



Adex Mining Inc.  
Consolidated Financial Statements  
December 31, 2019

## Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Adex Mining Inc. (the "Company" or "Adex") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The consolidated financial statements have been audited by PricewaterhouseCoopers LLP. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

DATED 29<sup>th</sup> day of April 2020

ADEX MINING INC.

Per: (signed) "Linda Lam Kwan"  
Name: Linda Lam Kwan  
Title: Chief Executive Officer

Per: (signed) "Olga Balanovskaya"  
Name: Olga Balanovskaya  
Title: Chief Financial Officer



## *Independent auditor's report*

To the Shareholders of Adex Mining Inc.

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Adex Mining Inc. and its subsidiary (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### **What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' deficit for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Material uncertainty related to going concern*

We draw attention to note 1 to the consolidated financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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



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### *Other information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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



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

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

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

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



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

**(Signed) "PricewaterhouseCoopers LLP"**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

April 29, 2020

**ADEX Mining Inc.**  
**Consolidated Statements of Financial Position**

As at (In Canadian dollars)	<b>December 31</b> <b>2019</b> <b>\$</b>	December 31 2018 \$
<b>Assets</b>		
Current		
Cash	10,505	76,997
HST and other receivables	22,953	23,280
Prepaid expenses	27,802	77,550
	<b>61,260</b>	177,827
Non-current		
Funds held by Province of New Brunswick (note 3)	1,058,839	1,041,542
Advances	53,616	-
Tailings impoundment facility (note 4)	670,342	709,774
Property, plant and equipment, net (note 5)	11,406	17,417
<b>Total Assets</b>	<b>1,855,463</b>	1,946,560
<b>Liabilities</b>		
Current		
Accounts payable and accruals (note 9)	692,465	430,723
Loan payable (note 9)	2,597,600	2,182,720
<b>Total Liabilities</b>	<b>3,290,065</b>	2,613,443
<b>Shareholders' deficit (note 6)</b>		
Share capital	55,889,583	55,889,583
Contributed surplus	2,879,322	2,879,322
Deficit	(60,203,507)	(59,435,788)
	<b>(1,434,602)</b>	<b>(666,883)</b>
<b>Total liabilities and shareholders' equity/(deficit)</b>	<b>1,855,463</b>	1,946,560

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

*Nature of operations and going concern - note 1*

*Commitments and contingencies - note 9*

*Subsequent events - note 13*

Approved on behalf of the board:

**(signed) "Norm Betts"**  
**Director**

**(signed) "Linda Lam Kwan"**  
**Director**

## ADEX Mining Inc.

### Consolidated Statements of Loss and Comprehensive Loss For the years ended

(In Canadian dollars)

	<b>December 31</b>	
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
<b>Expenses and other income</b>		
Administrative and general (notes 7 and 8)	<b>296,024</b>	350,550
Mineral property expenses	<b>381,810</b>	320,192
Forgiveness of fees payable to Directors and Officers (note 8)	-	(401,300)
Finance cost (note 8)	<b>200,128</b>	145,315
Unrealized foreign exchange (gain)/loss (note 9)	<b>(109,531)</b>	171,527
Interest on cash at bank	<b>(712)</b>	(832)
<b>Total expenses and other income</b>	<b>767,719</b>	585,452
<b>Loss before income taxes</b>	<b>767,719</b>	585,452
Income taxes (note 12)	-	-
<b>Net loss and comprehensive loss</b>	<b>767,719</b>	585,452
Weighted average number of shares outstanding	<b>677,211,441</b>	677,211,441
Basic and diluted loss per share	<b>0.00</b>	0.00

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

**ADEX Mining Inc.**  
**Consolidated Statements of Cash Flows**

For the years ended (In Canadian dollars)	December 31	
	2019	2018
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(767,719)	(585,452)
Items not affecting cash:		
Depreciation of Tailings impoundment facility (note 4)	39,432	39,432
Depreciation of property, plant and equipment (note 5)	6,011	6,011
Unrealized foreign exchange (gain)/loss (note 9)	(109,531)	169,149
Forgiveness of fees payable to Directors and Officers (note 8)	-	(401,300)
	(831,807)	(772,160)
Change in non-cash working capital		
HST and other receivables	328	(11,443)
Prepaid expenses and advances	(3,868)	3,415
Accounts payable and accruals	261,740	15,928
Cash used in operating activities	(573,607)	(764,260)
<b>Investing activities</b>		
Increase in funds held by Province of New Brunswick	(17,296)	(12,750)
Cash used in investing activities	(17,296)	(12,750)
<b>Financing activities</b>		
Loan proceeds	524,411	759,071
Cash from financing activities	524,411	759,071
Change in cash	(66,492)	(17,939)
Cash, beginning of the year	76,997	94,936
<b>Cash, end of the year</b>	<b>10,505</b>	<b>76,997</b>

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

# ADEX Mining Inc.

## Consolidated Statements of Changes in Shareholders' Deficit

(In Canadian dollars)

	Contributed			
	Share capital	Surplus	Deficit	Total
	\$	\$	\$	\$
<b>Balance, January 1, 2018</b>	55,889,583	2,879,322	(58,850,336)	(81,431)
Net loss and comprehensive loss	-	-	(585,452)	(585,452)
<b>Balance, December 31, 2018</b>	55,889,583	2,879,322	(59,435,788)	(666,883)
<b>Balance, January 1, 2019</b>	55,889,583	2,879,322	(59,435,788)	(666,883)
Net loss and comprehensive loss	-	-	(767,719)	(767,719)
<b>Balance, December 31, 2019</b>	55,889,583	2,879,322	(60,203,507)	(1,434,602)

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

# Adex Mining Inc.

## *Notes to the consolidated financial statements*

*For the years ended December 31, 2019 and 2018*

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Adex Mining Inc. (the “Company”) holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the “Property” or “Mount Pleasant”) where the Company is developing a potential polymetallic mine focusing on tin, indium, zinc, molybdenum and tungsten. Within the mineral rights area the Company owns approximately 405 hectares of land, plus the buildings, machinery and equipment on site which comprise the dormant Mount Pleasant mine. The Company is incorporated and domiciled in Canada and is a reporting issuer with its common shares publicly traded on the TSX-Venture Exchange under the stock symbol “ADE”. On October 18, 2019, the Company was transferred from the Tier 1 category to the Tier 2 category as it does not meet the TSX-V’s Tier 1 Continued Listing Requirements. The classification of the Company to a Tier 2 issuer does not result in any change to the Company’s CUSIP or trading symbol.

The principal head office of the Company is located at Suite 850, 36 Toronto Street, Toronto, Ontario, Canada M5C 2C5. The Company’s controlling shareholder is Great Harvest Canadian Investment Company Limited (“Great Harvest”), who holds 81.88% of the Company’s common shares. The ultimate controlling shareholder is Yorkrich Corporation Limited.

The Company has interests in resource properties which it is in the process of exploring and developing and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. For the year ended December 31, 2019, cash used in operations by the Company was \$573,607 and the Company carried an accumulated deficit of \$60,203,507. Furthermore, the Company has not generated revenue from operations.

These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. In view of these circumstances, the Company requires financing to complete its planned exploration and evaluation program on the Mount Pleasant Property and will continue to explore financing alternatives to raise capital.

On March 4, 2019, Great Harvest agreed to advance or otherwise make available to the Company a loan in the principal of up to US\$600,000. The Company was allowed to borrow the loan in one or more instalments at any time and from time to time within one year by issuing a Drawdown Notice. The loan bears interest at the rate of 8% per annum and under the original terms of the loan, the Company was required to repay the total amount of instalments advanced under the loan in full on March 5, 2020. During the period from March 5, 2019 to December 31, 2019, the Company borrowed US\$400,000 of this loan. Subsequent to the year end, the Company had further drawdowns from this facility aggregating to US\$200,000.

On April 27, 2020, Great Harvest agreed to advance or otherwise make available to the Company a loan in the principal of up to US\$600,000. The Company is allowed to borrow the loan in one or more instalments at any time and from time to time within one year by issuing a Drawdown Notice. The loan bears interest at the rate of 8% per annum and the Company shall repay the total amount of instalments advanced under the loan in full on March 31, 2022.

On April 27, 2020 Great Harvest extended the repayment terms of all loans outstanding at December 31, 2019 and the interest thereon (Note 9) to March 31, 2022.

There is also significant uncertainty as to the likely effects of the COVID-19 outbreak which may, among other things, impact the Company's ability to raise further financing (Note 13). The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing.

These consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of December 31, 2019.

These consolidated financial statements have been approved by the Board of Directors on April 29, 2020.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **Basis of presentation**

These consolidated financial statements have been prepared on a historical cost basis.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year.

### **Principles of consolidation**

The consolidated financial statements include the accounts of the Company's wholly owned subsidiary Adex Minerals Corp. ("AMC"). All inter-company accounts and transactions have been eliminated on consolidation.

### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The Company is deemed to have one segment for reporting being the operations at the Company's Mt. Pleasant project.

### **Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

#### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss and comprehensive loss.

### **Property, plant and equipment**

Property, plant & equipment is carried at cost, less accumulated amortization and asset impairment losses. Computer equipment comprises computer hardware and is amortized on a straight-line basis over 24 months.

Automobiles are amortized on a straight-line basis over 24 months. Facility refurbishments are amortized over the estimated life span of the refurbished facility. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

The Company determined that Tailings Impoundment Facility upgrade as a separate asset should be amortized over the estimated useful life of 20 years.

### **Exploration and evaluation expenditures**

The Company capitalizes exploration and evaluation expenditures. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

The Company expenses mine site care and maintenance costs as incurred. Care and maintenance expenditures include site security, environmental monitoring and general repairs as required to ensure the Property is safeguarded against loss and liability.

### **Provisions**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

### **Environmental expenditures and rehabilitation requirements**

Provisions for environmental rehabilitation include decommissioning and restoration costs when the Company has an obligation to dismantle and remove infrastructure and residual materials as well as to restore the disturbed area. Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the disturbance occurs, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (based on the net present value of estimated future costs). If these conditions are not met, no provision shall be recognized.

Where such a provision is recognized, the provision for environmental rehabilitation is reviewed and adjusted each period to reflect developments which could include changes in closure dates, legislation, discount rate or estimated future costs.

The amount recognized as a liability for environmental rehabilitation is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of property, plant and equipment and is depreciated over the life of the corresponding asset. The impact of amortization or unwinding of the discount rate applied in establishing the net present value of the provision is recognized in financing expenses. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, "Property, Plant and Equipment". Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying amount is taken immediately to the income statement.

If the change in estimate results in an increase in the rehabilitation provision and therefore an addition to the carrying amount of the asset, the entity is required to consider whether the new carrying amount is recoverable, and if this is an indication of impairment of the asset as a whole. If indication of impairment of the asset as a whole exists, the Company tests for impairment in accordance with IAS 36, "Impairment of Assets". If the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to the income statement. For closed sites, changes to estimated costs are recognized immediately in the income statement. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated cost of outstanding rehabilitation work at each statement of financial position date and any increase in overall cost is expensed.

The operations of the Company may, in the future, be occasionally affected by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

### **Impairment of non-financial assets**

The Company assesses the carrying amount of non-financial assets including property, plant and equipment and exploration and evaluation assets at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs of disposal of the asset. The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset. Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset in an arm's length transaction. This is often accomplished by using a discounted cash flow technique.

Impairment is assessed at the cash-generating unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. The assets of the corporate head office are allocated on a reasonable and consistent basis to CGUs or groups of CGUs. The carrying amounts of assets of the corporate head office that have not been allocated to a CGU are compared to their recoverable amounts to determine if there is any impairment loss.

If, after the Company has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Company reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

### **Share based payments**

The Company has a stock option plan that is described in Note 6. The granting of stock options represents a benefit given to employees of the Company, which include others providing similar services, and non-employees and constitutes additional compensation to be borne by the Company.

Share based payments issued to employees are valued at the date of the grant using the Black Scholes option pricing model and are included in the Consolidated Statements of Loss and Comprehensive Loss over each tranche's vesting period and credited to the contributed surplus unless it can be directly attributed to exploration and evaluation activities, in which case it is deferred.

Share based payments issued to non-employees are valued at the fair value of the goods and services received, unless they cannot be reliably measured, then the Black Scholes option pricing model is used. The expense is included in the Consolidated Statements of Loss and Comprehensive Loss over each tranche's vesting period which represents the period over which the services have been received and credited to the contributed surplus unless it can be directly attributed to exploration and evaluation activities, in which case it is deferred.

Share based payments issued to other entities for acquisition of properties are valued at the bid price on the date of

the agreement and included in equity on that day, where the fair value of the goods and services received could not be reliably measured.

### **Income taxes**

The income tax expense or benefit for the reporting period consists of two components: current and deferred taxes.

The current income tax payable or recoverable is calculated using the tax rates and legislation that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recoverable in respect of prior periods.

Current tax assets and liabilities are offset when they relate to the same jurisdiction, the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are determined using the statement of financial position liability method based on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. In calculating the deferred tax assets and liabilities, the tax rates used are those that have been enacted or substantively enacted by each reporting date in each of the jurisdictions and that are expected to apply when the assets are recovered or the liabilities are settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred tax liabilities are recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences with the exception of the following items:

- Temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the Company is able to control the timing of the reversal of temporary differences and such reversals are not probable in the foreseeable future;
- Temporary differences associated with goodwill;
- Temporary differences that arise on the initial recognition of assets and liabilities in a transaction that is not a business combination and has no impact on either accounting profit or taxable profit; and
- Deferred tax assets are only recognized to the extent that it is probable that sufficient taxable profits exist in future periods against which the deductible temporary differences can be utilized.

The probability that sufficient taxable profits exist in future periods against which the deferred tax assets can be utilized is reassessed at each reporting date. The amount of deferred tax assets recognized is adjusted accordingly.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and where the Company has the legal right to offset them.

Current and deferred taxes that relate to items recognized directly to equity are also recognized in equity. All other taxes are recognized in income tax expense in the consolidated statements of loss and comprehensive loss.

### **Income (Loss) per share**

Basic income (loss) per share amounts are calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated using the treasury method, which assumes that all outstanding stock option grants and warrants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

### **Financial instruments**

#### *(a) Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company

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

*(b) Measurement*

**Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

**Financial assets and liabilities at amortized cost**

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

**Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

*(c) Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The Company applies the simplified method and measures a loss allowance equal to the lifetime expected credit losses for trade receivables.

The Company recognizes in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was \$nil as at December 31, 2019.

**Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of loss and comprehensive loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

## **Adoption of New Accounting Standards**

IFRS 16, Leases (“IFRS 16”) was adopted as of January 1, 2019. Until December 31, 2018, payments made under operating leases (net of any incentives received from the lessor) were required to be charged to profit or loss on a straight-line basis over the period of the lease under IAS 17, Leases. Effective for reporting periods beginning on or after January 1, 2019, IFRS 16 now requires operating leases to be recognized on the consolidated statement of financial position as a right-of-use asset and as a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is then to be allocated between the lease liability and finance cost, with the finance cost charged to comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is to be depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are to be initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is to be used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Subsequent to initial measurement, the liability would be reduced for payments made and increased for interest and remeasured to reflect any reassessment or modifications, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is to be reflected in the right-of-use asset, or comprehensive loss if the right-of-use asset is already reduced to zero. The right of use asset is recorded at the amount of the lease liability adjusted by the amount of any previously recognized prepaid or accrued lease payments related to that lease. Payments associated with short-term leases (12 months or less) and leases of low-value assets (less than \$5,000) can continue to be recognized on a straight-line basis as an expense in comprehensive loss. IFRS 16 can be adopted on either a full retrospective basis or on a modified retrospective basis with the cumulative effect of applying the standard recognized as an adjustment to the opening accumulated deficit at the date of initial adoption.

The Company adopted IFRS 16 on a modified retrospective basis from January 1, 2019, with no restatement of comparatives, as permitted under the specific transitional provisions in the standard. As the adoption of this new standard has no material effect on the financial statements, no adjustments have been reflected in these financial statements on adoption of the standard. The Company has a contract for its virtual office space in Toronto, Ontario, that expires on November 30, 2020. This contract does not qualify as a lease under IFRS 16. In addition, the Company has arrangements in place with third parties that enable those third parties to access and use certain land and infrastructure at Mount Pleasant. The annual income from these arrangements is \$27,600 and this amount has been recognized in mineral property expenses within the Consolidated Statements of Loss and Comprehensive Loss.

## **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

### ***Impairment of long-lived assets***

When there are indications that an asset or a reversal of a previously taken impairment may be impaired, the Company is required to estimate the asset’s recoverable amount. The recoverable amount is the greater of value in use and fair value less costs of disposal. Determining the recoverable amount requires the Company to estimate the expected future cash flows associated with the assets and a suitable discount rate in order to calculate present

value. The Company has determined that there are no impairment indicators or reversal of impairment indicators of non-financial assets during the year ended December 31, 2019.

The Company holds a 100% interest in the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area. Within the mineral rights area, the Company owns approximately 405 hectares of land.

***Provision for environmental rehabilitation***

Part of the land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan and will be required to incur costs associated with certain required decommissioning and restoration activities when the Property enters closure. Management has determined that it is not currently able to reliably estimate the amount of these obligations and hence has not recognized a provision as at December 31, 2019 due to the uncertainties related to the amounts and expected timing of any future cash flows associated with these obligations because the company is still in the exploration and evaluation phase of the project. When management determines that a reliable estimate can be made, the Company will be required to estimate and recognize a provision for its closure obligations and such a provision is expected to be material. The Company's closure obligation is currently secured by a form of lien titled "collateral mortgage" to the Province of New Brunswick for \$2 million on the 22 hectares of land on which the mine site and primary buildings are located. The collateral mortgage was originally entered into by the previous owner of the Property in 1993. The Company is in discussions with the relevant authorities in respect of whether this security remains appropriate.

The Company's Mount Pleasant property is governed by an Approval to Operate, which was originally granted by the New Brunswick Ministry of Environment ("the Department") in November 2007 and was valid until September 2012. The approval to operate was renewed as of October 1, 2012, updated on July 16, 2014 and was valid until September 30, 2017. The approval to operate was renewed as of October 1, 2017 and is valid until September 30, 2022. Under the terms of the Approval to Operate, the Company has been granted permission by the Ministry of Environment to operate the Property, Tailings Impoundment Facility and Mine Water Treatment Plant on a "Care and Maintenance" basis. Under the Approval to Operate, the Company is also permitted to carry out exploration activities and metallurgical test work on its Mount Pleasant property.

The Company is required under the Approval to Operate to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and to provide the Ministry of Environment with monthly water quality monitoring reports and the results of water sampling and testing, and in perpetuity, to treat the water run-off. As the Company's activities currently do not affect the nature and amount of this run-off, and as the Property remains in care and maintenance rather than closure, the Company treats these costs as period expenses and has made no provision for this on-going activity. In addition to these monthly, and certain annual monitoring and reporting requirements, the Company is required to:

- Construct a new sludge disposal cell anytime before the Company resumes operation at the Mine site.
- Submit to the relevant authorities an Environmental Effect Monitoring study for the watershed by November 30, 2020.

During the year ended December 31, 2019, the Company was required to submit to the relevant authorities a report detailing the potential impacts to the environment of the exposed tailings contained in the tailings impoundment area. The impact study was carried out and the work was completed for both air and water studies and was submitted to the Government of New Brunswick for approval.

When the Company's Mount Pleasant property is no longer in the exploration and evaluation phase a provision for water quality monitoring costs will be calculated and recognized. Failure to meet or to agree with the relevant authorities on extensions to the deadlines for these activities could result in consequences to the Company's Approval to Operate.

The Company previously held reclamation bonds, which consisted of Province of New Brunswick, 8.5% bonds. The bonds were pledged as security under environmental regulations with the Province of New Brunswick to ensure adequate funding is available for perpetuity to treat the acid water run-off from the abandoned Mount Pleasant mine workings. The bonds were held for the benefit of the Company, and interest was paid bi-annually into a cash-on-deposit account, and was disbursed at the discretion of the Ministry of Finance of the Province of New Brunswick. Since the

maturity date of the bonds (June 28, 2013), the funds have been held on account with the Province of New Brunswick and will be redeployed as per the requirements of the Department of Environment. At December 31, 2019, \$1,058,839 was held on a cash-on-deposit account of the Province of New Brunswick (\$1,041,542- at December 31, 2018).

The Company may face a review of its posted security by the Ministry of Environment when the Company advances to feasibility studies on its mineral deposits or commences the dewatering of the past-producing underground tungsten mine located on the Mount Pleasant property. Dewatering activities may also trigger a provincial Environmental Impact Assessment (“EIA”) and may require the Company to upgrade its current Mine Water Treatment Plant. Under the previous Approval to Operate, the Company was required to register a project under the EIA Regulation for the dewatering/reopening of the mine or for the construction of a new or upgraded mine water treatment plant by July 31, 2015, later extended to March 31, 2016. On April 4, 2016, the Company was able to obtain a further extension of 60 days subject to continuing consultations with the provincial Ministry of Environment relating to the submission of the EIA. The current EIA has expired; however, as the Company has put the Property on a care and maintenance basis, the Company is not pursuing the EIA registration. The Company continues providing monthly water quality monitoring reports and continues to monitor the developments in order to ascertain any changes that may be required with respect to the existing security, or any obligations that may arise under an EIA.

#### 4. TAILINGS IMPOUNDMENT FACILITY

<b>Mount Pleasant Property, New Brunswick</b>	Tailings impoundment facility upgrade \$	Total \$
Balance, January 1, 2018	749,206	749,206
Additions	-	-
Depreciation for the year	39,432	39,432
Balance, December 31, 2018	709,774	709,774
Additions	-	-
Depreciation for the year	39,432	39,432
<b>Balance, December 31, 2019</b>	<b>670,342</b>	<b>670,342</b>

For the year ended December 31, 2019, the amount of amortization charged to mineral property expenses for the Tailings Impoundment Facility was \$39,432 (\$39,432 for the year ended December 31, 2018).

## 5. PROPERTY PLANT AND EQUIPMENT

	Equipment and Facility refurbishments	Total
<b>Cost</b>	\$	\$
Balance as at January 1, 2018	142,503	142,503
Additions	-	-
Balance as at December 31, 2018	142,503	142,503
Additions	-	-
Balance as at December 31, 2019	142,503	142,503

	Equipment and Facility refurbishments	Total
<b>Accumulated depreciation</b>	\$	\$
Balance as at January 1, 2018	119,075	119,075
Depreciation for the year	6,011	6,011
Balance as at December 31, 2018	125,086	125,086
Depreciation for the period	6,011	6,011
Balance as at December 31, 2019	131,097	131,097

	Equipment and Facility refurbishments	Total
<b>Carrying amounts</b>	\$	\$
As at January 1, 2018	23,428	23,428
As at December 31, 2018	17,417	17,417
As at December 31, 2019	11,406	11,406

For the year ended December 31, 2019, the amount of amortization charged to mineral property expenses is \$6,011 (\$6,011 for the year ended December 31, 2018).

## 6. SHAREHOLDERS' DEFICIT

### Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at December 31, 2019, the Company had 677,211,441 common shares, of no par value, issued and outstanding.

	Number of shares	Amount \$
<b>December 31, 2018 and December 31, 2019</b>	<b>677,211,441</b>	<b>55,889,583</b>

On October 19, 2010 the Company completed a private placement (the "Private Placement") transaction with Great Harvest of 40,000,000 units (the "Units") at a price of \$0.12 per unit, with each Unit consisting of one common share of Adex and one common share purchase warrant (a "Series A Warrant"), raising gross proceeds of \$4.8 million. On May 17, 2011, 40,000,000 Series A warrants were exercised, providing gross proceeds of \$7,200,000.

Other transactions contemplated in the Private Placement agreement with Great Harvest include requiring Great Harvest, subject to (i) the results of the definitive feasibility study (“DFS”) being satisfactory to Great Harvest and (ii) the then capital requirements of the Company as determined at the relevant time by the board of directors of the Company, to provide or arrange for the provision to the Company of loan facilities (the “Facilities”) in an aggregate amount of up to \$50,000,000 to be used for the commercial development of the Property, on such terms and conditions as may be agreed upon between the Company and the relevant financier(s). If an aggregate minimum of \$10 million of the Facilities are made available to be drawn down by the Company within 180 days of the delivery to Great Harvest of the report of the results of the Feasibility Study, Great Harvest will have the right (the “Share Purchase Right”) to purchase, within 40 days of the Facilities being available to be drawn down by the Company, 1.2 common shares for each dollar of the facilities made available to be drawn down by the Company within one year of the completion of the Feasibility Study. The exercise price per common share pursuant to the Share Purchase Right will be equal to the volume weighted average trading price of the common shares on the TSX Venture Exchange (the “TSXV”) for the five trading days ending the day immediately prior to the Facilities being available to be drawn down by the Company less the maximum discount there from permitted by the TSXV. The maximum number of common shares issuable pursuant to the Share Purchase Right is 60,000,000. The issuance of common shares pursuant to the exercise of the Share Purchase Right will be subject to further approval of the TSXV to be obtained following the Share Purchase Right becoming exercisable.

### Contributed Surplus

	Amount \$
<b>December 31, 2019 and December 31, 2018</b>	<b>2,879,322</b>

### Stock options

On April 26, 2007, the shareholders approved a rolling stock option plan (the “Stock Option Plan”) for the Company. The Stock Option Plan has been re-approved annually.

The Stock Option Plan allows the Company to issue options to a maximum of 10% of the issued and outstanding common shares of the Company. Options will be exercisable over periods of up to ten years as determined by the Board. Options are required to have an exercise price of no less than the closing market price of the common shares of the Company on the last trading day immediately preceding the date of the grant of the stock option less any discounts from the market price allowed by the TSXV.

On December 31, 2018, 4,700,000 common share options with an exercise price of \$0.05 per common share expired unexercised.

The following summary sets out the activity in outstanding common share stock options for the year ended December 31, 2019:

	Options #	Weighted- average exercise price \$
Outstanding, January 1, 2018	4,700,000	0.05
Options expired unexercised	(4,700,000)	0.05
<b>Outstanding, December 31, 2018</b>	<b>-</b>	<b>-</b>
<b>Outstanding, December 31, 2019</b>	<b>-</b>	<b>-</b>
<b>Options exercisable at December 31, 2019</b>	<b>-</b>	<b>-</b>

## 7. ADMINISTRATIVE AND GENERAL EXPENSES

The following table illustrates spending activity related to administrative and general expenses for the year ended December 31, 2019:

	For the year ended December 31	
	2019	2018
	\$	\$
Wages, benefits and consulting (note 9)	37,800	37,800
Professional fees (legal & audit)	70,297	90,663
Directors fees (note 9)	113,728	117,004
Office rent	3,378	2,828
Shareholder communications & promotion	5,597	7,936
Annual meeting costs	22,327	41,429
Office costs	9,272	17,566
Regulatory and filing fees	9,422	8,932
Insurance	24,203	26,392
	<b>296,024</b>	<b>350,550</b>

## 8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel remuneration comprises the Company's President and Chief Executive Officer and Chief Financial Officer.

During the year ended December 31, 2018, the Company's Board of Directors approved the forgiveness of certain director's fees and the Chief Executive Officer's compensation payable as at September 30, 2017 (\$401,300). The Directors and Chief Executive Officer for which the director's fees and compensation have been forgiven are members of management of Great Harvest, the company's controlling shareholder. Accordingly, the forgiveness of these expenses has been recognized in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2018. In addition, subsequent to September 30, 2017, the Company has not been charged by its certain Directors and the Chief Executive Officer (representatives of Great Harvest) for certain director's fees and for the Chief Executive Officer's compensation. Accordingly, the Company has not recognized expenses for these costs.

For the year ended December 31, 2019 the Company incurred related party expenses of \$40,800 (\$37,800 during the year ended December 31, 2018). These expenses related to the payment of wages, benefits and consulting fees to the Company's Chief Financial Officer.

During the year ended December 31, 2019, the Company incurred directors' fees of \$113,728 (\$117,004 during the year ended December 31, 2018). These amounts were expensed in the period incurred as administrative and general expenses.

Great Harvest, the Company's largest shareholder with 81.88% of the Company's common shares, is controlled by two of the Company's directors, one of whom also acts as the President and Chief Executive Officer. During the year ended December 31, 2019, the Company incurred expenses of \$Nil (2018-\$16,152) from Great Harvest for travel, administrative and project expenses.

All trade balances due to related parties, except for loans from Great Harvest, bear no interest and have no fixed terms of repayment.

On July 8, 2016, Great Harvest Canadian Investment Company Limited ("Great Harvest"), the controlling shareholder of the Company, and the Company entered into a loan agreement whereby Great Harvest extended a loan to the Company in the amount of US\$1,000,000. The loan could be advanced in one or more instalments. The first instalment of US\$200,000 was received on July 29, 2016; the second instalment of US\$200,000 was received

on October 11, 2016; the third instalment of US\$200,000 was received on February 27, 2017; the fourth instalment of US\$150,000 was received on May 17, 2017; the fifth instalment of US\$100,000 was received on September 5, 2017 and the sixth instalment was received on November 14, 2017. The loan is unsecured and bears interest at the rate of 8% per annum. On December 31, 2017, the repayment of this loan together with accrued interest was extended to December 31, 2018. On April 26, 2019, Great Harvest, the controlling shareholder approved an extension for the repayment of this loan together with the accrued interest to December 31, 2020.

On January 18, 2018, Great Harvest Canadian Investment Company Limited (“Great Harvest”), the controlling shareholder of the Company, and the Company entered into a loan agreement whereby Great Harvest agreed to provide a new loan to the Company in the amount of up to US\$600,000. The loan could be advanced in one or more instalments. The first instalment of US\$150,000 was received on January 26, 2018; the second instalment of US\$150,000 was received on March 28, 2018, the third instalment of US\$100,000 was received on May 30, 2018, the fourth instalment of US\$100,000 was received on August 16, 2018, and the fifth instalment of US\$100,000 was received on December 3, 2018. The loan is unsecured and bears interest at the rate of 8% per annum. The loan and interest became due and payable on January 19, 2019. On April 26, 2019, Great Harvest, the controlling shareholder approved an extension for the repayment of this loan together with the accrued interest to December 31, 2020.

On March 4, 2019, Great Harvest agreed to advance or otherwise make available to the Company a loan in the principal of up to US\$600,000. The Company is allowed to borrow the loan in one or more instalments at any time and from time to time within one year by issuing a Drawdown Notice. The loan bears interest at the rate of 8% per annum and the Company shall repay the total amount of instalments advanced under the loan in full on March 5, 2020. The first instalment of US\$150,000 was received on March 12, 2019; the second instalment of US\$100,000 was received on May 21, 2019, the third instalment of US\$50,000 was received on August 28, 2019; the fourth instalment of US\$50,000 was received on November 21, 2019, and the fifth instalment of US\$50,000 was received on December 10, 2019. Subsequent to the year end, the Company had further drawdowns from this facility aggregating to US\$200,000.

On April 27, 2020 Great Harvest extended the repayment terms of the loans outstanding at December 31, 2019 and the interest thereon (Note 9) to March 31, 2022.

As at December 31, 2019, the Company had accrued \$431,670 (\$231,542 - at December 31, 2018) for interest on the outstanding loans. The interest payable was included in accrued liabilities as presented in note 9.

On April 27, 2020, Great Harvest agreed to advance or otherwise make available to the Company a loan in the principal of up to US\$600,000. The Company is allowed to borrow the loan in one or more instalments at any time and from time to time within one year by issuing a Drawdown Notice. The loan bears interest at the rate of 8% per annum and the Company shall repay the total amount of instalments advanced under the loan in full on March 31, 2022.

## 9. ACCOUNTS PAYABLE, LOAN, ACCRUALS AND COMMITMENTS AND CONTINGENCIES

As at	December 31 2019	December 31 2018
	\$	\$
Accounts payable	116,863	84,648
Accrued liabilities	575,602	346,075
Loan payable:		
<i>Opening balance</i>	2,182,720	1,254,500
<i>Loan proceeds</i>	524,411	759,071
<i>Foreign exchange (gain)/loss</i>	(109,531)	169,149
Ending balance	<b>2,597,600</b>	2,182,720
	<b>3,290,065</b>	2,613,443

As at December 31, 2019, the Company has three loans payable of US\$1,000,000, US\$600,000, and US\$400,000 that are required to be repaid together with accrued interest on or before March 31, 2022.

## **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### Categories of financial assets and liabilities

The Company's financial instruments included funds held by the Province of New Brunswick, accounts payable and accruals and loan payable.

The fair values of the Company's financial instruments are not materially different from their carrying value.

### Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

#### **(a) Market risk**

##### *(i) 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 Company's interest rate risk is minimal. A change in interest rates would have minimal effect on the value of, and/or the proceeds from, the Company's funds held by the Province of New Brunswick.

##### *(ii) Sensitivity analysis*

IFRS requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis discloses the possibility of an effect on the reported loss at December 31, 2019 assuming that a reasonably possible change in the relevant risk variable has occurred at December 31, 2019 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities (where available) or historical data.

The Company holds investments in cash and funds held by the Province of New Brunswick which are subject to variable interest rates. Any changes in interest rates will not give rise to significant changes to the net loss.

At December 31, 2019, a change in the value of tungsten, molybdenum, tin, indium or zinc would not change the recognized value of any of the Company's financial instruments.

#### **(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables. The Company endeavours to mitigate credit risk by holding its cash and cash equivalents with major commercial banks with strong credit ratings. The carrying amounts of financial assets recorded in the unaudited condensed consolidated interim financial statements represent the Company's maximum exposure to credit risk.

The Company maintains a cash balance on deposit with the Province of New Brunswick (see Note 3) and does not consider this as a significant credit risk.

**(c) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. At December 31, 2019, the Company had a cash balance of \$10,505 (December 31, 2018 – \$76,997).

The Company has forecasted cash flows for its 2020 fiscal year. The forecast is based on management's best estimates of operating conditions in the context of current economic conditions and today's capital market climate.

The Company is currently focused on exploring and developing its Mount Pleasant Property and has not generated revenue or cash flow from this project. The Company's sole source of funding to this point has been the issuance of equity and related party debt securities. The Company has limited financial resources and no current source of recurring revenue and continues to rely on the issuance of shares or other sources of financing to generate the funds required to complete the re-development, commissioning and commencement of production of the Mount Pleasant property and corporate expenditures.

Additional funding would be required to complete the construction, commissioning or operations of the Mount Pleasant property and there is no assurance that such additional funding will be available to the Company. Should such funding be required, failure to obtain funding could result in delay or indefinite postponement of the development of the Mount Pleasant property.

**(d) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

**(e) Commodity price risk**

The feasibility of mineral exploration is significantly affected by changes in the market price of the minerals expected to be produced. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of minerals and stability of exchange rates can all cause significant fluctuations in mineral prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

**(f) Exchange rate risk**

The Company is exposed to foreign currency risk as it has loans payable denominated in US dollars. As a result, fluctuations in the rate of exchange between US and Canadian dollars can have an effect on the Company's reported results. The Company has not utilized any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates. The Canadian dollar equivalent of the Company's net liability value denominated in US dollars as at December 31, 2019 was \$2,597,600. Accordingly, a 10% increase or decrease in the exchange rate between US and Canadian dollars would impact net loss by approximately \$259,760.

## 11. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain adequate levels of funding to support evaluation and development projects, to expand regional exploration activities within the Property and to maintain corporate and administrative functions.

At December 31, 2019, the Company's capital consists of the shareholders' deficit in the amount of \$1,401,270 (December 31, 2018 - \$666,883).

The Company manages its capital structure in a manner that provides sufficient funding for project evaluation and development and operational activities. Funds are primarily secured through the issue and sale of common shares. There can be no assurances that the Company will be able to continue to provide adequate funds in this manner.

The Company maintains minimal surplus capital and therefore does not have significant non-cash investments. All working capital for immediate needs is invested in liquid and highly rated financial instruments, such as money market funds with major Canadian financial institutions. At December 31, 2019, the Company had cash of \$10,505 (at December 31, 2018 the balance of cash was \$76,997).

## 12. INCOME TAXES

The major components of income tax expense for the years ended December 2019 and 2018 are:

### Consolidated statement of loss and comprehensive loss

The major components of the income tax expense are as follows:

	2019	2018
	\$	\$
Current income tax	-	-
Deferred income tax	-	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

A reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2019 and December 31, 2018 is as follows:

	2019	2018
	\$	\$
<b>Accounting loss before income tax</b>	<b>767,719</b>	<b>585,452</b>
Canadian statutory income tax rate	26.50%	26.50%
	203,446	155,145
Tax effect of unrecognized temporary differences	(203,446)	(155,145)
<b>Total income tax recovery (expense)</b>	<b>-</b>	<b>-</b>

The tax benefit of the following unused tax losses and deductible temporary differences has not been recognized in the financial statements due to the unpredictability of future earnings.

	December 31, 2019	December 31, 2018
	\$	\$
Deductible temporary differences		
Non-capital losses carried forward	<b>17,958,000</b>	17,183,000
Mineral property tax value in excess of book value	<b>17,697,164</b>	17,646,521
Investment tax credits	<b>144,112</b>	144,112
Share issuance costs	-	55,949
	<b>35,799,276</b>	<b>35,029,582</b>

At December 31, 2019, the Company has share issuance expenses of \$Nil (December 31, 2018- \$55,949) and Canadian non-capital losses of approximately \$17,958,000 (December 31, 2018 - \$17,183,000) expiring as follows:

	\$
2026	320,000
2027	1,878,000
2028	1,273,000
2029	1,724,000
2030	2,553,000
2031	1,763,000
2032	1,720,000
2033	1,866,000
2034	217,000
2035	1,322,000
2036	1,028,000
2037	928,000
2038	591,000
2039	775,000
	17,958,000

The Company also has \$144,112 of investment tax credits which expire in 2029 and 2030.

### 13. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. There is significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our ability to raise further financing. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments or quantify the impact this pandemic may have on the financial results and condition of the Company in future periods.

On April 24, 2020, the Company received an aggregate of \$80,000 in the form of Canada Emergency Business Support loans. These loans are interest free if fully repaid on or before December 31, 2022. If the loan cannot be repaid by December 31, 2022, it will be converted into a 3-year term loan, charging an interest rate of 5% per annum.

On April 27, 2020, Great Harvest extended the maturity and repayment date of all of the loans outstanding as at December 31, 2019 and the interest thereon (Note 9) to March 31, 2022.

On April 27, 2020, Great Harvest agreed to advance or otherwise make available to the Company a loan in the principal of up to US\$600,000. The Company is allowed to borrow the loan in one or more instalments at any time and from time to time within one year by issuing a Drawdown Notice. The loan bears interest at the rate of 8% per annum and the Company shall repay the total amount of instalments advanced under the loan in full on March 31, 2022.