Talisker Resources

(formerly Eurocontrol Technics Group Inc.)

Consolidated Financial Statements

As at and for the years ended December 31, 2019 and 2018

(in Canadian dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Talisker Resources Ltd., ("Talisker" or the Company"), formerly Eurocontrol Technics Group Inc., are the responsibility of management and the Board of Directors of the Company.

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

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

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

Signed: "Terence Harbort"	*Signed: "Andres Tinajero"*
Terence Harbort	Andres Tinajero
Chief Executive Officer	Chief Financial Officer

Independent auditor's report

To the Shareholders of Talisker Resources Ltd.

Our opinion

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

What we have audited
The Company's consolidated financial statements comprise:

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

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

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Comparative information

The financial statements of the Company for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on March 19, 2019.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is James Lusby.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 1, 2020

Talisker Resources Ltd.
(formerly Eurocontrol Technics Group Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at,	Notes		December 31, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents	5	$	9,702,490	$	946,611
Marketable securities	6		-		2,526,633
Amounts receivable	7		305,077		24,217
Current portion of long term receivable	7		-		1,300,000
Prepaid expenses			141,789		-
Total current assets			10,149,356		4,797,461
Reclamation deposits	12		75,437		-
Property, plant and equipment	8		2,796,475		-
Exploration and evaluation assets	9, 12		24,799,799		-
TOTAL ASSETS		$	37,821,067	$	4,797,461
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	10, 17	$	1,323,399	$	631,626
Current portion of lease obligation	11		95,293		-
Current portion of equipment loans payable	11		127,279		-
Total current liabilities			1,545,971		631,626
Provision for site reclamation and closure	12		15,351,956		-
Lease payable	11		120,920		-
Flow through premium liability	13		494,000		-
Total liabilities			17,512,847		631,626
Shareholders' equity					
Issued capital	13		33,071,000		15,001,591
Share-based payment reserve	15		1,662,044		298,895
Warrant reserve	14		1,640,000		-
Accumulated deficit			(16,064,824)		(11,134,651)
Total shareholders' equity			20,308,220		4,165,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	37,821,067	$	4,797,461

Nature of operations and going concern (note 1)
Events after the reporting period (note 23)

APPROVED ON BEHALF OF THE BOARD:

Signed: "Thomas Obradovich"	Signed: "Blair Zaritsky"
Thomas Obradovich	Blair Zaritsky
Director	Director

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

For the years ended December 31,	Notes		2019		2018
Expenses					
Exploration and evaluation expenditures	9	$	2,379,178	$	-
Share-based expense			1,448,000		78,500
Consulting and management	17		538,330		1,365,965
Public company costs			269,720		25,867
Administration			268,389		413,022
Travel and other			105,556		28,453
Total expenses			5,009,173		1,911,807
Other income and expense					
Finance income	6		27,059		20,920
Foreign currency translation gain (loss)			(16,712)		366,516
Unrealized gain (loss) on marketable securities	6		-		12,248
Accretion on site reclamation and closure	12		(16,198)		-
Interest accretion on long term receivable	9		-		314,370
Write down of long term receivable	9		-		(1,761,780)
			(5,851)		(1,047,726)
Loss from continuing operations			(5,015,024)		(2,959,533)
Loss from discontinued operations	20		-		(5,912,546)
Net loss		$	(5,015,024)	$	(8,872,079)
Loss per share - basic and diluted					
From continuing operations		$	(0.08)	$	(0.13)
From discontinued operations		$	-	$	(0.26)
Net loss		$	(0.08)	$	(0.39)
Weighted average common shares outstanding			63,498,639		22,970,252
Net loss		$	(5,015,024)	$	(8,872,079)
Other comprehensive income (loss) - items that may subsequently reclassify into income or loss					
Exchange differences on translation of foreign subsidiaries			-		(142,337)
Comprehensive loss		$	(5,015,024)	$	(9,014,416)

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of Shares	Issued Capital (Note 13)	Share-based Payment Reserve (Note 15)	Warrant Reserve (Note 14)	Retained earnings (deficit)	Accumulated Other Comprehensive Income	Total
Balance as at December 31, 2017	22,687,554	$ 14,942,091	$ 519,513	$ -	$ (2,502,190)	$ 142,337	$13,101,751
Exercise of RSUs	425,000	59,500	(59,500)	-	-	-	-
Share-based expense - options	-	-	19,000	-	-	-	19,000
Share-based expense - RSUs	-	-	59,500	-	-	-	59,500
Expiry of stock options	-	-	(239,618)	-	239,618	-	-
Exchange gain on translation of foreign subsidiaries	-	-	-	-	-	(142,337)	(142,337)
Net loss for the year	-	-	-	-	(8,872,079)	-	(8,872,079)
Balance as at December 31, 2018	23,112,554	$ 15,001,591	$ 298,895	$ -	$(11,134,651)	$ -	$ 4,165,835
Issue of shares pursuant to private placement, net of issue costs	60,129,742	9,340,209	-	737,000	-	-	10,077,209
Flow through premium liability	-	(494,000)	-	-	-	-	(494,000)
Issue of shares for acquisition of mineral properties (Note 9)	30,220,000	6,031,900	-	-	-	-	6,031,900
Shares and warrants issued on corporate acquisition (Note 9)	12,580,000	2,956,300	-	903,000	-	-	3,859,300
Shares issued as fees on corporate acquisition (Note 9)	1,000,000	235,000	-	-	-	-	235,000
Share-based expense - options	-	-	1,434,000	-	-	-	1,434,000
Share-based expense - RSUs	-	-	14,000	-	-	-	14,000
Expiry of stock options	-	-	(84,851)	-	84,851	-	-
Net loss for the year	-	-	-	-	(5,015,024)	-	(5,015,024)
Balance as at December 31, 2019	127,042,296	$ 33,071,000	$ 1,662,044	$ 1,640,000	$(16,064,824)	$ -	$20,308,220

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the years ended December 31,	Notes	2019	2018
Cash provided by (used in):			
Operating activities			
Net loss for the year		$ (5,015,024)	$ (8,872,079)
Items not involving cash:			
Write down of long term receivable		-	1,761,780
Share based payments		1,448,000	78,500
Unrealized gain on marketable securities		-	(12,248)
Interest accretion on long term receivable	7	-	(314,370)
Unrealized foreign exchange loss		-	(174,788)
Accretion on site reclamation and closure		16,198	-
Depreciation of property, plant and equipment		13,935	-
Working capital changes			
Change in amounts receivable		(194,994)	(6,534)
Funds from long term receivable	7	1,300,000	2,850,000
Change in prepaid expenses		(141,789)	15,270
Change in accounts payable and accrued liabilities		180,993	672,444
Net change in working capital of discontinued operations		-	992,731
Cash flows used in operating activities		(2,392,681)	(3,009,294)
Investing activities			
Acquisition of Bralorne Gold Mines	9	(9,025,373)	-
Cash acquired on corporate acquisition		1,970,450	-
Acquisition of exploration and evaluation assets		(540,000)	-
Proceeds from sale of NSR	9	6,150,000	-
Repayment of lease and equipment loans		(10,359)	-
(Purchase) Sales of marketable securities, net		2,526,633	(2,514,385)
Cash flows used by discontinued operations		-	(62,241)
Cash flows from (used in) investing activities		1,071,351	(2,576,626)
Financing activities			
Issue of shares pursuant to private placement, net of issue costs		10,077,209	-
Cash flows from financing activities		10,077,209	-
Net increase (decrease) in cash and cash equivalents for the year		8,755,879	(5,585,920)
Effect of exchange rate changes on cash and cash equivalents		-	32,451
Cash and cash equivalents, beginning of the year		946,611	6,500,080
Cash and cash equivalents, end of the year		$ 9,702,490	$ 946,611
Supplementary cash flow information			
Interest received		$ 27,059	$ 20,920

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) ("Talisker" or the "Company") is a publicly listed company incorporated in British Columbia and continued in the Province of Ontario. The Company is engaged in exploration and evaluation of mineral properties in British Columbia. The Company's shares are listed on the Canadian Securities Exchange (the "CSE") under the symbol "TSK" and the OTCQB Venture Market under the symbol "TSKFF". The head office and registered address of the Company is located at 100 King Street West, Suite 7010, Toronto, Ontario, M5X 1A0.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company had a net loss during the year ended December 31, 2019 of $5,015,024 and an accumulated deficit of $16,064,824.

The Company's ability to continue as a going concern is dependent upon attaining profitable operations, and, if required, the ability to raise public equity financing to meet expenditure commitments. There is no assurance that these activities will be successful. The combination of these circumstances set out above represents a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. However, the Company is confident that it will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing its financial statements. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumptions were not appropriate. These adjustments would be material to the financial statements.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 1, 2020.

2. BASIS OF PRESENTATION

Statement of Compliance

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

Principles of Consolidation

These consolidated financial statements for the years ended December 31, 2019 and 2018 include the financial position, financial performance and cash flows of the Company and its subsidiary detailed below:

Subsidiary	Country of Incorporation	Economic Interest	Basis of Accounting
Bralorne Gold Mines Ltd.	Canada	100%	Full consolidation

Subsidiaries - Subsidiaries are entities over which the Company has control, whereby control is defined as the power to direct activities of an entity that significantly affect the entity's returns so as to obtain benefit from its activities. Control is presumed to exist where the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date at which control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Presentation Currency

The Company's presentation currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar, and the functional currency of its subsidiary is the Canadian dollar.

(b) Foreign Currency Translation

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign currency translation gains and losses are presented in the statements of loss and comprehensive loss in the period in which they occur. The Company translates the financial statements of any subsidiaries with a different functional currency than the parent company as follows: items in the statement of loss and comprehensive loss are translated into the presentation currency using the average exchange rate for the year. Assets and liabilities are translated at the year-end rate. All resulting exchange differences are reported as a separate component of other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in accumulated other comprehensive income, shall be reclassified from equity to consolidated statements of loss and comprehensive loss when the gain or loss on disposal is recognized.

(c) Exploration and Evaluation Assets and Expenditures

Exploration and Evaluation Assets and Expenditures

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, drilling and other work involved in searching for minerals.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

(i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;

(ii) determining the optimal methods of extraction and metallurgical and treatment processes;

(iii) studies related to surveying, transportation, and infrastructure requirements;

(iv) permitting activities; and

(v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Costs incurred to acquire an exploration and evaluation asset are capitalised based on the fair value of the assets acquired less the costs associated with the acquisition. Such assets may be acquired with an associated reclamation and closure obligation. These obligations are recorded as a provision on the statement of financial position with the offsetting asset recorded as part of the exploration and evaluation asset.

Costs incurred pre-exploration, including license costs paid in connection with a right to explore in an existing exploration area are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, up until the point it is concluded that a future economic benefit is more likely than not to be realized.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditures incurred on a license where a NI 43-101 – Standards of Disclosure for Mineral Projects (“43-101”) compliant resource has not yet been established are expensed as incurred until sufficient evaluation has occurred in order to establish a 43-101 compliant resource and on completion of a positive economic analysis. Costs expensed during this phase are included in “exploration expenses” in the statement of loss and comprehensive loss.

Sale of Royalty Interest

The Company records the proceeds from the sale of a royalty interest on a property against the value of the Exploration and Evaluation asset in the statement of financial position and does not recognize any gain or loss on its exploration and evaluation royalty transactions, until the consideration received is in excess of the carrying amount of the associated asset on which the royalty is to be earned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment

Cost

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets (where relevant) borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The cost of replacing or overhauling a component of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is written off. Costs associated with routine repairs and maintenance of plant and equipment are expensed as incurred.

Depreciation

The carrying amounts of property, plant and equipment are depreciated using the diminishing balance method using the rates below. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (or components) of plant and equipment.

Machinery and Equipment	5 years
Buildings	10 years
Water Treatment Plant	15 years
Vehicles	5 years

Depreciation methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate.

Depreciation is either regarded as part of the cost of inventory or expensed through the statement of loss and comprehensive loss.

Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in profit or loss.

(e) Reclamation Deposits

Reclamation deposits are term deposits held on behalf of the Government of the Province of British Columbia (the “province”) as collateral for possible reclamation activities on the Company’s exploration and evaluation assets in connection with permits required for exploration activities. As they are restricted from general use, they are excluded from current assets. Reclamation deposits are released, by the province, once the property is restored to satisfactory condition, or as released under the surety bond agreement described in Note 12. Reclamation deposits are recorded at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Share-Based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 13.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statements of income and comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire or are forfeited after vesting, the recorded value is transferred to retained earnings (deficit).

(g) Finance Costs

Finance costs comprise interest expense on borrowings calculated using the effective interest rate method.

(h) Taxation

Current Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred Income Tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

No deferred tax liability is recognized on taxable temporary differences associated with investments to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

No deferred tax asset is recognized on the deductible temporary differences associated with investments in subsidiaries as it is not probable that the temporary differences will reverse in the foreseeable future.

(i) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset (or cash-generating unit (CGU)) may be impaired. For exploration and evaluation assets such indicators include: assessing the expiry of the rights to explore, having a budget for planned activities, and considering if it is unlikely that further work will be conducted on an asset of CGU. If any indication of impairment exists, the Company estimates the asset's or CGU's recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU. Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. In calculating 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/CGU. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.
Impairment losses are recognized in loss and comprehensive loss.

An assessment is made each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. The reversal is limited to the recoverable amount, which cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset/CGU in prior years. Such a reversal is recognized in loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Company's only instruments measured at fair value through profit or loss are its short-term marketable securities, which are comprised of short term bonds, and long term receivable. As such, they are classified as fair value through profit or loss based on the current fair value.

Amortized Cost

These financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issues, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for receivables are recognized based on the lifetime expected credit losses. During the process of reviewing accounts receivable for impairment, the probability of the non-payment of the receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for receivables. For receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating expenses in the consolidated statement of comprehensive loss. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's financial assets measured at amortized cost comprise cash and cash equivalents, reclamation deposits and amounts receivable.

Financial Liabilities

The Company classifies its financial instruments into one of two categories, depending on the purpose for which the liability was acquired.

Fair Value Through Profit or Loss

This category does not comprise any liabilities at December 31, 2019. These liabilities are classified and measured at fair value through profit and loss.

Other Financial Liabilities

Other financial liabilities include accounts payables and accrued liabilities and equipment loans payable, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

(k) Cash and cash equivalents

Cash and cash equivalents are comprised of cash at banks and cash on hand and short term, highly liquid deposits which are either cashable or with original maturities of less than three months from the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Provisions

General

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

Provision for Site Reclamation and Closure

The Company records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining production location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration and evaluation assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability, and is included as a finance expense. Where the timing of the work to perform rehabilitation work is uncertain, management either makes its best effort to assess the appropriate present value or will record the gross value of a provision amount.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment.

For closed sites, or assets with zero carrying values changes to estimated costs are recognized immediately in loss and other comprehensive loss.

Contingent Assets

The Company discloses contingent assets, where an inflow of economic benefits is probable. The Company continually assesses any contingent assets to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Earnings (Loss) Per Share

Basic earnings (loss) per common share has been computed by dividing the earnings (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the year. Diluted earnings (loss) per common share reflects the potential dilution of common share equivalents such as outstanding options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease (loss) per share.

(n) Operating Segments

At December 31, 2019, the Company's operations comprise a single operating segment engaged in mineral exploration and evaluating in British Columbia. An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

(o) Adoption New Accounting Standards

The adoption of the following new standards, interpretations and amendments were included in the financial statements for the year beginning January 1, 2019.

IFRS 16 Leases ("IFRS 16"), was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019.

The Company did not have any leases in place as at January 1, 2019, as such, there was no impact on adoption of the standard.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Exploration and Evaluation ***Assets' carrying values and impairment charges*** - The Company assesses its cash-generating units at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties

- ***Share-based payments*** – The Company determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- ***Provision for site reclamation and closure*** - Provisions for site reclamation and closure have been created based on management estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability as shown in Note 12. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management and are based on current regulatory requirements. Significant changes in estimates of discount rate, contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual reclamation and closure costs will ultimately depend on future market prices for the costs which will reflect the market condition at the time the costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

5. CASH AND CASH EQUIVALENTS

The balance at December 31, 2019 consists of cash on deposit with major Canadian banks in interest bearing accounts totaling $9,602,490 (December 31, 2018 - $936,611) and cashable guaranteed investment certificates with major Canadian banks of $100,000 (December 31, 2018 - $10,000) for total cash and cash equivalents of $9,702,490 (December 31, 2018 - $946,611).

6. MARKETABLE SECURITIES

As at December 31, 2019, the balance consists of various short term corporate bonds with a fair market value of $nil (December 31, 2018 - $2,526,633).

During the year ended December 31, 2019, the Company recognized an unrealized gain of $nil (2018 - $12,248) as the market value of various bonds increased.

During the year ended December 31, 2019, the Company recognized interest income related to the bonds of $27,059 (2018 - $20,920).

(Expressed in Canadian dollars)

7. AMOUNTS RECEIVABLE

As at,		December 31, 2019		December 31, 2018
HST receivable	$	293,746	$	24,217
Other receivables		11,331		-
Current portion of long term receivable		-		1,300,000
	$	305,077	$	1,324,217

At December 31, 2019, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 19. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2019 and December 31, 2018.

Long term Receivable

As part of the sale of Global Fluids International in 2016 to SICPA SA, the Company was entitled to post-closing earn-out payments equal to 5% of the net revenues earned by GFI from contracts, inclusive of both marker and logistics, entered into by it following the execution of the purchase agreement and during the period ending six years from the closing of the transaction, with a minimum guaranteed payment of $1.5 million per year for the six year minimum earn-out period (total payment of at least $9,000,000).

The Company had estimated cash flows receivable to amount to the minimum earn-out amount of $9,000,000. Due to the difficulty in estimating the contingent portions of the earn-out payments the Company did not recognize any additional amount above the minimum guaranteed portion. The estimated cash flows were discounted using a discount rate of 10%.

During the year ended December 31, 2018, the Company entered into a comprehensive agreement with SICPA, pursuant to which the parties terminated the surviving material agreements entered into between them in connection with the purchase and sale transaction of GFI in which SICPA acquired GFI from the Company in January 2016. Under the terms of the agreement, SICPA agreed to pay the Company a total of $3,400,000 in full satisfaction of all of the remaining net revenue based earn-out obligations owed by it to the Company, payable in installments of $800,000, $1,300,000 and $1,300,000 on August 2, 2018, October 1, 2018 and January 3, 2019, respectively. These amounts were received in settlement of the receivable balance.

(Expressed in Canadian dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment $	Buildings $	Water Treatment Facility $	Vehicles $	Total $
Balance at December 31, 2017 and 2018	-	-	-	-	-
Additions	1,387,410	113,000	1,272,500	37,500	2,810,410
Balance at December 31, 2019	1,387,410	113,000	1,272,500	37,500	2,810,410
ACCUMULATED DEPRECIATION					
Balance at December 31, 2017 and 2018	-	-	-	-	-
Additions	9,617	471	3,535	312	13,935
Balance at December 31, 2019	9,617	471	3,535	312	13,935
NET BOOK VALUE					
At December 31, 2018	-	-	-	-	-
At December 31, 2019	**1,377,793**	**112,529**	**1,268,965**	**37,188**	**2,796,475**

As at December 31, 2019, $571,736 (December 31, 2018: $nil) of machinery and equipment is under lease and loans (see Note 11).

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets for the Company are summarized as follows:

	January 1, 2019	Additions	Sale of NSR	December 31, 2019
Spences Bridge Gold Project	$ -	$ 5,701,823	$ -	**$ 5,701,823**
Bralorne Gold Project	-	23,270,504	(6,150,000)	**17,120,504**
Baker Gold Project	-	1,127,406	-	**1,127,406**
Mets Lease	-	5,917	-	**5,917**
Bot Property	-	256,948	-	**256,948**
Tulox Property	-	405,963	-	**405,963**
WCGG Properties[1]	-	109,338	-	**109,338**
Dora-Merritt Option	-	41,900	-	**41,900**
Blustry Mountain Property	-	30,000	-	**30,000**
	$ -	$ 30,949,799	$ (6,150,000)	**$ 24,799,799**

Agreement with Sable Resources Ltd.

On January 24, 2019, the Company entered into an asset purchase agreement to acquire Sable Resources Ltd.'s ("Sable") mineral resource properties located in the Province of British Columbia and certain related assets (the "Acquired Properties") in exchange for paying Sable $500,000 in cash and issuing Sable 30,000,000 post-consolidation shares at the time of closing and granting Sable, on the closing date, a 1.0% net smelter return royalty on each of the Acquired Properties and assuming certain liabilities relating to the Acquired Properties (the "Transaction").

On March 29, 2019, shareholders approved the Transaction resolution and other related items of business and on April 17, 2019, the Company filed Articles of Amendment to change its name to Talisker Resources Ltd. and to consolidate its shares on a 1 for 4 basis.

The value of the acquisition costs related to the transaction are outlined below:

Fair Value of Sable Net Assets Acquired

Reclamation deposits	$ 50,437
Exploration and evaluation asset	7,607,395
Provision for site reclamation and closure (Note 12)	(1,157,832)
Net assets acquired	$ 6,500,000
Consideration paid:	
Cash	$ 500,000
Shares issued on acquisition (Note 13)	6,000,000
Total consideration	$ 6,500,000

The Acquired Properties

The Acquired Properties included several early to advanced stage projects including in the Toodoggone region of northern British Columbia, the past producing Baker Gold Project; the Shasta Mine and Baker mill infrastructure and equipment; the Chappelle (Baker and Multinational Mines) property; the Mets lease; the Bot property and in south central British Columbia, the Blue Jay property, the Spences Bridge property, the Sauchi Creek property, the Tulameen property and the Tulox property.

A description of the Acquired Properties and additional properties acquired by the Company post the Transaction follows.

[1] WCGG Properties include the Tulameen South, Bluejay and Sauchi Creek properties.

9. EXPLORATION AND EVALUATION ASSETS (continued)

Southern BC Properties

Spences Bridge Gold Project

The Spences Bridge Gold Project consists of 129 claims in the Spences Bridge Gold Belt in southern British Columbia and comprises ground acquired as part of the Acquired Properties since closing the Transaction, additional acreage has been staked. In connection with the acquisition of the Acquired Properties, the Company assumed a strategic alliance with Westhaven Ventures Inc. ("Westhaven") whose projects are contiguous to the Company's claims. The strategic alliance provides for an agreement whereby any ground staked within 5 km of Westhaven's existing projects will be subject to a 2.5% net smelter royalty. Additionally, Westhaven has a 30 day right of first refusal for any properties within the same 5 km radius for a three-year period.

On June 18, 2019, the Company entered into purchase agreements for the Blustry Mountain property which now forms part of the Spences Bridge Gold Project. The four mineral claims were purchased in exchange for cash payments of $30,000 (paid), the issuance of 220,000 common shares of Talisker (issued) valued at $31,900 and, in the case of three of the minerals claims, a 1% net smelter royalty (NSR). Talisker has the right to purchase 50% of the NSR for $500,000.

On August 17, 2019, the Company staked a small claim on the western margin of the Spences Bridge Project where multiple anomalous basins along the edge of the block were identified.

Lola Property

The Lola property is located in southern British Columbia near Lillooet and consists of four mineral claims. The first mineral claim was staked by the Company in April 2019 and the final three claims were staked by the Company in August 2019.

Remington Property

The Remington property is located in central British Columbia near the town of Goldbridge. The property was staked by Talisker and consists of 22 mineral claims.

Blue Jay Property

The Blue Jay property consists of five claim blocks located north of Rock Creek, British Columbia.

Tulox Property

The Tulox property comprising 22 mineral claims is located north of Kamloops in southern British Columbia.

Dora-Merritt Option Agreement

On May 31, 2019, Talisker entered into a purchase agreement for the Dora-Merritt property which encompasses six mineral claims, and provides the Company with an option to acquire 100 per cent of the Dora-Merritt property mineral claims. Under the term of the option agreement, Talisker paid $10,000 in cash and has agreed to pay $10,000 and 50,000 common shares of Talisker on May 31, 2020, and May 31, 2021; $20,000 and 50,000 common shares of Talisker on May 31, 2022; $50,000 and 150,000 common shares of Talisker on May 31, 2023; and to spend a minimum of $50,000 per year over five years. The option agreement is also subject to a share bonus of one common share per ounce of gold equivalent in the inferred or greater category to a maximum of 250,000 common shares and a 2% NSR. Talisker has the right to purchase 50% of the NSR for $1-million.

9. EXPLORATION AND EVALUATION ASSETS (continued)

Northern BC Properties

Baker Gold Project

The Baker Gold Project is located in the Toodoggone region, 430 km northwest of Prince George, British Columbia. The Baker Gold Project consists of 53 mineral claims, and two mining leases that encompass the past-producing Dupont-Baker 'A' and Multinational 'B' underground gold-silver mines and the past-producing Shasta open pit/underground gold-silver mine, and the Baker mill and tailings storage facility.

Mets Lease

The Mets Lease is located approximately north of the Baker and Multinational Mines. The mining lease is subject to a 1% NSR which can be purchased at any time for $500,000.

Acquisition of Bralorne Gold Mines Ltd.

On December 13, 2019, the Company completed the acquisition of a 100% interest in the Bralorne Gold Project (the "Bralorne Gold Project") located in southwestern British Columbia from Avino Silver & Gold Mines Ltd. ("Avino").

Talisker acquired all of the common shares of Bralorne Gold Mines Ltd. ("Bralorne"), Avino's wholly owned subsidiary which owns the Bralorne Gold Project, in exchange for:

1. A cash payment of $8,700,000;

2. 12,580,000 common shares of Talisker, representing 9.9% of the number of outstanding common shares; and

3. 6,290,000 common share purchase warrants ("warrants"), with each warrant being exercisable at $0.25 for a period of three years from closing, subject to acceleration in the event the closing price of common shares is greater than $0.35 for 20 or more consecutive trading days at any time following April 14, 2020. The warrants were ascribed a fair value of $903,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.64%; volatility 100% and an expected life of 36 months.

A cash payment of US$2.5 million will be payable to Avino on commencement of commercial production of the Project. This contingent payment has not been ascribed any value as at the date of acquisition.

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

The operations and changes in cash flow of Bralorne have been included from the date control was acquired (December 13, 2019) to the date of these consolidated financial statements. As Bralorne does not meet the definition of a business per IFRS 3, the Acquisition has been accounted for as an asset acquisition, whereby Talisker is considered to issue additional shares in return for the net assets of Bralorne at their fair value as follows:

Fair Value of Bralorne Net Assets Acquired

Cash	$	1,970,450
Accounts receivable		78,157
Inventory		7,709
Reclamation deposits		25,000
Property, plant and equipment		2,810,410
Exploration and evaluation asset		23,270,504
Accounts payable and accrued liabilities		(510,780)
Leases payable		(353,851)
Provision for site reclamation and closure		(14,177,926)
Net assets acquired	$	13,119,673
Consideration paid:		
Cash	$	8,700,000
Shares and warrants issued on acquisition (Note 13)		3,859,300
Shares issued as fees on acquisition (Note 13)		235,000
Other acquisition expenses		325,373
Total consideration	$	13,119,673

The Company owns a 100% undivided interest in certain mineral properties located in the Lillooet Mining Division. There is an underlying agreement on 12 crown grants in which the Company is required to pay 1.6385% of net smelter proceeds of production from the claims, and pay fifty cents Canadian (C$0.50) per ton of ore produced from these claims if the ore grade exceeds 0.75 ounces per ton gold. A cash payment of US$2.5 million will be payable to Avino on commencement of commercial production of the Project.

The Company also owns land and mineral claims for the Bralorne Mine project in connection with ongoing plans for exploration and potential expansion, in the Lillooet Mining Division of British Columbia. The Bralorne Gold Project carries a 1% net smelter returns royalty to a maximum of C$0.25 million, and a 2.5% net smelter returns royalty.

On December 24, the Company entered into a definitive royalty purchase agreement and royalty agreement with its wholly-owned subsidiary Bralorne Gold Mines Ltd. and Osisko Gold Royalties Ltd for the sale of a 1.2% net smelter returns royalty on all production from the Bralorne Gold Project located in southwestern British Columbia. The transaction under these agreements has been completed and Bralorne has received proceeds in the amount of $6,200,000 less $50,000 in transaction fees which was recorded as a reduction in exploration and evaluation assets for the year ended December 31, 2019.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at,		**December 31, 2019**		December 31, 2018
Accounts payable	**$**	**932,153**	$	77,126
Accrued liabilities		**391,246**		554,500
	$	**1,323,399**	$	631,626

(Expressed in Canadian dollars)

11. LEASES AND EQUIPMENT LOANS PAYABLE

Equipment Loan Payable

The Company has entered into loans for mining equipment maturing in 2020 with fixed interest rate of 4.35% per annum. The Company's obligations under the loans are secured by certain plant and mining equipment.

The contractual maturities and interest charges in respect of the Company's obligations under the equipment loans are as follows:

		December 31, 2019		December 31, 2018
Not later than one year	**$**	**130,298**	$	-
Later than one year and not later than five years		**-**		-
Less: Future interest charges		**(3,019)**		-
Present value of loan payments		**127,279**		-
Less: current portion		**127,279**		-
Non-current portion	**$**	**-**	$	-

Leases Payable

The Company has entered into equipment leases expiring between 2020 and 2021, with interest rates ranging from 4.95% to 5.90% per annum. The Company has the option to purchase the equipment at the end of the lease term for a nominal amount. The Company's obligations under finance leases are secured by the lessor's title to the leased assets.

The contractual maturities and interest charges in respect of the Company's finance lease obligations are as follows:

		December 31, 2019		December 31, 2018
Not later than one year	**$**	**109,066**	$	-
Later than one year and not later than five years		**129,958**		-
Less: Future interest charges		**(22,811)**		-
Present value of lease payments		**216,213**		-
Less: current portion		**(95,293)**		-
Non-current portion	**$**	**120,920**	$	-

12. PROVISION FOR SITE RECLAMATION AND CLOSURE

Provincial laws and regulations concerning environmental protection affect the Company's exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its activities and to perform site restoration and other closure activities. The Company's provision for future site closure and reclamation costs is based on known requirements.

The Company's determination of the environmental rehabilitation provision arising from its activities at the Baker Gold Project, the Bot and Tulox properties (acquired from Sable) at December 31, 2019 was $1,157,832 (December 31, 2018: $nil). The Company has estimated that the reclamation costs are current costs and as such considers the present value of the provision at December 31, 2019 to be equal to the total future undiscounted cash flows to settle the provision for reclamation, being $1,157,832 (December 31, 2018: $nil).

As part of the Company's agreement with Sable, Sable is required to cover any environmental liability in excess of the agreed upon amount of $316,266. As at December 31, 2019, the excess over this amount is equal to $841,566. This is a contingent asset all will be recorded in future once the reclamation activities have occurred and Sable have settled their obligation.

(Expressed in Canadian dollars)

12. PROVISION FOR SITE RECLAMATION AND CLOSURE

The present value of the obligation for Bralorne of $14,194,124 (December 31, 2018 – $nil) is based on an undiscounted obligation of $55,244,507, out of which $8,385,881 is expected to be incurred in 2027 with the remaining $46,858,626 to be incurred on water treatment and quality monitoring throughout 2126. The provision was calculated using a weighted average risk-free interest rate of 1.71% (December 31, 2018 – nil) and a weighted average inflation rate of 2% (December 31, 2018 – nil). Reclamation activities are estimated to begin in 2027 and are expected to be incurred over a period of 100 years.

The breakdown of the provision for site reclamation and closure is as per below:

	December 31, 2019	December 31, 2018
Balance	**$ -**	$ -
Acquisition of properties	**15,335,758**	-
Accretion	**16,198**	-
Balance	**$ 15,351,956**	$ -

Reclamation Deposits

The Company is required to make reclamation deposits in respect of its expected site reclamation and closure obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company.

The Company has deposited funds totaling $50,437 (December 31, 2018 - $nil) with the Province of British Columbia (the “Province”) in relation to disturbance associated with exploration activities at the Baker Gold Project and the Bot and Tulox properties. This deposit is held until the Province is satisfied that the Company has completed certain remediation activities on these properties.

Under the Ministry of Energy, Mines and Petroleum Resources (“MEM”), the Company is required to hold reclamation bonds that cover the estimated future cost to reclaim the ground disturbed. Bralorne is required to pay $250,000 every six months until a cumulative security equal to $12,300,000. Prior to acquisition, Bralorne had total reclamation security of $1,625,000 which was replaced on February 14, 2020 with a reclamation surety bond amounting to $1,650,000. At December 31, 2019, the Company had $25,000 (December 31, 2018 - $nil) to cover estimated future costs related to the future ground disturbance at the Company’s Bralorne project.

13. ISSUED CAPITAL

Authorized Unlimited common shares without par value

	December 31, 2019	December 31, 2018
Issued capital	**$ 33,071,000**	$ 15,001,591
Fully paid common shares [1]	**127,042,296**	23,112,554

(1) As at December 31, 2019 and December 31, 2018, there are 1,000,000 shares awaiting issuance, the proceeds for which were received in 2008 and are included in share capital.

(Expressed in Canadian dollars)

13. ISSUED CAPITAL (continued)

Common Shares Issued

	Number of Shares		Value of Shares
Balance as at December 31, 2017	22,687,554	$	14,942,091
Exercise of RSUs	425,000		59,500
Balance as at December 31, 2018	23,112,554	$	15,001,591
Issue of shares pursuant to private placement, net of issue costs	60,129,742		10,077,209
Issue of shares for acquisition of mineral properties (Note 9)	30,220,000		6,031,900
Shares and warrants issued on corporation acquisition (Note 9)	12,580,000		2,956,300
Shares issued as fees on corporate acquisition (Note 9)	1,000,000		235,000
Warrants issued	-		(696,000)
Compensation warrants issued	-		(41,000)
Flow through premium liability	-		(494,000)
Balance as at December 31, 2019	**127,042,296**	**$**	**33,071,000**

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

Financings

(1) On April 17, 2019, the Company completed an offering (the "Offering") of 11,730,000 subscription receipts (each, a "Subscription Receipt"), at a price of $0.20 per Subscription Receipt, for gross proceeds of $2,346,000. Following completion of the Transaction with Sable on April 18, 2019, the gross proceeds were released to Talisker, and all of the Subscription Receipts were automatically exchanged for units (each, a "Unit") of Talisker.

Each "Unit" comprised of one common share of Talisker, and one common share purchase warrant (each a "warrant") of Talisker, each warrant entitling the holder to acquire a further common share of the Company at a price of $0.30 for a period of 24 months, subject to accelerated expiry in the event the closing price of the shares of the Company is greater than $0.50 for ten consecutive trading days. The warrants were ascribed a fair value of $696,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.62%; volatility 75% and an expected life of 24 months.

(2) On August 29, 2019 through September 6, 2019, the Company completed three tranches of a private placement financing of common shares, flow-through shares (the "FT Shares") and charity flow-through shares (the "Charity FT Shares") of the Company, issuing 11,642,770 common shares at a price of $0.14 per common share for gross proceeds of $1,629,988, as well as 10,463,750 FT Shares at a price of $0.16 per FT Share for gross proceeds of $1,674,200 and 4,071,000 Charity FT Shares at a price of $0.21 per Charity FT Share for gross proceeds of $854,910, respectively, for aggregate gross proceeds of $4,159,098.

In consideration for their services, the Company paid the Agents a cash commission totalling $254,256, and issued an aggregate of 518,566 compensation warrants, each compensation warrant entitling the holder to acquire a common share of the Company at a price of $0.14 for a period of 24 months. The compensation warrants were ascribed a fair value of $41,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.34%; volatility 75% and an expected life of 24 months.

(3) On December 13, 2019, the Company completed a private placement of 22,222,222 common shares at price of $0.18 per common share for gross proceeds of $4,000,000.

In consideration for services in connection with the financings, the Company paid cash commissions and other costs totalling $173,633.

(Expressed in Canadian dollars)

13. ISSUED CAPITAL (continued)

Flow Through Premium Liability

For the purposes of calculating the tax effect of any premium related to the issuances of flow-through shares, the Company reviewed the share price of the Company's common shares and compared it to determine if there was a premium paid on the flow-through shares.

For the year ended December 31, 2019, the Company recognized $494,000 as a flow-through premium liability on issuance in connection with the private placements described in (2) above. The amount will be reduced upon filing of renunciation documents with the Canada Revenue Agency.

Diluted Weighted Average Number of Shares Outstanding

	For the year ended	
	December 31, 2019	December 31, 2018
Basic weighted average shares outstanding	**63,498,639**	22,970,252
Effect of outstanding stock options	**-**	-
Diluted weighted average shares outstanding	**63,498,639**	22,970,252

During the years ended December 31, 2019 and 2018, the Company had a net loss, as such, the diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

14. WARRANTS RESERVE

The following is a summary of changes in warrants from January 1, 2018 to December 31, 2019:

	Number of Warrants	Weighted average exercise price per warrant	Amount
Balance, January 1, 2018 and December 31, 2018	-	$ -	$ -
Issue of warrants (Note 13)	11,730,000	0.30	696,000
Issue of compensation warrants (Note 13)	518,566	0.14	41,000
Issue of warrants on corporate acquisition (Note 9)	6,290,000	0.25	903,000
Balance, December 31, 2019	**18,538,566**	**$ 0.28**	**$ 1,640,000**

As at December 31, 2019, the Company had outstanding warrants as follows:

Expiry Date	Exercise Price	Outstanding and exercisable
April 18, 2021	$ 0.30	11,730,000
August 29, 2021	$ 0.14	518,566
December 13, 2022	$ 0.25	6,290,000
Balance, December 31, 2019		**18,538,566**

Subsequent to year end, the 6,290,000 warrants with expiry date of December 13, 2022 were fully exercised for proceeds of $1,572,500, 221,100 or the August 29, 2021 warrants were exercised for proceeds of $30,954, and 975,000 or the April 18, 2021 warrants were exercised for proceeds of $292,500.

(Expressed in Canadian dollars)

15. SHARE-BASED PAYMENT RESERVE

Stock Option Plan

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with regulatory policies.

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of five years. The exercise price of the options granted under the Plan is set at the last closing price of the Company's common shares before the date of grant or in accordance with regulatory requirements.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following options were outstanding as at December 31, 2019:

Number of options outstanding	Number of exercisable options	Grant date	Expiry Date		Exercise price	Fair value at grant date
93,750	93,750	June 30, 2015	June 30, 2020	$	0.52	31,000
362,500	362,500	February 19, 2016	February 19, 2021	$	0.60	164,044
175,000	175,000	August 22, 2018	August 22, 2023	$	0.24	19,000
3,400,000	3,400,000	June 18, 2019	June 18 2024	$	0.20	332,000
5,000,000	5,000,000	December 27, 2019	December 27, 2024	$	0.295	1,102,500
9,031,250	**9,031,250**					**$1,648,044**

The options outstanding as at December 31, 2019 had a weighted exercise price of $0.27 (December 31, 2018: $0.52) and a weighted average remaining contractual life of 4.57 years (December 31, 2018: 2.49 years).

All options vested on their date of issue and expire within five years of their issue, or 90 days after the resignation of the director, officer, employee or consultant.

Fair Value of Share Options Granted in the Year Ended December 31, 2019

On June 18, 2019, 3,400,000 options were granted to directors, officers and consultants of the Company to acquire the Company's common shares at an exercise price of $0.20 until June 18, 2024. These options had an estimated fair value of $332,000 at grant date.

On December 27, 2019, 5,000,000 options were granted to directors, officers and consultants of the Company to acquire the Company's common shares at an exercise price of $0.29 until December 27, 2024. These options had an estimated fair value of $1,102,000 at grant date.

(Expressed in Canadian dollars)

15. SHARE-BASED PAYMENT RESERVE (continued)

The fair value of options granted in the year ended December 31, 2019 was calculated using the following assumptions:

	Number of Options Granted	
	June 18, 2019	December 31, 2019
	3,400,000	5,000,000
Grant date share price	$ 0.140	$ 0.295
Exercise price	$ 0.20	$ 0.30
Expected volatility	100%	100%
Expected option life	5 years	5 years
Expected dividend yield	0%	0%
Risk-free interest rate	1.32%	1.62%

The options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on comparable companies, an expected dividend yield, and a risk free interest rate, as noted in the table above.

Fair Value of Share Options Granted in the Year Ended December 31, 2018

On August 22, 2018, 700,000 options were granted to directors and officers of the Company to acquire the Company's common shares at an exercise price of $0.06 until August 22, 2023. These options had an estimated fair value of $19,000 at grant date.

The fair value of options granted in the year ended December 31, 2018 was calculated using the following assumptions:

	Number of Options Granted
	August 22, 2018
	700,000
Grant date share price	$ 0.035
Exercise price	$ 0.06
Expected volatility	119%
Expected option life	5 years
Expected dividend yield	0%
Risk-free interest rate	2.18%

The options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on historical prices of the Company's common shares, an expected dividend yield, and a risk free interest rate, as noted in the table below. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations.

(Expressed in Canadian dollars)

15. SHARE-BASED PAYMENT RESERVE (continued)

Movements in Share Options During the Year

The following reconciles the options outstanding for the year ended December 31, 2019 and 2018:

	Number of options		Weighted Average fair value
Balance, December 31, 2017	1,756,250	$	0.52
Granted	175,000	$	0.24
Expired	(1,043,750)	$	0.40
Forfeited	(68,750)	$	0.60
Balance, December 31, 2018	818,750	$	0.52
Granted	8,400,000	$	0.26
Forfeited	(187,500)	$	0.60
Balance, December 31, 2019	**9,031,250**	**$**	**0.27**

Restricted Share Units

The Restricted Share Unit Plan (RSU Plan) provides for the grant of restricted share units (each, an "**RSU**") convertible into a maximum number of common shares equal to ten percent (10%) of the number of common shares then issued and outstanding, provided, however, the number of common shares reserved for issuance from treasury under the RSU Plan and pursuant to all other security-based compensation arrangements of the Company shall, in the aggregate, not exceed ten percent (10%) of the number of common shares then issued and outstanding. Any common shares subject to a RSU which has been cancelled or terminated in accordance with the terms of the RSU Plan without settlement will again be available under the RSU Plan. When vested, each RSU entitles the holder to receive, subject to adjustments as provided for in the RSU Plan, one common share or payment in cash for the equivalent thereof based on the volume weighted average trading price of the common shares on the five trading days immediately preceding the redemption date. The terms and conditions of vesting (if applicable) of each grant are determined by the Board at the time of the grant, subject to the terms of the RSU Plan. RSU awards may, but need not, be subject to performance incentives to reward attainment of annual or long-term performance goals. Any such performance incentives or long term performance goals are subject to determination by the Board and specified in the award agreement.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon redemption of the RSU the carrying amount is recorded as an increase in common share capital and a reduction in the share based payment reserve.

The following table summarizes changes in the number of RSUs outstanding:

	Number of RSUs		Weighted Average fair value
Balance, December 31, 2017	-	$	-
Granted	1,700,000	$	0.035
Exercised	(1,700,000)	$	0.035
Balance, December 31, 2018	-	$	-
Granted	100,000	$	0.14
Balance, December 31, 2019	**100,000**	**$**	**0.14**

(Expressed in Canadian dollars)

15. SHARE-BASED PAYMENT RESERVE (continued)

The following table summarizes information about share-based payment reserve:

Balance, December 31, 2017	$	519,513
Share based expense – options		19,000
Share based expense - RSUs		59,500
Exercise of RSUs		(59,500)
Expiry of stock options		(239,618)
Balance, December 31, 2018	$	298,895
Share based expense - options		1,434,000
Share based expense - RSUs		14,000
Expiry of stock options		(84,851)
Balance, December 31, 2019	**$**	**1,662,044**

16. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at December 31, 2019 and December 31, 2018 were as follows:

	Assets at fair value through profit of loss	Amortized cost	Other financial liabilities	Total
As at December 31, 2019				
Cash and cash equivalents	$ -	$ 9,702,490	$ -	$ 9,702,490
Marketable securities	-	-	-	-
Reclamation deposits	-	75,437	-	75,437
Accounts payable and accrued liabilities	-	-	1,323,399	1,323,399
Leases payable	-	-	216,213	216,213
Equipment loans payable	-	-	127,279	127,279
As at December 31, 2018				
Cash and cash equivalents	$ -	$ 946,611	$ -	$ 946,611
Current portion of long term receivable	-	1,300,000	-	1,300,000
Marketable securities	2,526,633	-	-	2,526,633
Accounts payable and accrued liabilities	-	-	631,626	631,626

The Company classifies its financial instruments carried at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data

As at December 31, 2019 and December 31, 2018, cash and cash equivalents were recorded at fair value under level 1 within the fair value hierarchy.

The carrying value of cash and cash equivalents, amounts receivable, current portion of long term receivable, reclamation deposits, accounts payable and accrued liabilities and leases payable approximate fair value because of the limited terms of these instruments.

(Expressed in Canadian dollars)

17. RELATED PARTY DISCLOSURES

The following is a summary of the Company's related party transactions during the years ended December 31, 2019 and 2018:

The Company incurred administrative and operations costs in the amount of $88,491 (2018 - $nil) paid to Sable Resources Ltd., a company with certain common directors and officers.

The Company incurred administrative and operations costs in the amount of $37,800 (2018 - $nil) paid to Talisker Exploration Services Inc.., a company with certain common directors and officers.

Compensation of Key Management Personnel of the Company

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Short term employee benefits, director fees	**$ 665,633**	$ 1,469,400
Share based payments	**1,195,000**	78,500
	$ 1,860,633	$ 1,547,900

As at December 31, 2019, an amount of $91,852 (December 31, 2018 - $434,418) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

18. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support its operations. The capital of the Company consists of issued capital, warrant reserve and share-based payment reserve. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management in the year ended December 31, 2019 since the Sable Transaction and change of the names of the company to Talisker Resources. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

19. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no material changes in the risks, objectives, policies and procedures from the previous period.

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to the cash and cash equivalents is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. As at December 31, 2019, the Company had a cash and cash equivalents balance of $9,702,490 (December 31, 2018 - $946,611) as well as marketable securities of $nil (December 31, 2018 - $2,526,633) to settle current liabilities of $1,545,971 (December 31, 2018 - $631,626). Working capital for the Company as at December 31, 2019 was $8,603,385 (December 31, 2018 - $4,165,835).

The maturity profiles of the Company's contractual obligations and commitments as at December 31, 2019, are summarized as follows:

	Total	Less than 1 Year	1 to 5 Years	More than 5 Years
Accounts payable and accrued liabilities	$ 1,323,399	$ 1,323,399	$ -	$ -
Leases obligations	239,024	109,066	129,958	-
Equipment loans	130,298	130,298	-	-
Provision for site reclamation and closure	15,351,956	-	-	15,351,956
Total	$ 17,044,677	$ 1,562,763	$ 129,958	$ 15,351,956

Market Risk

(a) Foreign Currency Risk

The Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar.

Based on the foreign currency balances at December 31, 2019, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net income by approximately $1,000. This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

19. FINANCIAL RISK FACTORS (continued)

The exposure of the Company's financial assets, including marketable securities as at December 31, 2019 is as follows:

	CDN Dollar	US Dollar	Total (in CDN dollars)
Financial assets			
Cash and cash equivalents	$ 9,692,477	$ 10,013	$ 9,702,490
Amounts receivable	305,077	-	305,077
Reclamation deposits	75,437	-	75,437
Total	$ 10,072,991	$ 10,013	$ 10,083,004
Financial liabilities			
Accounts payable and accrued liabilities	$ 1,312,431	$ 10,968	$ 1,323,399
Equipment loans payable	127,279	-	127,279
Leases payable	216,213	-	216,213
Total	$ 1,655,923	$ 10,968	$ 1,666,891

(b) Commodities Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

20. DISCONTINUED OPERATIONS

Disposal of Israel Operations

On September 14, 2018, the Company entered into a share purchase agreement (the "Agreement") with DYG Holdings Ltd. ("DYG") pursuant to which the Company agreed to sell all of the shares of its Israeli subsidiaries to DYG representing a sale of all of the Company's former operating business (the "Sale Transaction"). The Company entered into the Agreement in order to complete its process of winding up its operations in Israel. Under the terms of the Agreement, the Company agreed to sell all of the issued and outstanding shares of Xenemetrix Ltd., Croptimal Ltd., and Xwinsys Technology Development Ltd. (the "Discontinued Subsidiaries") for nominal consideration and the possibility of receiving post-closing earn-out payments, only if DYG succeeds in re-establishing the business of the Discontinued Subsidiaries and realizing profits during the earn out period ending December 31, 2025. Any such earn-out payments would represent 20% of the net profit of the purchased companies, after various adjustments up to a maximum of $4,000,000. The Agreement contained only basic representations and warranties and the sale was completed substantially on an "as is where is" basis. Due to the uncertainty of the earn-out payments, the fair value of this contingent consideration was assessed as $nil.

In its news release issued on July 31, 2018, the Company first announced its plans to discontinue its Israeli operations and that it had entered into a comprehensive agreement with SICPA Finance ("SICPA Finance"), SICPA SA, and SICPA Global Fluids Integrity SA ("GFI") that terminated the long term supply, maintenance and support agreement between Xenemetrix and GFI and settled the outstanding amount owing to the Company by SICPA Finance (the "SICPA Termination Agreement"). Under the terms of the SICPA Termination Agreement, SICPA Finance agreed to pay the Company a total of $3,400,000 in full satisfaction of all of the remaining net revenue based earn-out obligations owed by it to the Company in connection with its sale of GFI to SICPA, payable in installments of $800,000, $1,300,000 and $1,300,000 on August 2, 2018, October 1, 2018 and January 3, 2019, respectively. The SICPA Termination Agreement was entered into by the Company to help facilitate an orderly transition of its business, eliminate risk and to strengthen its short-term cash position.

(Expressed in Canadian dollars)

20. DISCONTINUED OPERATIONS (continued)

The operating results for the years ended December 31, 2018 related to the Discontinued Subsidiaries have been presented separately as the loss from discontinued operations in the statements of loss and comprehensive loss.

As a result of the transaction, the Company recognized a loss on disposal of $432,611 during the year ended December 31, 2018, which was determined as follows:

Cash purchase price	$	1
Net assets disposed of:		
Cash	$	256,528
Amounts receivable		538,043
Prepaid expenses		117,003
Trade and other payables		(478,962)
	$	432,612
Loss on disposition	$	(432,611)

The breakdown of the loss for the years ended December 31, 2019 and 2018 from discontinued operations is as follows:

Years ended December 31,		**2019**		2018
Revenue	**$**	**-**	$	1,168,726
Cost of sales		**-**		(761,790)
Direct amortization		**-**		(37,454)
Gross profit		**-**		369,482
Consulting and management		**-**		-
Depreciation		**-**		(102,788)
Administration		**-**		(1,271,649)
Sales and administration		**-**		(1,022,640)
Research and development		**-**		(1,964,965)
Total expenses		**-**		(4,362,042)
Loss before the undernoted		**-**		(3,992,560)
Impairment of assets of discontinued operations (a), (b), (c)		**-**		(1,350,617)
Foreign exchange		**-**		(136,758)
Loss on sale of subsidiaries		**-**		(432,611)
Loss from discontinued operations	**$**	**-**	$	(5,912,546)

The cash flows used by operating activities for the discontinued operations for the year ended December 31, 2019 were $nil (2018 – cash flows used of $4,922,815).

The cash flows used in investing activities for the discontinued operations for the year ended December 31, 2019 were $nil (2018 – cash used of $62,241).

The cash flows used in financing activities for the discontinued operations for the year ended December 31, 2019 were $nil (2018 – cash used of $nil).

(Expressed in Canadian dollars)

20. DISCONTINUED OPERATIONS (continued)

Details pertaining to various assets listed and liabilities of discontinued operations are contained below:

(a) Intellectual Property

As at October 31, 2018, the date of sale, the Company determined the value of the intellectual property to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $112,362, for a resulting carrying value of $nil.

(b) Inventories

As at October 31, 2018, the date of sale, the Company determined the value of the inventory to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $703,175, for a resulting carrying value of $nil.

(c) Equipment

As at October 31, 2018, the date of sale, the Company determined the value of the equipment to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $535,080, for a resulting carrying value of $nil.

21. INCOME TAXES

(a) Income Tax Recovery

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 27% (December 31, 2018 – 26.5%) are as follows:

	December 31, 2019	December 31, 2018
Loss from continuing operations before income taxes	**$ (5,015,024)**	$ (2,959,533)
Expected income tax recovery based on statutory rate	**$ (1,354,057)**	$ (784,276)
Adjustments to benefit resulting from:		
Non deductible expenses	**394,213**	20,803
Other	**45,428**	150,473
Increase (decreased) in unrecognized deferred tax assets	**914,416**	613,000
Income tax recovery	**$ -**	$ -

(b) Deferred Tax Balance

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

	December 31, 2019	December 31, 2018
Non-capital losses	**$ 27,288,874**	$ 6,917,318
Property, plant and equipment	**2,365,242**	1,602
Un-deducted financing costs	**342,711**	-
Provision for site reclamation and closure	**16,198**	-
Capital losses	**6,969,913**	6,969,913
	$ 36,982,938	$ 13,888,833

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

(Expressed in Canadian dollars)

21. INCOME TAXES (continued)

(c) Non-capital Loss Balance

As at December 31, 2019, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses, and when they expire, is provided below:

2021	$ 1,698,000
2024	218,000
2026	1,317,000
2027	1,136,000
2028	1,364,000
2029	821,000
2030	2,453,000
2031	2,330,000
2032	4,674,000
2033	2,374,000
2034	2,911,000
2035	1,094,000
2036	1,124,000
2037	547,000
2038	1,986,000
2039	1,242,000
	$ 27,289,000

Upon closing of the Sale Transaction described in note 20 the tax losses listed above may no longer be available.

22. COMMITMENTS AND CONTINGENCIES

Flow-Through Shares

As at December 31, 2019, the Company is committed to spending approximately $3,158,000 by December 31, 2020 in connection with its flow-through offerings (December 31, 2018 - $nil). Out of $3,158,000, $1,578,000 relates to Bralorne's pre acquisition flow-through expenditure obligation.

Due to the size, complexity and nature of the Company’s operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

23. EVENTS AFTER THE REPORTING PERIOD

On February 4, 2020, the Company closed a bought deal private placement that was announced on January 7, 2020 raising $13,059,988 in gross proceeds with the issuance of 15,333,320 common shares at a price of $0.33 per common share and 16,161,600 charity flow-through common shares (the "Charity FT Shares") at a price of $0.495 per Charity FT Share. In connection with the private placement, the Company paid $667,387 in cash commissions and issued an aggregate of 620,817 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at a price of $0.33 for a period of 24 months.

Subsequent to year ended December 31, 2019, the COVID-19 pandemic has caused significant and negative impact to the global financial market. The Company continues to monitor and assess the impact on its business activities. The potential impact is uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results.

On April 1, 2020, the Company announced that drilling operations at the Bralorne Gold Project were temporarily suspended for good practices in relation to the COVID-19 pandemic. Prior to suspension of operations, the Company had completed a third of the drill program.