 2018 | December 14, 2021 | 700,000 | 700,000 | 16,100 | 0.05 |
| | | 5,870,000 | 5,870,000 | 605,450 | 0.13 |

Jourdan Resources Inc.

Notes to the Financial Statements

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10. RESERVES (CONTINUED)

b) Stock options (continued)

The weighted average contractual years remaining on its outstanding options as of December 31, 2018 was 3.86 years (December 31, 2017- 4.56 years).

c) Contributed surplus

| | \$ |
|-----------------------------------|------------------|
| Balance, December 31, 2016 | 2,304,008 |
| Stock options, vested | 180,831 |
| Balance, December 31, 2017 | 2,484,839 |
| Warrants expired | 258,950 |
| Stock options, vested | 333,576 |
| Balance, December 31, 2018 | 3,077,365 |

11. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

| | 2018 \$ | 2017 \$ |
|--------------------------|------------------|------------------|
| Amounts receivable | (149,946) | (80,610) |
| Trade and other payables | (156,599) | (152,317) |
| Due to related company | - | (64,630) |
| Other liabilities | - | (57,278) |
| | (306,545) | (354,835) |

12. RELATED PARTY TRANSACTIONS

Compensation of key management

Key management includes the Company's directors and officers. Compensation awarded to key management included:

| | Years ended December 31, | |
|--------------------------|--------------------------|-------------------|
| | 2018 | 2017 |
| Consulting fees | \$ 196,000 | \$ 144,000 |
| Share-based compensation | 252,103 | 133,816 |
| | \$ 448,103 | \$ 277,816 |

Included in accounts payable and accrued liabilities as at December 31, 2018 is approximately \$177,530 (December 31, 2017 - \$213,152) due to officers and directors of the Company. The amounts are unsecured, non-interest bearing and due on demand.

On June 12, 2018, the Company closed the first tranche of its non-brokered private placement. Michael Dehn, an officer and director of the Company, acquired 1,000,000 units through Avanti Management & Consulting Limited ("Avanti"), a corporation in which he is the controlling shareholder.

Jourdan Resources Inc.

Notes to the Financial Statements

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12. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management (continued)

On August 1, 2018, Jourdan closed a second tranche of its non-brokered private placement. Maxime Lemieux, a director of the Company, acquired 66,667 units.

On June 12, 2018, the Company granted 1,950,000 stock options to directors and officers of the Company pursuant to the Company's stock option plan. The options have a term of 5 years, expiring on June 12, 2023.

On December 14, 2018, the Company granted 360,000 stock options to certain officers of the Company pursuant to the Company's stock option plan. The options have a term of 3 years, expiring on December 14, 2021.

On April 28, 2017, the Company issued 5,860,853 common shares at a deemed price of \$0.075 per common share in settlement of outstanding debt of \$439,565. Michael Dehn, former President and CEO and a director of the Company, and Glen Wylie, former CFO of the Company, at the time that transactions were completed, participated directly and indirectly through Avanti in the shares for debt transactions as to respectively an aggregate of 279,423 common shares for Mr. Dehn, 21,897 common shares for Mr. Wylie and 2,475,146 common shares for Avanti for aggregate debt settlement of \$208,235. The shares in settlement for debt also included an issue of 861,732 common shares to Expo-Logik, a related party for settlement of \$64,630 due to them.

13. FINANCIAL INSTRUMENTS

All financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

The Company's financial instruments are comprised of cash, accounts receivable, marketable securities and accounts payable and accrued liabilities. The carrying value of these financial instruments approximates their fair value due to the short-term nature of these instruments.

Financial instruments to be measured at fair value on the statements of financial position 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:

- 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 Company's marketable securities are considered Level 1.

Jourdan Resources Inc.

Notes to the Financial Statements

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13. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and financial liabilities as at December 31, 2018 and 2017 were as follows:

| December 31, 2018 | Fair value through profit and loss \$ | Amortized cost \$ | TOTAL \$ |
|------------------------------------------|------------------------------------------------|----------------------|-------------|
| Financial assets: | | | |
| Cash | - | 537,548 | 537,548 |
| Amounts receivable | - | 58,140 | 58,140 |
| Marketable securities | 2,000 | - | 2,000 |
| Financial liabilities: | | | |
| Accounts payable and accrued liabilities | - | 262,764 | 262,764 |

| December 31, 2017 | Fair value through profit and loss \$ | Amortized cost \$ | TOTAL \$ |
|------------------------------------------|------------------------------------------------|----------------------|-------------|
| Financial assets: | | | |
| Cash | - | 93,228 | 93,228 |
| Amounts receivable | - | 7,536 | 7,536 |
| Marketable securities | 4,500 | - | 4,500 |
| Financial liabilities: | | | |
| Accounts payable and accrued liabilities | - | 419,363 | 419,363 |

14. CAPITAL AND FINANCIAL RISK MANAGEMENT

Jourdan's capital structure consists of shareholders' equity and current liabilities. The primary capital management objectives are to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk to facilitate ongoing exploration and to maintain a strong capital base so as to maintain investor confidence and provide an appropriate return to its shareholders. Jourdan has the ability to adjust its capital structure by issuing new equity and adjusting its mineral exploration program to the extent the mineral exploration expenditures are not committed to.

As at December 31, 2018, Jourdan had a working capital deficiency of \$27,527 (December 31, 2017 – deficiency of \$637,109) and no long-term debt.

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to maximize the funds invested into exploration and development activities;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

Jourdan Resources Inc.

Notes to the Financial Statements

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14. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The Company manages capital in proportion to risk and manages the exploration and evaluation assets and capital structure based on economic conditions and prevailing commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

The Company is not exposed to any externally imposed capital requirements, except when the Company issues flow-through shares for which an amount should be used for exploration work.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods. In the normal course of operations, the Company is exposed to various financial risks. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are liquidity risk, credit risk and market risk. The Company has minimal interest rate risk as there are no outstanding variable-rate borrowings, and the Company finances its operations primarily through share offerings. Management mandates and agrees policies for managing each of these risks.

No other capital requirements are imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

Liquidity risk

Liquidity risk is the risk that Jourdan will encounter difficulty in meeting its financial commitments and working capital obligations as they come due. The Company's ability to continue as a going concern is dependent on the board of directors' and management's ability to raise the required capital through future equity or debt issuances. As Jourdan is in the exploration stage, it has no production upon which it could rely to fund its operations or the exploration of its properties. Financial liabilities consist of accounts payable which are current and will be settled within one year.

As at December 31, 2018, the Company had a cash balance of \$537,548 (2017: \$93,228) and amounts receivable, other than sales taxes receivable, of \$58,140 (2017: \$7,536), available to fund financial liabilities that consisted of accounts payable and accrued liabilities of \$262,764 (2017: \$419,363), based on contractual undiscounted payments. During the year ended December 31, 2018, the Company raised \$1,441,879 (net) through private placement financings and warrant exercises (2017: \$1,578,522).

Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to pay amounts owing or perform its contractual obligations causing a financial loss. Not having a producing asset generating sales and accounts receivable, Jourdan's credit risk is considered limited as there is no exposure to a single customer or counterparty. With respect to credit risk arising from financial assets of the Company, which comprise cash and minimal receivables, the Company's exposure to credit risk arises from default of counterparties with a maximum exposure equal to the carrying amount of these instruments. Cash balances are held with high credit quality financial institutions and may be redeemed on demand. The Company has no trade accounts and has nominal other receivables and as such has limited exposure to credit risk. The Company continuously monitors defaults of counterparties as applicable. No impairment loss has been recognized in the periods presented.

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Notes to the Financial Statements

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14. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as commodity prices, foreign currency exchange rates, interest rates and liquidity. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns. The Company recognizes that external factors, which it cannot control such as financial market instability and commodity prices, can adversely affect its ability to raise the necessary capital to maintain ongoing operations. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

Commodity price risk

The ability of the Company to explore, evaluate and develop its exploration properties and the future profitability of the Company are directly related to the price of lithium and other commodities. Commodity prices fluctuate and are affected by factors outside of the Company's control. Current and expected future prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements. The Company monitors commodity prices to determine the appropriate course of action to be taken.

Currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States dollars. The Company has no hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that Jourdan will realize a loss as a result of a decline in the fair value of cash is limited because of their short-term investment nature. A variable rate of interest is earned on cash; changes in market interest rates at the year-end would not have a material impact on the Company's financial statements. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

15. COMMITMENTS AND CONTINGENCIES

Flow-Through Financing

The Company has been partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work. These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- end of the calendar year following the flow-through placements; and
- one year after the Company has renounced the tax deductions relating to the exploration work.

There is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors and for the Company.

Jourdan Resources Inc.

Notes to the Financial Statements

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(Expressed in Canadian dollars)

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Flow-Through Financing (continued)

As at December 31, 2015, the amount of required flow-through proceeds from prior years to be expended was not met by the Company. This may result in a liability to its shareholders. Management has recorded a provision for estimated penalties and potential indemnities for the amount the shareholders could be reassessed by tax agencies due to the fact that Jourdan did not spend the required amount per the flow through share agreement.

During the year ended December 31, 2018, the Company recorded a flow-through liability totaling \$243,350. As at December 31, 2018, the liability was reduced to \$138,783. See Note 8.

Management Contracts

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of up to \$225,000 to be made to the officers of the Company upon the occurrence of certain events such as a change of control. As the triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately \$523,000, all due within one year.

Environmental

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

See Notes 1 and 6.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

16. INCOME TAXES

Major items causing the Company's effective income tax rate to differ from the combined Canadian statutory rate of 26.5% (2017- 26.5%) were as follows:

| | 2018 | 2017 |
|--------------------------------------------------------|-----------|-------------|
| | \$ | \$ |
| (Loss) before income taxes | (910,273) | (1,241,586) |
| Expected income tax (recovery) based on statutory rate | (241,000) | (329,000) |
| Adjustment to expected income tax benefit: | | |
| Stock Based Compensation | 68,000 | 48,000 |
| Other | 173,000 | 281,000 |
| Deferred income tax recovery | - | - |

Deferred income tax balances

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

| | 2018 | 2017 |
|---------------------------------|------------|-----------|
| | \$ | \$ |
| Non-capital loss carry-forwards | 5,716,000 | 5,586,000 |
| Equipment | 299,000 | 299,000 |
| Exploration and evaluation | 3,927,000 | 3,518,000 |
| Share issue costs | 64,000 | 56,000 |
| Deferred income tax liability | 10,006,000 | 9,459,000 |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

Jourdan Resources Inc.

Notes to the Financial Statements

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16. INCOME TAXES (CONTINUED)

As at December 31, 2018, the Company has non-capital tax losses in Canada which are available to reduce income taxes in future years and for which no deferred tax asset has been recorded. These losses expire as follows:

| <u>Expiry</u> | <u>\$</u> |
|---------------|------------------|
| 2026 | 288,000 |
| 2027 | 382,000 |
| 2028 | 271,000 |
| 2029 | 263,000 |
| 2030 | 375,000 |
| 2031 | 476,000 |
| 2032 | 623,000 |
| 2033 | 387,000 |
| 2034 | 736,000 |
| 2035 | 794,000 |
| 2036 | 348,000 |
| 2037 | 644,000 |
| 2038 | 130,000 |
| | <u>5,717,000</u> |

17. RESTATEMENT

During the year ended December 31, 2015, on termination of an option agreement related to another party earning an interest in one of the Company's exploration and evaluation properties, the Company recorded a gain of \$600,000 with a corresponding increase in the carrying value of the exploration and evaluation properties. This gain should not have been recorded. The Company has retrospectively corrected this error resulting in a decrease in exploration and evaluation properties, total assets and total equity and an increase in deficit of \$600,000 at December 31, 2016 and 2017.

During the year ended December 31, 2017, the Company changed its accounting policy related to exploration and evaluation expenditures. Prior to 2017, the Company capitalized all exploration and evaluation related expenditures. During 2017, the Company adopted a policy whereby only acquisition costs related to acquiring interest in exploration and evaluation properties would be capitalized, and all other ongoing exploration and evaluation expenditures would be expensed as part of profit or loss. The Company recorded this change in policy prospectively in 2017. The Company has corrected the policy change to a retrospective treatment, which results in previously capitalized exploration and evaluation costs (excluding acquisition costs) being expensed as incurred. The correction resulted in a decrease in exploration and evaluation properties, total assets and total equity, and an increase in deficit of \$259,113 at December 31, 2016 and 2017.

Jourdan Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

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17. RESTATEMENT (CONTINUED)

A summary of changes to the comparative figures to reflect the retrospective changes in accounting policy is as follows:

| | Previously Reported December 31, 2017 | Restated | Difference |
|----------------------------------------|------------------------------------------|--------------|------------|
| Statement of Financial Position | | | |
| Evaluation and exploration properties | 1,759,928 | 900,815 | (859,113) |
| Total assets | 1,975,527 | 1,116,414 | (859,113) |
| Deficit | (18,467,232) | (19,326,345) | (859,113) |
| Total Equity | 1,122,819 | 263,706 | (859,113) |

| | Previously Reported December 31, 2016 | Restated | Difference |
|----------------------------------------|------------------------------------------|--------------|------------|
| Statement of Financial Position | | | |
| Evaluation and exploration properties | 897,928 | 38,815 | (859,113) |
| Total assets | 1,069,985 | 210,872 | (859,113) |
| Deficit | (17,225,646) | (18,084,759) | (859,113) |
| Total Equity | (56,948) | (916,061) | (859,113) |

There were no impacts to the 2017 statements of loss and comprehensive loss and statements of cash flows.