

MINNOVA CORP.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE AND NINE MONTHS ENDED

DECEMBER 31, 2018 AND 2017

(UNAUDITED)

(Expressed in Canadian Dollars)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Minnova Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended December 31, 2018, have not been reviewed by the Company's auditors.

MINNOVA CORP.

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(Expressed in Canadian Dollars)

	December 31, 2018	March 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 41,514	\$ 73,353
Amounts receivable	132,237	188,627
Prepaid expenses	43,158	80,209
TOTAL CURRENT ASSETS	<u>216,909</u>	<u>342,189</u>
NON-CURRENT ASSETS		
Restricted cash equivalents (Note 3)	75,000	75,000
Equipment (Note 4)	294,671	315,724
Exploration properties and deferred exploration expenditures (Note 5)	18,373,083	18,081,618
TOTAL NON-CURRENT ASSETS	<u>18,742,754</u>	<u>18,472,342</u>
TOTAL ASSETS	<u>\$ 18,959,663</u>	<u>\$ 18,814,531</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 6 and 12)	\$ 2,182,694	\$ 1,775,948
Hydro contract accrual	277,533	277,533
TOTAL CURRENT LIABILITIES	<u>2,460,227</u>	<u>2,053,481</u>
NON-CURRENT LIABILITIES		
Provision for closure and reclamation (Note 7)	2,845,302	2,940,254
TOTAL LIABILITIES	<u>5,305,529</u>	<u>4,993,735</u>
EQUITY		
Share capital (Note 9(b))	20,632,784	20,406,831
Share-based payment reserves (Notes 8 and 10)	2,982,239	2,999,687
Other comprehensive income	5,833	-
Deficit	(9,966,722)	(9,585,722)
TOTAL EQUITY	<u>13,654,134</u>	<u>13,820,796</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 18,959,663</u>	<u>\$ 18,814,531</u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**COMMITMENTS AND CONTINGENCIES** (Notes 3, 5, 7, 13 and 14)**SUBSEQUENT EVENTS** (Note 15)**APPROVED ON BEHALF OF THE BOARD:**

Signed "James White"	Director
Signed "Gorden Glenn"	Director

See accompanying notes to the unaudited condensed interim consolidated financial statements

MINNOVA CORP.

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(UNAUDITED)

(Expressed in Canadian Dollars)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
EXPENSES				
Stock-based payments (Note 8)	\$ -	\$ 93,260	\$ -	\$ 451,993
General and administrative (Note 11)	34,120	135,695	98,363	303,186
Management and directors' compensation (Note 12(b))	31,000	31,000	97,687	125,000
Professional and consulting fees (Note 12(a))	12,570	245,270	112,934	402,224
Amortization (Note 4)	<u>7,017</u>	<u>8,195</u>	<u>21,053</u>	<u>24,586</u>
LOSS BEFORE BELOW ITEMS	<u>(84,707)</u>	<u>(513,420)</u>	<u>(330,037)</u>	<u>(1,306,989)</u>
Reversal of flow-through premium liability	-	81,527	-	219,766
Finance cost (Note 7)	<u>(17,273)</u>	<u>(14,817)</u>	<u>(50,963)</u>	<u>(43,442)</u>
LOSS FOR THE PERIOD	<u>(101,980)</u>	<u>(446,710)</u>	<u>(381,000)</u>	<u>(1,130,665)</u>
Other comprehensive income items that will be reclassified subsequently to loss				
Foreign exchange difference on translating foreign operations	<u>5,833</u>	<u>-</u>	<u>5,833</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (101,980)</u>	<u>\$ (446,710)</u>	<u>\$ (375,167)</u>	<u>\$ (1,130,665)</u>
Net loss per common share - basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	31,113,988	29,073,675	30,977,093	28,590,234

See accompanying notes to the unaudited condensed interim consolidated financial statements

MINNOVA CORP.

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Expressed in Canadian Dollars)

	Nine Months Ended December 31,	
	2018	2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	\$ (381,000)	\$ (1,130,665)
Items not involving cash:		
Amortization	21,053	24,586
Accretion of provision for closure and reclamation	50,963	43,442
Reversal of flow-through premium liability	-	(219,766)
Stock-based payments	-	451,993
	<u>(308,984)</u>	<u>(830,410)</u>
Changes in non-cash working capital balances:		
Amounts receivable	56,390	(10,588)
Prepaid expenses	37,051	(2,185)
Accounts payable and accrued liabilities	<u>352,640</u>	<u>289,321</u>
	<u>446,081</u>	<u>276,548</u>
Cash flows used in operating activities	<u>137,097</u>	<u>(553,862)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Increase in exploration properties and deferred exploration expenditures	(264,524)	(1,207,945)
Cash flows used in investing activities	<u>(264,524)</u>	<u>(1,207,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	-	1,346,300
Share issue costs	-	(64,390)
Proceeds from exercise of stock options	-	27,000
Proceeds from exercise of warrants and broker warrants	<u>89,755</u>	<u>131,850</u>
Cash flows from financing activities	<u>89,755</u>	<u>1,440,760</u>
Decrease in cash and cash equivalents	(37,672)	(321,047)
Effect of foreign exchange on cash	5,833	-
Cash and cash equivalents, beginning of period	<u>73,353</u>	<u>873,535</u>
Cash and cash equivalents, end of period	<u>\$ 41,514</u>	<u>\$ 552,488</u>
Supplemental Information:		
Cash, end of period	\$ 41,514	\$ 552,488
Cash equivalents, end of period	-	-
Cash and cash equivalents, end of period	<u>\$ 41,514</u>	<u>\$ 552,488</u>

See accompanying notes to the unaudited condensed interim consolidated financial statements

MINNOVA CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

(Expressed in Canadian Dollars)

	Share Capital		Share-based Payment Reserves			Other comprehensive income	Deficit	Total
	Number	Amount	Stock options	Share purchase warrant reserve	DSU and RSU			
Balance, March 31, 2017	28,347,192	\$ 19,072,798	\$ 1,625,950	\$ 920,280	\$ 953,971	\$ -	\$ (9,588,985)	\$ 12,984,014
Flow-through common shares and warrants issued in private placements (Note 9(b)(i)(ii)(iii))	2,071,231	1,188,820	-	157,480	-	-	-	1,346,300
Broker and finder warrants issued in private placements (Note 9(b)(i)(ii)(iii))	-	(21,718)	-	21,718	-	-	-	-
Share issue costs (Note 9(b)(i)(vii)(iii))	-	(64,390)	-	-	-	-	-	(64,390)
Premium liability for flow-through shares (Note 9(b)(iv))	-	(15,912)	-	-	-	-	-	(15,912)
Shares issued upon exercise of warrants and broker warrants	330,750	131,850	-	-	-	-	-	131,850
Reclassification of fair value of warrants and broker warrants exercised	-	61,581	-	(61,581)	-	-	-	-
Shares issued upon exercise of stock options	75,000	27,000	-	-	-	-	-	27,000
Reclassification of fair value of stock options exercised	-	26,802	(26,802)	-	-	-	-	-
Stock-based payments	-	-	451,993	-	-	-	-	451,993
Stock option expired	-	-	(236,905)	-	-	-	236,905	-
Loss and comprehensive loss for the period	-	-	-	-	-	-	(1,130,665)	(1,130,665)
Balance, December 31, 2017	<u>30,824,173</u>	<u>\$ 20,406,831</u>	<u>\$ 1,814,236</u>	<u>\$ 1,037,897</u>	<u>\$ 953,971</u>	<u>\$ -</u>	<u>\$ (10,482,745)</u>	<u>\$ 13,730,190</u>
Balance, March 31, 2018	30,824,173	\$ 20,406,831	\$ 1,133,100	\$ 1,037,897	\$ 828,690	\$ -	\$ (9,585,722)	\$ 13,820,796
Shares issued upon exercise of warrants and broker warrants (note 5)	122,700	89,755	-	-	-	-	-	89,755
Shares issued for exploration properties and deferred exploration expenditures	250,000	118,750	-	-	-	-	-	118,750
Reclassification of fair value of warrants and broker warrants exercised	-	18,978	-	(18,978)	-	-	-	-
Warrants issued upon exercise of broker warrants	-	(1,530)	-	1,530	-	-	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	5,833	(381,000)	(375,167)
Balance, December 31, 2018	<u>31,196,873</u>	<u>\$ 20,632,784</u>	<u>\$ 1,133,100</u>	<u>\$ 1,020,449</u>	<u>828,690</u>	<u>\$ 5,833</u>	<u>\$ (9,966,722)</u>	<u>\$ 13,654,134</u>

See accompanying notes to the unaudited condensed interim consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**DECEMBER 31, 2018**

(UNAUDITED)

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Minnova Corp. (the "Company") is a public company incorporated on July 19, 1994 pursuant to the laws of the Companies Act of Barbados. Since the Company's management and the principal office of the Company are located in Toronto, Ontario, a continuance (the "Continuance") of the Company from the laws of Barbados to the laws of the Province of Ontario was filed on April 21, 2010. As a result of the Continuance, the corporate legislation that governs the Company ceased to be the Barbados Act and the Company is now governed by the Business Corporations Act (Ontario). The registered office of the Company is located at 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1. On June 26, 2014, the Company changed its name to "Minnova Corp." and commenced trading on the Toronto Stock Venture Exchange ("TSX-V") on June 27, 2014 under the new symbol "MCI".

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been or will be applied for will be granted.

Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to exploration properties and deferred exploration expenditures is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition.

Although the Company has taken steps to verify title to exploration properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to other licensing requirements or regulations, social licensing requirements unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. The Company has a working capital deficiency of \$2,243,318 and a deficit of \$9,966,722 as at December 31, 2018 and will require additional financing to fund its continuing exploration efforts. These conditions indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms acceptable to the Company. These consolidated financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain its property interests. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Such adjustments could be material. Changes in future conditions could require material write downs of the carrying values of certain assets.

During the three and nine months ended December 31, 2018, the Company incorporated a fully-owned subsidiary, Minnova Peru S.A.C.

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on February 28, 2019.

2. BASIS OF PREPARATION

Statement of Compliance:

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual consolidated financial statements required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as at February 28, 2019, the date the Board of Directors approved these unaudited condensed interim consolidated financial statements for issue. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended March 31, 2018. Any subsequent changes to IFRS that are issued and effective as at March 31, 2019 could result in a restatement of these unaudited condensed interim consolidated financial statements.

Change in Accounting Policies

Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Minnova Peru S.A.C.. These are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The Company controls an investee if the Company has:

- (i) power over the investee;
- (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Company's potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in loss and comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary. All inter-company account balances and transactions have been eliminated upon consolidation.

2. BASIS OF PREPARATION (CONTINUED)

Change in Accounting Policies (continued)

IFRS 2 – Share-based Payment (“IFRS 2”)

IFRS 2 was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. On April 1, 2018, the Company adopted this amendment and has determined that the adoption of this new amendment does not have a significant impact on its financial statements.

IFRS 15 - Revenue From Contracts With Customers (“IFRS 15”)

IFRS 15 proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 1, 2018, the Company adopted IFRS 15 and has determined that the adoption of this new standard does not have a significant impact on its financial statements.

IFRS 9 Financial Instruments (“IFRS 9”)

On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments, (IFRS 9 (2014)) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

2. BASIS OF PREPARATION (Continued)

Change in Accounting Policies (continued)

IFRS 9 Financial Instruments ("IFRS 9") (continued)

The Company adopted IFRS 9 in its consolidated financial statements on April 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on April 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Hydro contract accrual	Other financial liabilities (amortized cost)	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

Recent Accounting Pronouncements:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after April 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(UNAUDITED)

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (Continued)**Recent Accounting Pronouncements (continued):**

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

3. RESTRICTED CASH EQUIVALENTS

The Company has guaranteed by pledge of a guaranteed investment certificate an irrevocable standby letter of credit for \$75,000 to the Government of Manitoba as a financial assurance guarantee in connection with the PL Property closure plan (see Note 7).

4. EQUIPMENT**Cost**

	Equipment	Buildings	Total
Balance, March 31, 2018 and December 31, 2018	\$ 105,000	\$ 305,096	\$ 410,096

Accumulated Amortization

	Equipment	Buildings	Total
Balance, March 31, 2018	\$ 23,100	\$ 71,272	\$ 94,372
Amortization for the period	12,285	8,768	21,053
Balance, December 31, 2018	\$ 35,385	\$ 80,040	\$ 82,643

Carrying Amount

	Equipment	Buildings	Total
Balance, March 31, 2018	\$ 81,900	\$ 233,824	\$ 315,724
Balance, December 31, 2018	\$ 69,615	\$ 225,056	\$ 294,671

During the three and nine months ended December 31, 2018, the Company expensed \$7,018 and \$21,053, respectively, in amortization to the statement of operations (three months ended June 30, 2017 - \$8,195 and \$24,586).

Continued...

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(UNAUDITED)

(Expressed in Canadian Dollars)

5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**As at December 31, 2018**

	March 31, 2018	Additions	Changes for closure and reclamation	December 31, 2018
<i>Exploration and Evaluation Properties</i>				
Nokomis Property	\$ 2,781,772	\$ -	\$ -	\$ 2,781,772
PL Property	15,299,846	322,630	(149,915)	15,472,561
La Esperanza Gold Property	-	118,750	-	118,750
	\$ 18,081,618	\$ 441,380	\$ (149,915)	\$ 18,373,083

As at March 31, 2018

	March 31, 2017	Additions	Changes for closure and reclamation	March 31, 2018
<i>Exploration and Evaluation Properties</i>				
Nokomis Property	\$ 2,704,117	\$ 77,655	\$ -	\$ 2,781,772
PL Property	13,454,740	1,934,961	(89,855)	15,299,846
	\$ 16,158,857	\$ 2,012,616	\$ (89,855)	\$ 18,081,618

PL Project (PL Mine and Nokomis Property)

The Company owns a 100% interest in the PL Mine and contiguous Nokomis property, located in Manitoba, subject to a 3% net smelter royalty (NSR) that reduces to 2.5% and 2% if gold is below US\$1,000/oz and US\$750/oz, respectively

La Esperanza Gold Property

On October 15, 2018, the Company entered into an option agreement with Inkarrí Comercializadora Perú S.A.C., a regional toll mill operator in Peru, to acquire a 100% interest in the Media Quebrada mining concession and adjacent claim, collectively called the La Esperanza Gold Property.

Details with respect to the consideration payable for this acquisition are as follows: on signing: cash payments of US\$50,000 (paid) and common shares payments of 250,000 (issued); first anniversary: cash payments of US\$100,000 and common shares payments of \$250,000 and second anniversary: cash payments of US\$500,000.

Continued...

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	March 31, 2018
Trade payables	\$ 1,366,979	\$ 817,376
Accrued and payroll liabilities	815,715	689,588
Total	\$ 2,182,694	\$ 1,506,964

The following is an aged analysis of the accounts payable and accrued liabilities:

	December 31, 2018	March 31, 2018
Less than 1 month	\$ 900,437	\$ 813,404
1 to 3 months	73,088	2,747
Over 3 months	1,209,169	690,813
Total	\$ 2,182,694	\$ 1,506,964

7. PROVISION FOR CLOSURE AND RECLAMATION

The Company has provided a letter of credit in the amount of \$75,000 to the Government of Manitoba under the terms of the closure plan on the PL Property (see Note 3). The Company further provided all assets, goods and personal property involved in the operation of the PL Property, as a security of up to \$5,000,000 for the performance of the closure plan and the rehabilitation program.

The Company's provision for closure and reclamation costs is based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred. The Company has estimated its total provision for closure and reclamation to be \$2,845,302 at December 31, 2018, based on a total future liability of approximately \$3,073,000 (March 31, 2018 - \$3,073,000), an inflation rate of 1.66% (March 31, 2018 - 1.18%) and a discount rate of 2.42% (March 31, 2018 - 2.11%). Reclamation is expected to occur in approximately 10 years.

The following is an analysis of the provision for closure and reclamation:

Balance, March 31, 2018	\$ 2,940,254
Effect of changes in the inflation and discount rate	(145,915)
Accretion incurred in the period	50,963
Balance, December 31, 2018	\$ 2,845,302

During the three and nine months ended December 31, 2018, the Company expensed \$17,273 and \$50,963, respectively as accretion which was recorded in finance cost on the statements of operations (three and nine months ended December 31, 2017 - \$14,817 and \$43,442, respectively).

8. DEFERRED STOCK UNITS AND RESTRICTED STOCK UNITS

On January 12, 2017, the Company announced that it issued a total of 300,000 Deferred Stock Units ("DSUs") to non-executive directors as an annual award as outlined in the DSU Plan adopted in August 2016.

The Company also granted 1,500,000 Restricted Share Units ("RSUs") to executives and consultants. The RSUs were granted in accordance with the Company's Restricted Share Unit Plan and are subject to vesting provisions. More specifically, the grant consists of a base amount of 500,000 units with vesting subject to retention while the remaining bonus units are subject to performance conditions.

The DSUs vested immediately on the date of grant and the RSUs vest as to one-third on the date of grant, one-third in six months and one-third in twelve months.

During the nine months ended December 31, 2018, 825,000 RSU have been forfeited or expired. As at December 31, 2018, the DSUs and the RSUs had fully vested. For the three and nine months ended December 31, 2018, stock-based compensation of \$nil (three and nine months ended December 31, 2017 - \$93,260 and \$451,993, respectively) was recorded in the unaudited condensed interim consolidated statements of operations in relation to the RSUs based on the quoted market stock price of the Company's common shares of \$0.85 on January 12, 2017, the grant date.

Under the DSU and RSU plan, the maximum number of common shares subject to issuance is 2,160,307.

9. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Common Shares Issued:

	Number of Shares	Amount
Balance, March 31, 2017	28,347,192	\$ 19,072,798
Flow-through common shares issued in private placements (i)(ii)(iii)	2,071,231	1,188,820
Broker warrants issued in private placements (i)(ii)(iii)	-	(21,718)
Premium liability for flow-through shares (iv)	-	(15,912)
Common shares issued upon exercise of warrants and broker warrants	330,750	131,850
Reclassification of fair value of broker warrants	-	61,581
Transaction costs (i)(ii)(iii)	-	(64,390)
Common shares issued upon exercise of stock options	75,000	27,000
Reclassification of fair value of stock options	-	26,802
Balance, December 31, 2017	30,824,173	\$ 20,406,831
Balance, March 31, 2018	30,824,173	\$ 20,406,831
Shares issued upon exercise of warrants and broker warrants	122,700	89,755
Reclassification of fair value of warrants and broker warrants exercised	-	18,978
Warrants issued upon exercise of broker warrants (v)(vi)(vii)	-	(1,530)
Shares issued for exploration property and deferred exploration expenditures (note 5)	250,000	118,750
Balance, December 31, 2018	31,196,873	\$ 20,632,784

Continued...

9. SHARE CAPITAL (Continued)

(b) Common Shares Issued (Continued):

(i) On December 1, 2017, the Company completed the first tranche of the non-brokered private placement (the "Offering"). The Company issued an aggregate of 612,000 flow-through units (the "FT Units") at a price of \$0.65 per FT Unit for gross proceeds of \$397,800. Each FT Unit consists of one common share of the Company and one-half of one common share purchase warrant with each warrant entitling the holder to purchase one common share at an exercise price of \$0.75 until June 1, 2019.

The grant date fair value assigned to the warrants issued in the first tranche of the Offering was estimated to be \$42,044 including the transaction costs allocated to the warrants, using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 75%, risk-free interest rate of 1.50% and an expected life of 1.5 years.

In consideration for their services in connection with the Offering, the Agents were issued 34,800 broker warrants (the "Brokered Warrants"). Each Brokered Warrant is exercisable for one Unit at a price of \$0.65 per Unit until June 1, 2019.

The grant date fair value assigned to the Brokered Warrants issued was estimated to be \$5,872, using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 75%, risk-free interest rate of 1.5% and an expected life of 1.5 years.

(ii) On December 6, 2017, the Company completed the second tranche of the non-brokered private placement (the "Offering"). The Company issued an aggregate of 450,000 flow-through units (the "FT Units") at a price of \$0.65 per FT Unit for gross proceeds of \$292,500. Each FT Unit consists of one common share of the Company and one-half of one common share purchase warrant with each warrant entitling the holder to purchase one common share at an exercise price of \$0.75 until June 6, 2019.

The grant date fair value assigned to the warrants issued in the first tranche of the Offering was estimated to be \$27,283 including the transaction costs allocated to the warrants, using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 76%, risk-free interest rate of 1.47% and an expected life of 1.5 years.

In consideration for their services in connection with the Offering, the Agents were issued 12,000 broker warrants (the "Brokered Warrants"). Each Brokered Warrant is exercisable for one Unit at a price of \$0.65 per Unit until June 6, 2019.

The grant date fair value assigned to the Brokered Warrants issued was estimated to be \$2,532, using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 76%, risk-free interest rate of 1.47% and an expected life of 1.5 years.

9. SHARE CAPITAL (Continued)

(b) Common Shares Issued (Continued):

(iii) On December 11, 2017, the Company completed the third tranche of the non-brokered private placement (the "Offering"). The Company issued an aggregate of 1,009,231 flow-through units (the "FT Units") at a price of \$0.65 per FT Unit for gross proceeds of \$656,000. Each FT Unit consists of one common share of the Company and one-half of one common share purchase warrant with each warrant entitling the holder to purchase one common share at an exercise price of \$0.75 until June 11, 2019.

The grant date fair value assigned to the warrants issued in the first tranche of the Offering was estimated to be \$88,153 including the transaction costs allocated to the warrants, using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 77%, risk-free interest rate of 1.49% and an expected life of 1.5 years.

In consideration for their services in connection with the Offering, the Agents were issued 50,953 broker warrants (the "Brokered Warrants"). Each Brokered Warrant is exercisable for one Unit at a price of \$0.65 per Unit until June 11, 2019.

The grant date fair value assigned to the Brokered Warrants issued was estimated to be \$13,314, using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 77%, risk-free interest rate of 1.49% and an expected life of 1.5 years.

(iv) In connection with the issuances of Flow-Through shares, a flow-through premium of \$15,912 was calculated. This amount has been presented as a current liability in the statements of financial position. During the three and nine months ended December 31, 2017, \$3,030 of the flow-through premium was reversed as expenditure requirements were met and recognized in the statements of operations.

(v) During nine months ended December 31, 2018, the Company issued 6,000 warrants expiring on June 9, 2019 upon the exercise of 12,000 broker warrants. The grant date fair value assigned to these warrants was \$1,165, estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 64%, risk-free interest rate of 1.68% and an expected life of 1.09 years.

(vi) During the nine months ended December 31, 2018, the Company issued 2,500 warrants expiring on May 4, 2019 upon the exercise of 5,000 broker warrants. The grant date fair value assigned to these warrants was \$180, estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 55%, risk-free interest rate of 1.69% and an expected life of 0.64 years.

(vii) During the nine months ended December 31, 2018, the Company issued 2,850 warrants expiring on May 4, 2019 upon the exercise of 5,700 broker warrants. The grant date fair value assigned to these warrants was \$185, estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 52%, risk-free interest rate of 1.87% and an expected life of 0.59 years.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENT RESERVES**(a) Stock Options**

The Company has granted options for the purchase of common shares to its directors, officers, employees and certain consultants. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth. These options are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The maximum number of options to be issued under the plan shall not exceed 10% of the total number of common shares issued and outstanding.

The following table shows the continuity of stock options for the periods ended December 31, 2018 and 2017:

	Number of Stock Options	Weighted Average Exercise Price
Balance, March 31, 2017	2,805,000	\$ 0.64
Expired	(155,000)	2.10
Exercised	(75,000)	(0.36)
Balance, December 31, 2017	2,575,000	\$ 0.56
Balance, March 31, 2018 and December 31, 2018	2,275,000	\$ 0.52

The following are the stock options outstanding at December 31, 2018:

Number of Options Issued	Grant Date Fair Value (\$)	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
600,000	223,154	600,000	0.38	0.07	January 27, 2019
725,000	287,608	725,000	0.40	0.74	September 26, 2019
225,000	80,405	225,000	0.36	2.17	March 1, 2021
300,000	217,316	300,000	0.75	2.57	July 25, 2021
425,000	324,617	425,000	0.85	3.06	January 22, 2022
2,275,000	1,133,100	2,275,000	0.52	1.38	

Continued...

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10. SHARE-BASED PAYMENT RESERVES (Continued)**(b) Share Purchase Warrants**

The following table shows the continuity of share purchase warrants for the periods ended December 31, 2018 and 2017:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2017	3,172,093	\$ 0.82
Granted (Notes 9(b)(i)(ii)(iii))	1,035,614	0.75
Exercised	(241,950)	(0.40)
Balance, December 31, 2017	3,965,757	\$ 0.82
Balance, March 31, 2018	3,965,757	\$ 0.82
Exercised	(100,000)	0.75
Granted (Note 9(b)(i)(ii))	11,350	0.80
Balance, December 31, 2018	3,877,107	0.83

The following are the share purchase warrants outstanding at December 31, 2018:

Number of Warrants Issued	Grant Date Fair Value (\$)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
2,157,743	528,411	0.85	0.34	May 4, 2019
777,750	192,518	0.85	0.42	June 2, 2019
306,000	42,044	0.75	0.42	June 1, 2019
130,999	16,322	0.75	0.43	June 6, 2019
504,615	88,153	0.75	0.44	June 11, 2019
3,877,107	867,448	0.83	0.38	

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10. SHARE-BASED PAYMENT RESERVES (Continued)**(c) Broker Warrants**

The following table shows the continuity of broker warrants for the periods ended December 31, 2018 and 2017:

	Number of Broker Warrants	Weighted Average Exercise Price
Balance, March 31, 2017	431,117	\$ 0.60
Granted	97,753	0.65
Exercised	(88,800)	(0.39)
Balance, December 31, 2017	440,070	\$ 0.65
Balance, March 31, 2018	440,070	\$ 0.65
Exercised	(22,700)	(0.65)
Balance, December 31, 2018	417,370	\$ 0.65

The following are the broker warrants outstanding at December 31, 2018:

Number of Broker Warrants Issued	Grant Date Fair Value (\$)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
247,587	97,427	0.65	0.34	May 4, 2019
84,030	33,856	0.65	0.42	June 2, 2019
34,800	5,872	0.65	0.42	June 1, 2019
50,953	13,314	0.65	0.44	June 11, 2019
417,370	150,469	0.65	0.37	

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

(Expressed in Canadian Dollars)

11. GENERAL AND ADMINISTRATIVE

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Office and general	\$ 4,998	\$ 205	\$ 6,957	\$ 4,824
Salaries and benefits	6,460	-	13,192	4,591
Travel	-	28,767	11,350	28,767
Business development	18,846	86,216	40,808	230,333
Stock exchange and transfer agent fees	2,934	15,452	22,224	22,847
Shareholder information	882	5,055	3,832	11,824
Part XII.6 tax	-	-	-	-
General and administrative	\$ 34,120	\$ 135,695	\$ 98,363	\$ 303,186

12. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

(a) The Company entered into the following transactions with related parties recorded as professional and consulting fees and share issue costs:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Irwin Lowy LLP (i) - professional and consulting fees	\$ -	\$ 3,178	\$ 6,861	\$ 38,191

- (i) A director of the Company is a partner at Irwin Lowy LLP, a law firm, and the fees relate to professional services provided by the firm. As at December 31, 2018, the Company owed \$8,272 (March 31, 2018 - \$nil) to this firm and this amount is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing with no fixed terms of repayment.
- (ii) As at December 31, 2018, the Company owed \$512,142 (March 31, 2018 - \$454,587) to a corporation controlled by the Chief Executive Officer ("CEO") of the Company and this amount is included in accounts payable and accrued liabilities. During the three and nine months ended December 31, 2018, \$45,000 and \$135,000, respectively, (three and nine months ended December 31, 2017 - \$22,500 and \$82,500 respectively) of these fees were recorded as capitalized exploration and evaluation costs and \$15,000 and \$45,000, respectively (three and nine months ended December 31, 2017 - \$15,000 and \$75,000, respectively) were recorded in management and directors' compensation on the statements of operations and comprehensive loss.
- (iii) As at December 31, 2018, the Company had prepaid balance with the CEO of the Company in the amount of \$nil (March 31, 2018 - \$23,000) and \$19,247 (March 31, 2018 - \$19,247) receivable from Geodex Minerals Ltd, a company with which the Company shares the common management team.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of directors and key management personnel of the Company was as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Directors fees	\$ 16,000	\$ 16,000	\$ 48,000	\$ 50,000
Amounts paid or accrued to CEO for salaries, consulting and benefits	\$ 60,000	\$ 37,500	\$ 180,000	\$ 157,500
Stock-based payments	\$ -	\$ 29,532	\$ -	\$ 143,131

Director fees - the Board of Directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services. As at December 31, 2018, the Company owed \$305,914 (March 31, 2018 - \$257,914) to the directors and \$512,142 (March 31, 2018 - \$454,587) to the CEO of the Company which was included in the accounts payable and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed term of repayment.

Salaries and benefits - officers are entitled to stock options, consulting fees or salaries and benefits where employment or service contracts are in place with the Company for their services.

During the three and nine months ended December 31, 2018, stock-based compensation of \$nil (three and nine months ended December 31, 2017 - \$29,532 and \$141,131, respectively) for the RSUs awarded to officers and directors of the Company was recorded in the statement of operations and comprehensive loss.

As at December 31, 2018, \$10,303 (March 31, 2018 - \$1,735) of cash was held in the Irwin Lowy LLP trust account, a law firm, where the interim CFO is a partner.

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(UNAUDITED)

(Expressed in Canadian Dollars)

13. ENVIRONMENTAL CONTINGENCIES

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

14. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of the flow-through share agreements, the Company needs to comply with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments. As at December 31, 2018, the Company has fulfilled its commitment to incurring qualifying exploration expenditures in Canada.

The Company is party to a management contract. This contract contains clauses requiring additional payments of up to \$480,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not occurred, the contingent payments have not been reflected in these financial statements. Additional minimum management contractual commitments remaining under the agreement are approximately \$480,000, of which \$240,000 is due within one year.

15. SUBSEQUENT EVENTS

(i) Subsequent to December 31, 2018, the Company issued 500,000 common shares upon exercise of 500,000 stock options for gross proceeds of \$190,000.

(ii) On January 31, 2019, the Company granted 1,000,000 stock options to purchase common shares of the Company exercisable at a price of \$0.43 per common share for a period of 5 years to certain directors, officers, employees and consultants.