

Audited Consolidated Financial Statements of

EXGEN RESOURCES INC.

Years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ExGen Resources Inc.

Opinion

We have audited the consolidated financial statements of ExGen Resources Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated 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 (collectively referred to as the "financial statements").

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, and 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.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company has incurred losses and negative operating cash flows since inception and the Company's ability to continue its operations is dependent on its ability to raise additional equity financing and to generate operational cash flow from commercial services revenue.

As stated in Note 1 in the financial statements, these events and conditions, along with other matters as set forth in Note 1 in the financial statements, 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.

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 March 27, 2018.

Other Information

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

Our opinion on the financial statements does not cover the other information and will not express 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 the 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 judgment 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 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 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 on the audit resulting in this independent auditor's report is David Goertz.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2019

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

EXGEN RESOURCES INC.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at December 31,

	2018	2017
Assets		
Current assets:		
Cash	\$ 269,988	\$ 313,070
GST receivable	10,203	9,529
Share subscription receivable (notes 8(b) and 14)	265,000	-
Prepaid expenses	7,970	6,850
	<hr/> 533,161	<hr/> 329,449
Deposits (note 4)	46,888	43,120
Marketable securities (note 5)	560,993	822,092
Investment in associate (note 6)	282,397	305,957
Mineral properties (note 7)	17,380	175,531
	<hr/>	<hr/>
Total assets	\$ 1,460,819	\$ 1,676,149
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable (note 9)	\$ 38,268	\$ 54,383
Accrued liabilities (notes 9 and 11)	173,910	136,347
	<hr/> 212,178	<hr/> 190,730
Shareholders' equity:		
Share capital (note 8)	20,216,265	20,092,265
Warrants reserve (note 8)	495,422	309,422
Contributed surplus	3,977,292	3,977,292
Accumulated other comprehensive income (loss)	(215,632)	173,867
Deficit	(23,224,706)	(23,067,427)
	<hr/>	<hr/>
Total shareholders' equity	1,248,641	1,485,419
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 1,460,819	\$ 1,676,149

Going concern (note 1)

Commitments and contingencies (notes 7 and 11)

Subsequent event (note 14)

On behalf of the Board:

(Signed) "Jason Riley" _____ Director

(Signed) "Gerald Roe" _____ Director

See accompanying notes to consolidated financial statements.

EXGEN RESOURCES INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

Years ended December 31,

	2018	2017
Expenses and other items:		
Share-based payments (notes 8(b), 8(e) and 9)	\$ -	\$ 332,000
Impairment of mineral properties (note 7)	56,536	162,211
(Reversal) of impairment of mineral properties (note 7)	-	(171,228)
Additional consideration on mineral property (note 7)	(126,000)	-
General and administrative (note 9)	139,123	106,220
Professional fees	81,006	68,554
Flow through tax expense	-	5,302
Foreign exchange gain	(15,196)	(187)
	135,469	502,872
Share of loss of associate (note 6)	21,810	17,869
Loss arising on loss of control of Konnex (note 6)	-	1,148,422
Loss before taxes	157,279	1,669,163
Income tax (recovery) (note 10)	-	(35,000)
Net loss	157,279	1,634,163
Other comprehensive (income) loss		
Unrealized gain (loss) on investments in marketable securities (note 5)	387,749	(257,092)
Foreign currency translation of equity accounted investee (note 6)	1,750	(1,775)
	389,499	(258,867)
Income tax expense (note 10)	-	35,000
	389,499	(223,867)
Total comprehensive loss	\$ 546,778	\$ 1,410,296
Net loss per share - basic and diluted	\$ 0.00	\$ 0.00

See accompanying notes to consolidated financial statements.

EXGEN RESOURCES INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Warrants reserve	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
December 31, 2016	323,630,080	\$ 19,692,765	\$ 204,422	\$ 3,977,292	\$ (50,000)	\$ (21,433,264)	\$ 2,391,215
Asset acquisition	1,500,000	22,500	-	-	-	-	22,500
Share issuance	3,000,000	45,000	105,000	-	-	-	150,000
Share-based payments	16,600,000	332,000	-	-	-	-	332,000
Comprehensive income (loss)	-	-	-	-	223,867	(1,634,163)	(1,410,296)
December 31, 2017	344,730,080	\$ 20,092,265	\$ 309,422	\$ 3,977,292	\$ 173,867	\$ (23,067,427)	\$ 1,485,419
Share issuance	6,200,000	124,000	186,000	-	-	-	310,000
Comprehensive loss	-	-	-	-	(389,499)	(157,279)	(546,778)
December 31, 2018	350,930,080	\$ 20,216,265	\$ 495,422	\$ 3,977,292	\$ (215,632)	\$ (23,224,706)	\$ 1,248,641

See accompanying notes to consolidated financial statements.

EXGEN RESOURCES INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Years ended December 31,

	2018	2017
Cash provided by (used in):		
Operating:		
Net loss for the year	\$ (157,279)	\$ (1,634,163)
Non-cash items:		
Income tax (recovery)	-	(35,000)
Share-based payments	-	332,000
Share of loss of associate	21,810	17,869
Loss arising on loss of control of Konnex	-	1,148,422
Impairment of mineral properties	-	162,211
(Reversal) of impairment of mineral properties	-	(171,228)
Unrealized foreign exchange	(124,708)	3,006
Change in working capital	(251,056)	185,400
	(511,233)	(8,517)
Investing:		
Cash received for option payments	158,151	229,976
Additions to mineral properties	-	(165,000)
	158,151	64,976
Financing:		
Cash received from private placement	310,000	150,000
	310,000	150,000
Change in cash	(43,082)	223,493
Cash beginning of year	313,070	89,577
Cash, end of year	\$ 269,988	\$ 313,070

Supplemental cash flow information:

Accounts payable included in mineral properties	\$ -	\$ 4,680
Fair value of shares issued for acquisition of mineral properties (note 7)	-	22,500

See accompanying notes to consolidated financial statements.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2018 and 2017

1. Nature of Operations

ExGen Resources Inc. (the “Company” or “ExGen”) is incorporated under the laws of the Province of Alberta, Canada. The Company’s head office and registered records office is located at 1240-1140 West Pender Street, Vancouver, British Columbia, V6E 4G1. The Company is engaged in the exploration of copper-gold mineral properties in Canada and the United States. The Company’s properties are currently in the exploration stage. Its common shares trade on the TSX Venture Exchange (“TSX-V”).

These consolidated financial statements have been prepared by management on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

Several adverse conditions indicate the existence of a material uncertainty that may cast significant doubt on the validity of this assumption. At December 31, 2018, the Company had working capital of \$320,983, an accumulated deficit of \$23,224,706, had incurred a net loss of \$157,279 and utilized funds in operations of \$511,233 for the year then ended. The Company has incurred operating losses to date and is currently unable to self-finance any future operations. The Company’s ability to continue as a going concern is dependent upon raising additional capital or evaluating and sourcing strategic partnership alternatives.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary in the statement of financial position carrying values. Such adjustments could be material.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These consolidated financial statements were approved by the Board of Directors on April 29, 2019.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair values and available-for-sale financial assets which are initially recorded at fair value with changes in fair value recorded in other comprehensive income. These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 2

(Expressed in Canadian dollars)

Year ended December 31, 2018 and 2017

2. Basis of Preparation (continued)

(b) Presentational currency

All amounts on the consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates and judgments include:

Estimates:

- i) Amounts recorded for mineral properties represent costs incurred to date and are not intended to reflect present or future fair values. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, future production or proceeds from the disposition thereof.
- ii) The determination of the fair value of stock options or warrants using pricing models require the input of highly subjective assumptions, including the expected price volatility and forfeiture rates. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
- iii) Deferred tax asset and liability calculations require subjective assumptions regarding future income tax rates and the probability of utilization of available tax losses. Changes in these assumptions could have a material impact on these calculations.
- iv) The estimated annual gains or losses from income and dilution on the investment in associate.
- v) The estimated annual gains or losses on the investment in marketable securities.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 3
(Expressed in Canadian dollars)

Year ended December 31, 2018 and 2017

2. Basis of Preparation (continued)

(c) Use of estimates and judgments (continued):

- vi) The determination of the fair value of shares received under option or sale agreements entered into by the Company requires the use of assumptions. Many factors can impact this determination, including if non-public shares, the underlying asset value of the shares or value of the claims under option or sale. The determination is highly subjective.

Judgments:

- i) The Company is required to make significant judgments regarding the capitalization of exploration expenditures on mineral properties. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, whether further exploration plans will change, or whether development of a specific area is unlikely to recover existing exploration costs. If any of these indicators are present, management needs to assess whether the mineral property should be impaired.
- ii) Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Mineral claims may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.
- iii) The Company is required to make judgements with respect to the going concern assumption that the Company will continue in operation for the foreseeable future.

3. Significant accounting policies

The significant accounting policies followed by the Company are summarized as follows:

(a) Basis of consolidation:

These consolidated financial statements comprise the Company and its wholly-owned US subsidiary, 3 Amigos Exploration Inc. and its formerly wholly-owned Canadian subsidiary, Konnex Resources Inc. ("Konnex") up to the date of loss of control, June 29, 2017. On June 29, 2017, the Company's interest in Konnex was reduced to 20% resulting in deconsolidation of Konnex, and Konnex subsequently being accounted for as an associate undertaking (note 6).

Subsidiaries are entities controlled by the Company. Control exists when the Company (i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee and (iii) has the ability to affect those returns through its power over the investee. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions are eliminated on consolidation.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 4
(Expressed in Canadian dollars)

Year ended December 31, 2018 and 2017

3. Significant accounting policies (continued)

(b) Investment in associate:

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. Where change in an investment in a subsidiary results in the company retaining significant influence over the investee, the investee is accounted for using the equity method, and the initial cost of investment in the associate is the fair value of the investment retained in the former subsidiary when control was lost. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate. Intercompany transactions between the Company and an associate are recognized only to the extent of unrelated investors' interests in the associate.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

(c) Mineral properties:

Mineral properties include the costs of exploration and evaluation ("E&E") activities, which consist of cash consideration paid, the fair market value of any shares issued for exploration and mining concessions, mineral property options, contracts and share-based payments directly attributable to exploration and evaluation activities, and also include the cost of activities such as exploration drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. Mineral properties also include the fair value (at acquisition date) of E&E assets acquired in a business combination or an asset acquisition. Acquisition and exploration costs are capitalized and deferred until such time as the property is put into production, or the property is disposed of through sale or abandonment.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 5
(Expressed in Canadian dollars)

Year ended December 31, 2018 and 2017

3. Significant accounting policies (continued)

(c) Mineral properties (continued):

Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred in profit or loss. Proceeds received from partial sales or options of any interest in a property are credited against the carrying value of the property. When proceeds exceed the carrying costs the excess is recorded in profit or loss in the period the excess is received. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration costs are written off to profit or loss. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Mineral properties are tested for impairment before the assets are transferred to development properties. Should a property be put into production, the costs will be depleted on the units-of-production method over the estimated economic life of the mine to which they relate.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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 impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash generating unit"). This generally results in the Company evaluating its non-financial assets on a property-by-property basis.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reduced if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(d) Decommissioning obligation ("DO"):

The Company records the fair value of a DO as a liability in the period in which it incurs a constructive or legal obligation associated with the decommissioning of long-lived assets that result from the acquisition, construction, development, and/or the normal use of the assets. The associated decommissioning costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated in a rational and systematic method over the underlying asset's useful life. Subsequent to the initial measurement of the DOs, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company does not have any material DOs as at December 31, 2018 and 2017.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 6
(Expressed in Canadian dollars)

Year ended December 31, 2018 and 2017

3. Significant accounting policies (continued)

(e) Foreign currency translation:

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated using year-end exchange rates. Non-monetary assets and liabilities are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Exchange gains and losses resulting from the settlement of such transactions and from the translation of assets and liabilities denominated in a currency other than the functional currency are reflected in profit or loss immediately, except for exchange gains and losses arising on available-for-sale equity instruments which are recorded in other comprehensive income.

Assets and liabilities of operations with a functional currency other than the Canadian dollar are translated at the year-end rates of exchange, and the results of its operations are translated at average rates of exchange for the year. The resulting translation adjustments are recognized in other comprehensive income.

(f) Share-based compensation plan:

The Company accounts for all share-based payments using the fair value method, under which an expense is recorded based on the estimated fair value of the equity instrument subject to vesting conditions. Fair value is determined at the time of the grant using the Black-Scholes option-pricing model and are expensed over the vesting period with a corresponding entry to contributed surplus. The fair value is adjusted by the estimate of the number of options that are expected to vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. The expected volatility is based on the historical volatility of the Company's common stock based on the weekly quoted closing trading prices. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis over the applicable vesting period. At each statement of financial position date, the Company reviews its estimate of the number of options that are expected to vest and if a revision is required, the difference is recognized in profit or loss.

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 7
(Expressed in Canadian dollars)

Year ended December 31, 2018 and 2017

3. Significant accounting policies (continued)

(f) Share-based compensation plan (continued):

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioral considerations.

Upon the exercise of the stock options, the consideration received together with the amount previously recognized in contributed surplus is recorded as an increase in share capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(g) Loss per share:

Basic per share information is calculated on the basis of the weighted average number of common shares outstanding during the year.

Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options and warrants assuming proceeds would be used to repurchase shares at average market prices for the period. Anti-dilutive options and warrants are not included in the calculation. There were no dilutive options or warrants as at December 31, 2018 and 2017.

(h) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Proceeds related to the issue of units are allocated between the common shares and warrants on a residual basis. Under this method, the proceeds are allocated first to the common shares based on the fair value as determined by the quoted bid price and any residual value is allocated to the warrants reserve.

i) Flow-through shares:

The resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. When flow-through shares are issued, the difference between the proceeds and the ordinary common share value is recorded as a flow-through share premium liability. When the flow-through expenditures are incurred and renounced, the share premium liability is recognized as other income and the deferred income tax liability is charged to deferred income tax expense.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 8
(Expressed in Canadian dollars)

Year ended December 31, 2018 and 2017

3. Significant accounting policies (continued)

i) Flow-through shares (continued):

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense

(j) Income taxes:

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 year, using tax rates enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax assets and liabilities are determined based on temporary differences between the accounting basis and the tax basis of the underlying assets and liabilities and losses carried forward and are measured using the substantively enacted tax rates and laws expected to apply when these differences reverse. Deferred tax assets are recorded in the consolidated financial statements to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related deferred tax benefit will be realized.

(k) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term deposits with an original maturity date of ninety days or less, or redeemable on demand. As at December 31, 2017 and 2016 the Company did not have any cash equivalents.

(l) Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) 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 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 if the Company has opted to measure them at FVTPL.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 9
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Year ended December 31, 2018 and 2017

3. Significant accounting policies (continued)

(l) Financial Instruments (continued)

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

Financial asset/ liability	Original classification IAS 39	New classification IFRS 9
Cash	Fair value through profit and loss	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Investment in associate	Fair value through other comprehensive income	Fair value through other comprehensive income
Marketable securities	Fair value through other comprehensive income	Fair value through other comprehensive income

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost:

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

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 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 statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI:

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI:

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

EXGEN RESOURCES INC.

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3. Significant accounting policies (continued)

(l) Financial Instruments (continued)

(iii) 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. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the 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.

(iv) Derecognition

Financial assets:

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities:

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

4. Deposits

Deposits include \$46,888 (2017 - \$43,120) placed with government entities to provide surface reclamation coverage for operations conducted and also to ensure sufficient work commitments to keep claims in good standing.

5. Investments in marketable securities

As at December 31, 2018, the Company held 1,330,000 shares (2017 – 11,300,000 shares) in Phoenix Mining Global Ltd. (“Phoenix”). The shares were received as part of the two option agreements signed with Phoenix (see note 7). Marketable securities are measured at fair value by reference to quoted stock prices. During the period ended December 31, 2018, the Company recorded an unrealized loss of \$387,749 (2017 - \$257,092).

	December 31, 2018	December 31, 2017
Opening balance	\$ 822,092	\$ 565,000
Shares received from option agreement (Note 7)	126,650	-
Unrealized gain (loss)	(387,749)	257,092
Ending balance	\$ 560,993	\$ 822,092

EXGEN RESOURCES INC.

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Year ended December 31, 2018 and 2017

6. Investment in associate

On June 29, 2017, Phoenix exercised its option to acquire an 80% ownership in Konnex. Konnex is involved in exploration and evaluation of mineral properties and holds title to the Empire Mine property located in the United States (see note 7). The acquisition by Phoenix diluted the Company's ownership in Konnex from 100% to 20% resulting in deconsolidation of Konnex and accordingly the Company's interest in Konnex was, for the remainder of the period, recorded as an investment in an associate accounted for using the equity method. The opening equity investment cost in Konnex, at June 29, 2017, is recorded at the fair value of the investment retained at the point of when control was lost. The change in control and resultant deconsolidation of Konnex gave rise to a loss of control of \$1,148,422.

	For the year ended December 31, 2018	For the period from June 29 to December 31, 2017
Investment in Konnex		
Opening balance	\$ 305,957	\$ 322,051
Share of loss of Konnex	(21,810)	(17,869)
Equity – other comprehensive income	(1,750)	1,775
Ending balance	\$ 282,397	\$ 305,957

As at	December 31, 2018	December 31, 2017
Current assets ¹	\$ 89,596	\$ 147,690
Non-current assets	10,843,736	4,553,642
Current liabilities	(466,257)	(181,825)
Non-current liabilities	(9,477,991)	(3,504,377)
Net assets	989,084	1,015,130
The Company's share of net assets – 20%	\$ 197,817	\$ 203,026

¹ Inclusive of Cash of \$31,729 at December 31, 2018 (\$145,493 – December 31, 2017).

7. Mineral properties

Expenditures by activity:

	December 31, 2017	(Proceeds)	December 31, 2018
Property acquisitions(recoveries)	\$ 3,974,206	\$ (158,151)	\$ 3,816,055
Lease costs, net of reversals	1,906,003	-	1,906,003
Geological and geophysical services	6,270,302	-	6,270,302
Drilling	3,772,553	-	3,772,553
Impairment	(14,277,059)	-	(14,277,059)
Deconsolidation	(1,470,474)	-	(1,470,474)
	\$ 175,531	\$ (158,151)	\$ 17,380

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 12
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Year ended December 31, 2018 and 2017

7. Mineral properties (continued)

Expenditures by activity:

	December 31, 2016	Additions (Proceeds) / (Deconsolidation) / (Impairment)	December 31, 2017
Property acquisitions and (recoveries)	\$ 4,204,182	\$ (229,976)	\$ 3,974,206
Lease costs, net of reversals	1,775,009	130,994	1,906,003
Geological and geophysical services	6,234,782	35,520	6,270,302
Drilling	3,772,553	-	3,772,553
Impairment	(14,286,076)	(162,211)	(14,448,287)
Reversal of impairment	-	171,228	171,228
Deconsolidation	-	(1,470,474)	(1,470,474)
	\$ 1,700,450	\$ (1,524,919)	\$ 175,531

Expenditures by property:

	December 31, 2017	Additions / (Proceeds)	(Impairment) / Reversal of Impairment	December 31, 2018
Boss	\$ -	\$ -	\$ -	\$ -
Buena Vista	-	-	-	-
Gordon Lake	175,531	(158,151)	-	17,380
DOK	-	-	-	-
East Breccia	-	-	-	-
	\$ 175,531	\$ (158,151)	\$ -	\$ 17,380

Expenditures by property:

	December 31, 2016	Additions / (Proceeds)	(Impairment) / Reversal of Impairment	December 31, 2017
Boss	\$ -	\$ 105,274	\$ (105,274)	\$ -
Empire Mine	1,700,450	(1,700,450)	-	-
Buena Vista	-	11,672	(11,672)	-
Gordon Lake	-	4,303	171,228	175,531
DOK	-	22,765	(22,765)	-
East Breccia	-	22,500	(22,500)	-
	\$ 1,700,450	\$ (1,533,936)	9,017	\$ 175,531

¹ Comprised of recoveries of \$229,976 and deconsolidation of \$1,470,474.

The Company has no current mineral resources or mineral reserves on any of its properties.

United States Properties

Boss Property

The Company's 100% owned Boss property consists of a lease agreement with a patented claim owner, as well as 2 unpatented mineral claims. The agreement provides for advance royalty payments of \$1,500 per month. On commencement of production, the advance royalty will be converted to a production royalty, which will be equal to a 1.5% Net Smelter Returns ("NSR") royalty on commercial production. The owner can convert the advance royalty payments to a 20% working interest at any time before completion of a feasibility study.

EXGEN RESOURCES INC.

Notes to Consolidated Financial Statements, Page 13
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Year ended December 31, 2018 and 2017

7. Mineral properties (continued)

During the year ended December 31, 2018, the Company has extended the lease agreement to December 31, 2020. The Company has prepaid monthly lease payments up to December 31, 2020 (see note 4).

During the year ended December 31, 2018, the Company wrote down the capitalized exploration and evaluation expenditures of the property in the amount of \$1,573 (2017 - \$105,274). The write-down was taken due to uncertainty regarding further development of the property.

Empire Mine

The Company obtained the option to acquire the Empire mine project through its acquisition of Konnex. Pursuant to an option and exploration agreement, ExGen was required to issue 5,000,000 shares on or before April 1, 2014 and was required to pay \$950,000 in cash on or before July 1, 2015, to earn a 95% interest in the property. The Company was also able to elect to pay an additional \$225,000 on or before July 1, 2015, to earn the final 5% interest, and therefore hold a 100% interest in the property. If the Company held a 100% interest, the Company was required to pay a 2% NSR royalty to the optioner. The Empire Mine project was also subject to a 2.5% NSR royalty.

Pursuant to the amended terms, the option may be exercised with Konnex earning a 100% interest in the Property.

All required payments were completed as at April 20, 2015 and the Company earned a 100% interest in the property.

As consideration for the Amendments, the Company has agreed to make milestone payments to Musgrove as follows:

- i) Cash payment of \$100,000 on completion of a NI 43-101 compliant Pre-Feasibility Study; and
- ii) \$250,000 per 100 million pounds of copper reserves, as determined by a NI 43-101 compliant Bankable Feasibility Study.

These lease payments are the obligation of Konnex, subsequent to the change in control.

On July 15, 2015, ExGen, together with Konnex signed an option agreement ("Original Agreement") with Phoenix, for Phoenix to secure an option to acquire 80% of the issued shares of Konnex, which holds the leases to the Empire Mine Project. On November 9, 2016, ExGen, together with Konnex signed an amended option agreement ("Amended Agreement") with Phoenix on the terms and conditions noted below, including a term requiring the return of the Konnex common shares to ExGen in certain circumstances, as discussed further below. The terms of the original option with Phoenix remain in place except as amended below.

EXGEN RESOURCES INC.

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Year ended December 31, 2018 and 2017

7. Mineral properties (continued)

Project Participation

- Upon the deposit by Phoenix of \$1,000,000 USD into the Konnex bank account (discussed below under Project Expenditures by Phoenix), 80% of Konnex's common shares will be transferred to Phoenix.
- ExGen to retain a 20% carried interest until commencement of mine construction.
- ExGen to be granted a 2.5% net smelter returns royalty for all metals on the Empire Mine Project (the "2.5% NSR").
- If any of the cash or share payments, or project expenditure requirements, both as described below, are not completed as required pursuant to the Original Option as amended by the Amendment, or if the Original Option is terminated, then the 80% of the Konnex common shares will be returned to ExGen without ExGen paying any consideration.

Cash and Shares

- ExGen to be paid a cash payment of \$50,000 USD on signing the Original Agreement (received).
- ExGen to be issued 5,000,000 common shares of Phoenix on signing the Original Agreement (received – see note 5).
- ExGen to be paid a cash payment of \$50,000 USD within 60 days of signing the Original Agreement (received).
- ExGen to be paid a cash payment of \$50,000 USD on signing the Amended Agreement (received).
- ExGen to be issued an additional 5,000,000 common shares of Phoenix and an additional 1,300,000 common shares of Phoenix on signing the Amended Agreement (received – see note 5).
- ExGen to be paid a cash payment of \$100,000 USD on the earlier of the Phoenix Initial Public Offering (Phoenix IPO) date or by March 31, 2017 (received).
- ExGen to be paid \$100,000 USD on each anniversary date of the earlier of the Phoenix IPO or March 31, 2017 (the "IPO Anniversary Payment") until the completion of a bankable feasibility study on the Empire Mine Project. As at December 31, 2018, the Company has received \$100,000 USD (\$126,000 CAD) as payment (2017 \$nil).
- The IPO Anniversary Payment increases 100% to \$200,000 USD for any payment where during the prior 12 months period the minimum expenditures on the Empire Mine Project has not been met (see below for minimum expenditure requirements).

Project Expenditures by Phoenix

- Phoenix to have deposited a minimum of \$1,000,000 USD into the Konnex bank account by the earlier of the Phoenix IPO date or by June 30, 2017, subject to Phoenix making monthly payments of \$ 12,500 USD to Konnex until the \$ 1,000,000 USD is settled.
- Phoenix to spend the \$1,000,000 USD on the Empire Mine Project within 12 months of deposit into the Konnex bank account.
- Phoenix to fund all Empire Mine Project property maintenance and sustaining costs of Konnex.

EXGEN RESOURCES INC.

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Year ended December 31, 2018 and 2017

7. Mineral properties (continued)

Project Expenditures by Phoenix (continued)

- Phoenix to spend a minimum of \$500,000 USD on the Empire Mine Project every 12 months until completion of the bankable feasibility study.

Deal Protection and Corporate Structure

- Should Phoenix sell its 80% interest in Konnex prior to the commencement of commercial production, ExGen shall have the right but not the obligation to sell its 20% interest in Konnex on the same terms as Phoenix.

On June 29, 2017, Phoenix fulfilled all necessary obligations in order to exercise its option to acquire 80% interest in Konnex.

Buena Vista Property

ExGen acquired an 100% interest in the property located in central Nevada by making expenditures on the property of \$1,000,000 USD, assuming the obligations on one unpatented claim known as Copper Kettle, and making cash payments of USD \$80,000 by 2011.

During the year ended December 31, 2018, the Company wrote down the capitalized exploration and evaluation of the property in the amount of \$11,084 (2017 - \$11,672). The write-down was taken to recognize difficult financing conditions which have delayed further development of the property over a number of years.

Canadian Properties

Gordon Lake Property

The company holds 100% interest in the Gordon Lake gold property is located in the Northwest Territories. On February 9, 2018, the Company entered into an option agreement allowing Phoenix to earn an 80% interest in Gordon Lake by making the following payments and exploration commitments:

Cash and Shares

- Cash payment of US \$25,000 on signing the Option (received)
- 2,000,000 common shares of Phoenix within 90 days of signing the Option (received)
- US \$25,000 on the first 2 anniversary dates of the signing of the Option and thereafter US \$50,000 on the anniversary date of the signing of the Option until the completion of a bankable feasibility study on Gordon Lake.

Project Spend by Phoenix

- Phoenix to spend a minimum of US \$250,000 on Gordon Lake within 12 months of signing the Option

Project Participation

- ExGen to retain a 20% carried interest until commencement of mine construction, at which time ExGen will be required to contribute to the construction of production facilities on Gordon Lake in respect of its 20% interest.
- ExGen granted a 2.5% NSR royalty for revenue realized from commercial production from Gordon Lake.

EXGEN RESOURCES INC.

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7. Mineral properties (continued)

Gordon Lake Property (continued)

During the year ended December 31, 2018, the Company capitalized exploration and evaluation of the property in the amount of \$nil (2017 - \$4,303) and reversed impairment of \$nil (2017 - \$171,228). The reversal of the impairment arose as a result of the Company, subsequent to December 31, 2017, entering into an option agreement with Phoenix to allow Phoenix earn a 80% interest in the Gordon Lake gold property (see note 14).

DOK Property

On May 16, 2011, the Company signed an Option Agreement with two private property owners to earn a 100% interest in the DOK copper-gold porphyry property in northern British Columbia, Canada. The property consists of 17 contiguous mineral claims covering approximately 18,500 acres. The Option Agreement was amended on December 15, 2011, April 13, 2014, and July 19, 2016.

Under the amended terms of the Option Agreement, the Company has the right to earn a 100% interest in the DOK property by making the following payments and exploration commitments:

- i) Cash payments totaling \$340,000 over six years as follows:
 - \$20,000 on signing (paid),
 - \$30,000 on or before April 30, 2012 (paid),
 - \$40,000 on or before April 30, 2013 (paid),
 - \$50,000 on or before April 30, 2014 (paid),
 - \$50,000 on or before April 30, 2015 (paid), and
 - \$150,000 on or before April 30, 2016 (satisfied via amendment dated July 19, 2016 detailed below).
- ii) Exploration expenditures totaling \$3,000,000 due as follows:
 - \$500,000 on or before by April 30, 2012 (incurred), and
 - \$2,500,000 on or before April 30, 2017 (amended July 19, 2016 detailed below),
- iii) A 3% NSR to the property vendors, of which the Company has the right to repurchase 2% of the NSR at any time prior to the commencement of commercial production for a cash payment of \$2,000,000.

On April 14, 2014 Continental Precious Minerals Inc. ("Continental") signed a Sub-Option Agreement with ExGen to earn up to a 75% interest in the DOK property. In July 2016, Continental has elected to withdraw from its option. As a result, the Company regained control of the DOK project from Continental.

EXGEN RESOURCES INC.

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7. Mineral properties (continued)

DOK Property (continued)

On July 19, 2016, the Company entered into an amending agreement with the optionors of the DOK property to amend the option terms for the DOK property, which was initiated in May 2011. Pursuant to the amendment the Company will make the following payments to the Optionors:

- \$16,000 on execution of the Amendment (paid);
- \$20,000 on or before July 19, 2017 (paid);
- \$40,000 on or before July 19, 2018 (paid);
- \$50,000 on or before July 19, 2019; and
- \$90,000 on or before July 19, 2020.

ExGen was also granted a 3 year extension (from April 30, 2017 to April 30, 2020) to incur \$2,537,328 of exploration and development expenditures required to exercise the option and acquire 100% of DOK.

During the year ended December 31, 2018, the Company wrote down the capitalized exploration and evaluation of the property in the amount of \$43,879 (2017 - \$22,765). The write-down was taken to recognize difficult financing conditions which have delayed further development of the property over a number of years.

East Breccia Property

On June 9, 2011, the Company signed an Option Agreement ("Agreement 1") whereby it has the right to earn a 100% working interest in certain claims in the East Breccia copper-molybdenum-silver exploration property located in south-central Ontario by making the following payments and exploration commitments:

- i) Initial cash payment of \$15,000 and issuing of 75,000 common shares of ExGen on execution of option agreement. The cash payment was made upon execution of the option agreement however shares were issued upon regulatory approval on August 3, 2011.
- ii) Additional cash payments totaling \$150,000 and common share issuances totaling 425,000 shares over four years:
 - \$25,000 and 75,000 common shares on the first anniversary date (paid and issued);
 - \$35,000 and 100,000 common shares on the second anniversary date (paid and issued);
 - \$40,000 and 100,000 common shares on the third anniversary date (paid per "Amendment 1");
 - \$50,000 and 150,000 common shares on the fourth anniversary date (see "Amendment 2")

EXGEN RESOURCES INC.

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7. Mineral properties (continued)

East Breccia Property (continued)

- iii) Exploration expenditures totaling \$308,000 over four years as follows: \$44,000 on or before June 9, 2012 (incurred), \$44,000 on or before June 9, 2013 (incurred), \$88,000 on or before June 9, 2014 (incurred) and \$132,000 on or before June 9, 2015 (incurred); and
- iv) A 3% NSR to the property vendors, of which the Company has the right to repurchase 1% of the NSR at any time for a cash payment of \$1,000,000, or in increments of \$500,000 per 0.5% NSR.

On October 31, 2012, the Company signed an Asset Purchase Agreement (“Agreement 2”) acquiring a 100% interest in additional mineral claims in the East Breccia property located in South Central Ontario for \$308,000 by issuing 4,400,000 common shares of ExGen at a fair value of \$0.07 per share upon execution of the agreement and issuing a 2% NSR of which the Company has the right to repurchase 1% of the NSR at any time for a cash payment of \$1,200,000.

A one-time bonus payment of \$1,000,000 in common stock of ExGen will become due and payable upon completion of a bankable feasibility study (as defined in the option agreement) for the development of the claims purchased. The number of shares to be issued is to be calculated using the 15 day volume weighted average trading price of the Company’s common stock starting on the date a news release discloses a bankable feasibility study.

On June 9, 2014, the Company signed an Amendment (“Amendment 1”) with the East Breccia Optionors, revising the third anniversary cash payment to \$20,000 on June 9, 2014 (paid) and \$20,000 on September 9, 2014 (paid).

On November 24, 2015, the Company signed an Amendment (“Amendment 2”) with the East Breccia Optionors, revising the fourth anniversary cash payment to:

- i) \$12,500 within 5 business days of execution of Amendment 2 (paid);
- ii) An aggregate of 150,000 common shares in the capital of ExGen to be issued within 5 days of obtaining TSX-V approval (issued – valued at \$0.01 per share);
- iii) At ExGen’s option, either \$12,500 or an aggregate of 750,000 common shares in the capital of ExGen to be issued within 6 months of the execution of Amendment 2 (750,000 common shares issued);
- iv) At ExGen’s option, either \$12,500 or an aggregate of 750,000 common shares in the capital of ExGen to be issued within 12 months of Amendment 2 (750,000 common shares issued);
- v) At ExGen’s option, either \$12,500 or an aggregate of 750,000 common shares in the capital of ExGen to be issued within 18 months of the signing of Amendment 2 (750,000 common shares issued).

Commencing on the earlier of: 1) the first anniversary whereby ExGen has reached Commercial Production of the Empire Mine Project, or 2) five years from the date execution of Amendment 2, a pre-production advance royalty of \$20,000 per annum, will be payable to the Optionors and will be deductible against future royalty payments upon the commencement of commercial production from the East Breccia property. For greater clarity, if after 5 years from the execution of Amendment 2, the payment of the pre-production advance royalty of \$20,000 per annum has not commenced, then the East Breccia property will revert to the Optionors.

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7. Mineral properties (continued)

East Breccia Property (continued)

In the year ended December 31, 2018, the Company wrote down the capitalized exploration and evaluation of the property in the amount of \$nil (2017 - \$22,500). The write-down was taken to recognize difficult financing conditions which have delayed further development of the property.

8. Share Capital

(a) Authorized:

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares without nominal or par value of which none have been issued.

(b) Issued:

On December 21, 2018, the Company issued 6,200,000 common share units ("Common Share Units") at a price of \$0.05 per Common Share Unit for gross proceeds of \$310,000 of which \$265,000 are recorded as share subscription receivable, which was received in January 2019. Each Common Share Unit consists of one Common Share and one non-transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at a price of \$0.05 per Common Share expiring on December 20, 2022. The warrants have an acceleration provision whereby if the closing price of ExGen's common shares on the TSX-V is at least \$0.10 for a period of ten (10) consecutive trading days (whether or not trading occurs on all such days), ExGen will have the right to accelerate the expiry date of the Warrants to 30 days from the date of issuance of a news release by ExGen announcing the accelerated exercise period. An amount of \$186,000 was assigned to the value of the warrants using the residual value method.

On February 10, 2017, the Company issued 750,000 shares to the East Breccia Optionors as required by the amended option agreement.

On May 22, 2017, the Company issued 750,000 shares to the East Breccia Optionors as required by the amended option agreement.

On May 26, 2017, the Company issued 3,000,000 common share units ("Common Share Units") at a price of \$0.05 per Common Share Unit for gross proceeds of \$150,000. Each Common Share Unit consists of one Common Share and one non-transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at a price of \$0.10 per Common Share expiring on May 26, 2021. An amount of \$105,000 was assigned to the value of the warrants using the residual value method. ExGen also issued 94,500 finder's warrants at a price of \$0.10 expiring on May 26, 2019.

On September 16, 2017, the Company issued 16,600,000 shares to directors, officers, a former director and a consultant for past services performed, with a fair value of \$332,000, being \$0.02 per share.

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8. Share Capital (continued)

(c) Warrants:

	2018		2017	
	Number of warrants	Reserve Amount	Number of warrants	Reserve Amount
Outstanding, beginning of year	12,054,500	\$ 309,422	8,960,000	\$ 204,422
Issued	6,200,000	186,000	3,094,500	105,000
Outstanding, end of year	18,254,500	\$ 495,422	12,054,500	\$ 309,422

Expiry	Exercise Price	Number
February 19, 2019	\$0.05	6,500,000
April 15, 2019	\$0.05	2,460,000
May 26, 2019	\$0.10	94,500
May 26, 2021	\$0.10	3,000,000
December 21, 2022	\$0.05	6,200,000
		18,254,500

(d) Share options:

Under the Company's stock option plan, the Company may grant equity-settled options to consultants, officers and directors equal to 10% of the then issued and outstanding common shares. The exercise price and vesting period of options granted is not less than the market price of the common shares traded less the available discount under TSX Venture Exchange Inc. policies, and is determined by the Board of Directors. Options granted can have a term of up to 10 years. Outstanding options to purchase common shares and units under the Company's stock option plan are as follows:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	–	\$ –	15,450,000	\$ 0.05
Expired	–	–	(15,450,000)	0.05
Outstanding, end of year	–	\$ –	–	\$ –

(e) Share-based compensation:

Compensation expense is recognized for stock options granted over the vesting period, being 12.5% on date of grant with a further 12.5% vesting each quarter thereafter. Options granted are non-transferable and expire after three years. In accordance with the Company's incentive stock option plan, these options have an exercise price equal to or greater than the market price at the date of grant.

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Notes to Consolidated Financial Statements, Page 21

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9. Related Party Transactions

Key Management Personnel:

ExGen considers key management personnel to be the officers and directors of the Company.

Total compensation to key management personnel of \$18,000 (2017 - \$340,000) consisted of the following:

- (a) During the year ended December 31, 2018 the Company paid \$18,000 (2017 - \$18,000) for consulting fees to an officer.
- (b) During the year ended December 31, 2018 total share-based compensation of \$nil (2017 - \$ 322,000) was recorded resulting from shares issued to officers and directors of the Company.

At December 31, 2018, accounts payable and accrued liabilities included \$8,287 which was owing to a director of the Company (2017 - \$8,287).

Other Related Parties:

During the year ended December 31, 2018, the Company incurred a charge to a spouse of a director of \$15,000 in rent (2017 - \$15,000). At December 31, 2018, accounts payable and accrued liabilities included \$52,500 (2017 - \$37,500) relating to such services.

10. Income taxes

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to net loss for the year. The major components of these differences are explained as follows:

Year ended December 31,	2018	2017
Loss before income taxes	\$ (157,279)	\$(1,669,163)
Corporate income tax rate	27%	26%
Expected income tax reduction	\$ (42,000)	\$ (434,000)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses and other	54,000	125,000
Impact of changes in tax rates	(383,000)	(337,000)
Impact of loss of control of Konnex	-	284,000
Impact of loss of unutilized non-capital losses	-	115,000
Recognition of previously unrecognized tax losses	137,000	(35,000)
Unrecognized deferred tax benefits	234,000	247,000
Total income tax (recovery)	\$ -	\$ (35,000)

Total income tax (recovery) is represented by:

Year ended December 31,	2018	2017
Deferred income recovery	\$ -	\$ (35,000)
Total income tax recovery	\$ -	\$ (35,000)

EXGEN RESOURCES INC.

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Year ended December 31, 2018 and 2017

10. Income taxes (continued)

Income tax expense recognized in other comprehensive income is nil (2017 - \$35,000).

The tax effects of the significant components of the Company's gross unrecognized temporary differences and tax losses are as follows:

December 31,	2018	2017
<i>Assets:</i>		
Exploration and evaluation assets	\$ 2,853,000	\$ 2,842,000
Investment in Konnex	166,000	188,000
Property and equipment	9,000	9,000
Canadian eligible capital (CEC)	-	4,000
Share issue costs	4,000	5,000
Allowable capital losses	1,000	1,000
Non-capital losses available for future period	1,907,000	1,692,000
	<u>4,940,000</u>	<u>4,741,000</u>
Unrecognized deferred tax assets	<u>(4,940,000)</u>	<u>(4,706,000)</u>
Deferred tax assets recognized to offset deferred tax liabilities	-	35,000
<i>Liabilities:</i>		
Marketable securities	-	(35,000)
Net unrecognized temporary differences	<u>\$ -</u>	<u>\$ -</u>

The non-capital loss carry-forwards in Canada are available to reduce future taxable income, expiring between 2027 and 2038, as follows:

Amount	Year of expiry
\$ 270,000	2038
180,000	2037
151,000	2036
367,000	2035
494,000	2034
663,000	2033
805,000	2032
831,000	2031
839,000	2030
650,000	2029
641,000	2028
636,000	2027
<u>\$ 6,527,000</u>	

The share issue costs are amortizable over the period to December 31, 2018, while the remaining deductible temporary differences do not expire under current tax legislation. The benefit of these items, after consideration of the deferred tax liability, has not been recognized in these consolidated financial statements.

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Year ended December 31, 2018 and 2017

11. Commitments

During the year ended December 31, 2012, the Company raised flow-through share proceeds of \$247,354 and renounced the expenditure deductions to investors effective December 31, 2012. The Company incurred qualifying expenditures of \$9,696 in 2012 and \$77,553 in 2013. As at December 31, 2013, the remaining required expenditures of \$160,105 had not been incurred. Under the terms of the flow-through share offering, the Company has indemnified the subscribers for any taxes or penalties resulting from the shortfall. As a result, in 2013 the Company estimated and accrued a liability of \$62,439 as a result of this shortfall, and recorded a further accrual of \$16,011 for its Part XII.6 tax and related penalty. Further, during 2013, the flow through premium of \$20,040 relating to the expenditure shortfall was reversed and recognized in net loss. A further adjustment of \$nil (2017 - \$5,302) was recorded during the year ended December 31, 2018 for changes in the CRA's prescribed rate of interest and interest accrued. The total amounts payable of \$111,346 (2017 - \$111,346), inclusive of estimated interest and penalties, is recorded in accounts payable and accrued liabilities.

12. Financial instruments and financial risk management

The Company's financial instruments include cash, marketable securities, and accounts payable and accrued liabilities.

Fair value

The carrying values of accounts payable and accrued liabilities approximate their fair values at December 31, 2018 due to their relatively short periods to maturity.

The table below summarizes the fair value of the Company's financial instruments using the following fair value hierarchy:

- Level 1 fair values are determined by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 fair values include valuations using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 valuations are based on inputs that are unobservable for the asset or liability.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy.

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Cash	\$ 269,988	\$ -	\$ -	\$ 269,988
Marketable securities	560,993	-	-	560,993
Total	\$ 830,981	\$ -	\$ -	\$ 830,981

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12. Financial instruments and financial risk management (continued)

Fair value (continued)

The table below presents a reconciliation of financial instruments measured at fair value using observable inputs (Level 3) for the periods ended December 31, 2018 and 2017.

As at		2018	2017
Balance – beginning of period	\$	-	\$ 565,000
Unrealized gain		-	-
Transfer to level 1 ¹		-	(565,000)
Total	\$	-	\$ -

¹ Phoenix shares began being publicly traded on the AIM on June 29, 2017. These marketable securities are measured at fair value by reference to quoted stock prices and were reclassified to Level 1.

Risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adhere to market conditions. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included as applicable.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash balances, trade accounts receivable and deposits.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. Cash is held with Schedule I Canadian banks, while the deposits are held with a governmental authority. Therefore management believes the risk of loss to be minimal.

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12. Financial instruments and financial risk management (continued)

Risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation.

As at December 31, 2018, the Company's financial liabilities were comprised of accounts payable and accrued liabilities of \$212,178, which have either contractual or expected maturities of less than one year. In order for the Company to settle its expected future obligations the Company will be required to raise funds through private placements. See note 1 for discussion of going concern.

(c) Market risk

Market risk consists of currency risk, commodity price risk, other price risk, and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns:

i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian and United States dollar. As the Company has transactions that are denominated in United States dollars the Company is exposed to foreign currency exchange risk. At December 31, 2018, the Company held, disclosed in US Dollars, US cash of \$159,923 (2017 - \$14,277), US deposits of \$34,268 (2017 - \$34,268) and US accounts payable of \$2,000 (2017 - \$2,000). Every \$0.01 change in the foreign exchange rate at December 31, 2018 would have impacted net loss by \$1,922 (2017 - \$465).

The Company is also exposed to fluctuations in the exchange rate between the Canadian dollar and British pounds through its investment in Phoenix (see note 5). At December 31, 2018, the Company held \$ 560,993 of Phoenix shares. Every \$0.01 change in the foreign exchange rate at December 31, 2018 would have impacted other comprehensive income by \$5,610.

ii) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

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Year ended December 31, 2018 and 2017

12. Financial instruments and financial risk management (continued)

Risk management (continued)

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is exposed to other price risk through its investments in Phoenix shares traded in an active market. A 10% change in the share price, holding other factors consistent, would impact other comprehensive income by \$56,099.

iv) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has no variable rate debt, however is exposed to interest rate risk on its cash or deposits. The Company did not hold any cash equivalents at December 31, 2018 and had no interest rate swap or financial contracts in place at December 31, 2018.

13. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. The capital structure of the Company consists of equity comprised of issued share capital and deficit.

To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint interest arrangements or dispose of mineral properties. The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended December 31, 2018.

14. Subsequent event

(a) In January 2019, the Company received the share subscription receivable of \$265,000 in relation to the private placement closed in December 2018.

(b) In February 2019, the option agreement between the Company and Phoenix to earn an 80% interest in the Gordon Lake property was terminated.

(c) In February 2019, 6,500,000 warrants with an exercise price of \$0.05 per share expired unexercised. In April 2019, 2,460,000 warrants with an exercise price of \$0.05 per share expired unexercised.