Sunmetals

Sun Metals Corp.
(formerly North Bluff Capital Corp.)

Consolidated Financial Statements

For the year ended December 31, 2018 and the period from incorporation on June 23, 2017 to December 31, 2017

(Expressed in Canadian Dollars Unless Noted Otherwise)

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sun Metals Corp.

Opinion

We have audited the consolidated financial statements of Sun Metals Corp. ("the Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017;
- the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2018 and the period from June 23, 2017 to December 31, 2017;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and the period from June 23, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

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

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

Other Information

Management is responsible for the other information. Other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Robert Ryan Owsnett, CPA, CA.

Vancouver, Canada
March 26, 2019

Sun Metals Corp. (formerly North Bluff Capital Corp.)

Consolidated Statements of Financial Position

((Expressed in Canadian Dollars Unless Noted Otherwise)

	As at December 31, 2018	As at December 31, 2017
ASSETS		
Current Assets		
Cash	$ 6,888,625	$ 479,764
Amounts receivable *(Note 6)*	130,147	56,070
Prepaid expenses *(Note 7)*	97,239	1,815
	7,116,011	537,649
Non-current Assets		
Exploration and evaluation asset acquisition costs *(Note 8)*	530,313	200,000
Reclamation deposits *(Note 10)*	131,136	-
Deposit *(Note 13)*	19,500	19,500
Property, plant and equipment *(Note 9)*	17,242	6,153
Total Assets	$ 7,814,202	$ 763,302
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities *(Note 13)*	$ 274,917	$ 310,870
Flow-through premium liability *(Notes 15b and 12b(v))*	2,412,500	-
	2,687,417	310,870
Non-current liabilities		
Provision for closure and reclamation *(Note 11)*	131,678	-
Total Liabilities	2,819,095	310,870
Equity		
Share capital *(Note 12)*	10,391,667	1,406,015
Equity Reserves *(Note 12c & 12d)*	3,449,466	-
Accumulated deficit	(8,846,026)	(953,583)
Total Equity	4,995,107	452,432
Total Liabilities and Equity	$ 7,814,202	$ 763,302

Commitments & Contingencies *(Notes 8a and 15)*
Subsequent Events *(Note 21)*

Approved by the Board of Directors on March 26, 2019:

"Sean Tetzlaff", Audit Committee Chair

"Donald McInnes", Director

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

Sun Metals Corp. (formerly North Bluff Capital Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the year ended December 31, 2018	For the period June 23, 2017 to December 31, 2017
Expenses		
Exploration and evaluation expenditures *(Note 8c)*	$ 3,323,555	$ 621,951
Share-based compensation *(Note 12d)*	861,239	-
Salaries and director fees	764,221	41,845
Investor relations	369,629	27,777
Professional fees	178,838	231,251
Office and rent	167,966	17,791
Listing and filing fees	17,993	-
Travel	12,551	12,968
Depreciation	2,831	-
Total Expenses	5,698,823	953,583
Other Income and (Expenses)		
Finance income	30,096	-
Accretion expense	(1,365)	-
Listing expense *(Note 5)*	(2,222,351)	-
Net Loss and Comprehensive Loss for the Period	$ (7,892,443)	$ (953,583)
Weighted Average Number of Common Shares Outstanding (Basic and Diluted)	63,376,114	27,852,071
Basic and Diluted Loss per Common Share	$ (0.12)	$ (0.03)

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

Sun Metals Corp. (formerly North Bluff Capital Corp.)

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Deficit		Total
Balance – June 23, 2017 (date of incorporation)	1	$	1	$	-	$	-	$	1
Common share issuance *(Note 12b(viii))*	9,018,037		902		-		-		902
Common share issuance *(Note 12b(ix))*	11,636,250		581,812		-		-		581,812
Flow-through common share issuance *(Note 12b(ix))*	10,625,713		531,286		-		-		531,286
Common share issuance *(Note 12b(x))*	2,000,000		200,000		-		-		200,000
Share issue costs – cash *(Note 12b(ix),(x))*	-		(7,986)		-		-		(7,986)
Shares issued for exploration and evaluation assets *(Note 8a)*	1,000,000		100,000		-		-		100,000
Net loss for the period	-		-		-		(953,583)		(953,583)
Balance – December 31, 2017	34,280,001	$	1,406,015	$	-	$	(953,583)	$	452,432
Common share issuance – purchase option *(Note 12b(i))*	500,000		50,000		-		-		50,000
Shares issued to shareholders of North Bluff Capital Corp. *(Note 5)*	17,000,000		2,550,000		-		-		2,550,000
Common share issuance - Offering *(Note 12b(ii))*	25,788,400		6,447,100		-		-		6,447,100
Share issue costs – cash *(Note 12b(ii))*	-		(401,109)		-		-		(401,109)
Share issue costs – warrants *(Note 12b(ii))*	-		(31,592)		31,592		-		-
Fair value of warrants issued with common shares *(Note 12c)*	-		(2,700,727)		2,700,727		-		-
Share issue costs allocated to warrants *(Note 12c)*	-		168,027		(168,027)		-		-
Fair value of shares issued pursuant to Exploration Agreement *(Note 12b(iv))*	500,000		92,499		-		-		92,499
Fair value of warrants issued pursuant to Exploration Agreement *(Note 12b(iv))*	-		-		23,935		-		23,935
Shares issued for exploration and evaluation assets *(Note 8a)*	500,000		125,000		-		-		125,000
Flow-through common share issuance *(Note 12b(v))*	12,500,000		5,162,500		-		-		5,162,500
Flow-through premium liability *(Note 12b(v))*	-		(2,412,500)		-		-		(2,412,500)
Share issue costs – cash *(Note 12b(v))*	-		(63,546)		-		-		(63,546)
Share-based compensation *(Note 12d)*	-		-		861,239		-		861,239
Net loss for the period	-		-		-		(7,892,443)		(7,892,443)
Balance – December 31, 2018	91,068,401	$	10,391,667	$	3,449,466	$	(8,846,026)	$	4,995,107

- The accompanying notes are an integral part to these consolidated financial statements -

Sun Metals Corp. (formerly North Bluff Capital Corp.)

Consolidated Statement of Cash Flows

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the year ended December 31, 2018	For the period June 23, 2017 to December 31, 2017
Operating Activities		
Net loss for the period	$ (7,892,443)	$ (953,583)
Items not affecting cash:		
Listing Expense	2,222,351	-
Share-based compensation	861,239	-
Units issued pursuant to Exploration Agreement (*Note 8c)*	116,434	-
Depreciation (*Note 9)*	7,221	-
Accretion Expense (*Note 11)*	1,365	-
Finance income	(30,096)	-
Changes in:		
Amounts receivable	(62,000)	(56,070)
Prepaid expenses	(95,424)	(1,815)
Deposits	-	(19,500)
Accounts payable and accrued liabilities	(46,506)	310,870
Net cash used in operating activities	(4,917,859)	(720,098)
Investing Activities		
Reclamation deposits (*Note 10)*	(131,136)	-
Acquisition of exploration and evaluation assets *(Note 8a)*	(75,000)	(100,000)
Additions to property, plant and equipment (*Note 9)*	(18,310)	(6,153)
Interest received	30,096	-
Net cash used in investing activities	(194,350)	(106,153)
Financing Activities		
Proceeds from share issuances *(Note 12b)*	11,659,600	1,314,001
Share issuance costs	(464,655)	(7,986)
Cash acquired from North Bluff Capital Corp. *(Note 5)*	326,125	-
Net cash provided by financing activities	11,521,070	1,306,015
Net Increase in Cash	6,408,861	479,764
Cash - Beginning of the Period	479,764	-
Cash - End of the Period	$ 6,888,625	$ 479,764

Supplemental Cash Flow Information *(Note 16)*

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

1. GENERAL INFORMATION

North Bluff Capital Corp. ("North Bluff") was incorporated under the Business Corporations Act (British Columbia) on October 15, 2008 and changed its name to Sun Metals Corp. ("Sun Metals" or the "Company") on May 2, 2018. The Company is listed on the TSX Venture Exchange ("Exchange") in Canada under the symbol "SUNM". Sun Metals is an exploration stage enterprise with its principal focus on the exploration of the Stardust Project located in British Columbia, Canada.

The Company's head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company's records office and registered office address is Suite 2600, 1066 West Hastings St., Vancouver, British Columbia, Canada, V6E 3X1.

On May 2, 2018, North Bluff, a newly incorporated wholly-owned subsidiary of North Bluff ("Subco"), and Sun Metals Corp., a private company incorporated under the Business Corporations Act (British Columbia) on June 23, 2017 ("Privco"), completed a transaction (the "Transaction") whereby Subco and Privco amalgamated and the resulting company became a wholly-owned subsidiary of the Company and named Tsayta Resources Corporation ("Tsayta"). As a result of the Transaction, the Company issued to the shareholders of Privco one common share of the Company for each common share they held in Privco. The Transaction constituted a reverse takeover under the policies of the Exchange and a reverse acquisition for accounting purposes, with Privco deemed to have been the acquiror (Note 5).

At the time of the Transaction, North Bluff did not constitute a business as defined under IFRS 3 – Business Combinations, and therefore the transaction is accounted for as an asset acquisition. As Privco is deemed to be the acquiror for accounting purposes, its assets and liabilities are included in the financial statements at their historical carrying values, and the statement of financial position has been adjusted for the elimination of North Bluff's share capital, contributed surplus and accumulated deficit within shareholder's equity.

In connection with the Transaction, the Company closed a non-brokered private placement, for aggregate gross proceeds of $6,447,100 (the "Offering"). The Offering involved the issuance of 25,788,400 subscription receipts (the "Subscription Receipts") at a price of $0.25 per subscription receipt (Note 12b(ii)).

Through Tsayta, the Company holds an option to acquire a 100% interest in the Stardust Project located in British Columbia, Canada, and is the operator of all related exploration activities.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies are presented in Note 3 and have been consistently applied in the period presented.

The consolidated statements of loss and comprehensive loss and cash flows for the year ended December 31, 2018 are comprised of Privco's results of operations and cash flows for the period January 1, 2018 to May 1, 2018, and the Company's consolidated results of operation and cash flows for the period May 2, 2018 (the closing date of the Transaction) to December 31, 2018. The statement of loss and comprehensive loss and statement of cash flows for the period June 23, 2017 to December 31, 2017 are comprised of Privco's results of operations and cash flows for the period June 23, 2017 to December 31, 2017. The statement of financial position as at December 31, 2017 and the statement of changes in equity for the period June 23, 2017 to December 31, 2017 are that of the acquiror for accounting purposes, Privco.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

a. Basis of Measurement

The financial statements have been prepared under the historical cost convention and have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts stated in these financial statements are expressed in Canadian dollars, which is the Company's functional currency, unless noted otherwise.

b. Basis of Consolidation

The financial statements of the Company consolidate the accounts of Sun Metals and its 100% wholly owned subsidiary Tsayta Resources Corporation, a private company incorporated under the Business Corporations Act of British Columbia in Canada. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

c. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held in banks and call deposits with original maturities of three months or less and guaranteed investment certificates with no penalty for early redemption. At December 31, 2018 and 2017 the Company has no cash equivalents as all cash is held in a bank account.

d. Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. The cost of an item of property, plant and equipment comprises of its purchase price and any costs directly attributable to brining the asset to the location and condition necessary for it to be capable of operating in a manner intended by management.

The cost of property, plant and equipment, less residual value (if any), is depreciated over the estimated useful life of the asset on a straight-line basis as follows:

Computer software	1 year
Computer equipment	3 years
Exploration Equipment	4 years
Office furniture and equipment	10 years

e. Exploration and Evaluation Assets and Expenditures

The fair value of all cash and non-cash consideration paid in relation to the acquisition of mineral property interests are capitalized until the viability of the mineral interest is determined, the mineral property interest is sold, or an impairment is determined. The Company's policy is to expense, as incurred, exploration and evaluation expenditures until the mineral property reaches the development stage.

When it has been established that a mineral deposit is commercially viable and technically feasible, the costs subsequently incurred to develop a mine on the mineral property prior to the start of mining operations are capitalized and will be amortized against production when ready for use as intended by management, or derecognized if the property is sold, allowed to lapse or abandoned.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance of historical characteristics of many resource properties. To the best of the Company's knowledge, title to the Stardust Project claims are in good standing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Upon disposal or abandonment, any consideration received is credited against the carrying amount of the exploration and evaluation assets, with any difference from the carrying amount included as a gain or loss in the statement of loss and comprehensive loss.

f. Impairment of Non-Current Assets

At each reporting date, property, plant and equipment and exploration and evaluation assets are evaluated for impairment by management whenever events or changes in circumstances indicate that the carrying value is impaired and may not be recoverable.

For property plant and equipment, if any such impairment indicators exist, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For exploration and evaluation assets, the Company follows the guidance in *IFRS 6 – Exploration for and Evaluation of Mineral Resources* to determine whether exploration and evaluation assets are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed; substantive expenditure on further exploration and evaluation is not planned or budgeted; the exploration activities have not led to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest being explored; or sufficient data exists to indicate that, although exploration in the area is likely to continue, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss will be recorded in the financial statements. Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

g. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when the amount has been reasonably estimated. Provisions are not recognized for future operating losses.

The amount recorded as a provision is the best estimate of the consideration required to settle the obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The Company records provisions for closure and reclamation on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation is estimated using expected cash

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

flows and discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation, the offset of which is charged to the statement of income (loss), and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Expenditures of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

h. Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the Exchange on the date the shares are issued. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

i. Flow-Through Shares

The Company will from time to time, issue flow-through common shares to finance a portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon filing of the required forms with the Government of Canada to renounce the tax deductibility of qualifying resource expenditures to investors, the Company derecognizes the premium liability to the extent the qualifying resource expenditures have been made as of that date and recognizes the amount of the tax reduction renounced to the shareholders in determining its deferred income taxes.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments. The Company is also subject to Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

j. Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to equity reserve. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve amount is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of income (loss) assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding options and warrants would be anti-dilutive.

l. Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

m. Resource Tax Credits

The Company recognizes resource tax credit amounts as a receivable and a reduction to exploration and evaluation expenditures when the Company's application for such credits is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

n. Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes receivables and deposits on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired. A financial asset

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

is measured at amortized cost, if it is not designated at FVPL, and it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI
Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of the investment.

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company's non-derivative financial assets are its cash and cash equivalents, other amounts receivables, and reclamation and other deposits, all of which are classified as financial assets at amortized cost.

(ii) Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's financial instrument assets the Company has no material loss allowance as at December 31, 2018 or December 31, 2017.

(Expressed in Canadian Dollars Unless Noted Otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

Such financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to their initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Company's non-derivative financial liabilities are its accounts payable and accrued liabilities.

o. New, Amended and Future IFRS Pronouncements

IFRS 9 – Financial Instruments

On January 1, 2018 the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39, Financial Instruments: Recognition & Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected credit loss" impairment model. The standard became effective for annual periods beginning on or after January 1, 2018, which is the date the Company adopted IFRS 9.

The adoption of IFRS 9 had no impact on the carrying value of the Company's financial instruments at the transition date.

Note 3(n) describes the new accounting policies for financial assets under IFRS 9.

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

	Original classification under IAS 39	New Classification under IFRS 9
Cash	Loans and receivables – amortized cost	Amortized cost
Amounts receivable	Loans and receivables – amortized cost	Amortized cost
Deposits	Loans and receivables – amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities – amortized cost	Amortized cost

IFRS 16 – Leases

IFRS 16 - Leases specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company plans to adopt IFRS 16 at the date it becomes effective and has selected the modified retrospective transition approach. The optional exemptions to not recognize certain short-term and low value leases will be applied. The Company does not expect the standard to have a material impact on the consolidated statements of loss and comprehensive loss.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(i) Review of Asset Carrying Values and Impairment Assessment

In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the higher of value in use and fair value less costs to sell. The most significant assets the Company assesses for impairment are exploration and evaluation assets and property, plant and equipment. Judgements involved in assessing impairment of exploration and evaluation assets are discussed below.

(ii) Exploration and Evaluation Asset and Expenditures

The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies and there is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

For the year ended December 31, 2018, there were no indicators of impairment on the Company's exploration and evaluation assets, or the Company's other assets.

(iii) Determination of the Fair Value of Share-based Payments

The fair value of stock options granted and warrants issued is computed to determine the relevant charge to equity reserves and the statement of income (loss). In order to compute this fair value, the Company uses the Black-Scholes option pricing model; this inherently requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility, risk-free rate and forfeiture rates. Changes in any of these inputs could cause a significant change in the share-based compensation expense charged in the statement of income (loss) and to equity reserves in a given period. Management believes that the estimates involving its share-based payments are reasonable.

(iv) Decommissioning, Restoration and Similar Liabilities

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations, and are measured at the present value of discounted cash flows for the estimated liabilities.

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

Carrying value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration and similar liabilities that may occur upon decommissioning of certain of the Company's assets. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

5. REVERSE ACQUISITION

As discussed in Note 1, the Transaction has been accounted for as a reverse acquisition as control of North Bluff was acquired by shareholders of Privco. Consequently, Privco is the acquirer for accounting purposes and control of the assets and liabilities of North Bluff were acquired in consideration for the fair value of the North Bluff common shares.

The following table provides details of the fair value of the consideration given and the fair value of the assets and liabilities acquired as a result of the Transaction:

Purchase Consideration		
17,000,000 common shares issued	$	2,550,000
Total Purchase Consideration	**$**	**2,550,000**
Allocation of Purchase Consideration		
Cash	$	326,125
Accounts Receivable		12,077
Accounts Payable & Accrued Liabilities		(10,553)
Net Assets Acquired	**$**	**327,649**
Listing Expense		2,222,351
Total	**$**	**2,550,000**

The fair value of the purchase considerations was determined in accordance with IFRS 2 - Share-based Payment, with the difference between the consideration paid and the net assets acquired being recorded as a listing expense. The fair value of the 17,000,000 common shares was determined to be $0.15 per common share which was determined by reference to the price per Unit from the Offering (Note 12b(ii)) and the corresponding value of the common shares and common share purchase warrants comprising the Unit.

6. AMOUNTS RECEIVABLE

Amounts receivable is comprised of the following:

	December 31, 2018	December 31, 2017
Refundable goods and services tax	$ 130,147	$ 18,511
Other receivables	-	37,559
Total	**$ 130,147**	**$ 56,070**

(Expressed in Canadian Dollars Unless Noted Otherwise)

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	December 31, 2018	December 31, 2017
Investor relations and communication	$ 41,325	$ 1,815
Advances for Stardust work programs	40,000	-
Insurance and benefits premiums	7,998	-
Software licenses	7,916	-
Total	**$ 97,239**	**$ 1,815**

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

a. Stardust Project, British Columbia, Canada

On September 7, 2017, the Company, through its wholly-owned subsidiary Tsayta, entered into an option agreement (the "Option Agreement") with Lorraine Copper Corp. ("Lorraine"), as amended May 2, 2018 and December 17, 2018, pursuant to which the Company has the sole and exclusive option to acquire a 100% interest in the Stardust Project, subject to a 2% net smelter return royalty ("NSR") on all precious metals, and a 1% NSR on all other minerals (Note 21b).

Prior to the December 17, 2018 amendment, the option to acquire a 100% interest in the Stardust Project was exercisable by issuing 2,500,000 common shares, paying a total of $375,000, and incurring aggregate exploration expenditures of $6,000,000 associated with the Stardust Project. Further, upon completion of its minimum commitments in the Option Agreement and upon exercise of the option, the Company was required to issue a number of common shares in the public capital of the Company to Lorraine such that Lorraine holds 30% of the then issued and outstanding common shares of the Company, calculated on a non-diluted basis, as a percentage of the number of the Company's common shares issued and outstanding.

Under the amendment to the Option Agreement, the Company's option to acquire a 100% interest in the Stardust Project is exercisable by issuing an additional 500,000 common shares and making payment of $75,000 to Lorraine by December 31, 2018, issuing 31,529,315 common shares to Lorraine within 5 business days of March 31, 2019, and assuming all obligations under Lorraine's $50,000 reclamation bond currently posted with the Province of British Columbia. Subsequent to the exercise of the option, the Company is required to incur aggregate exploration expenditures of $1,721,469 by September 30, 2019, and if the expenditures are not incurred by such date, the Company has agreed to make a cash payment to Lorraine of any remaining unspent amount on or before November 30, 2019.

The amended cash payment and common share issuance schedule is as follows:

	Cash Payment	Shares Issuance
Within 10 days following the Option Agreement date (paid)	$ 50,000	500,000
On or before January 1, 2018 (paid)	50,000	500,000
On or before December 31, 2018 (paid)	75,000	500,000
Total	**$ 175,000**	**1,500,000**

The common shares issued to Lorraine prior to January 1, 2018 were issued by Privco prior to the Transaction close date, and were determined to have a fair value of $100,000 at the time of issuance based on Privco's estimated share price.

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

The 500,000 common shares issued to Lorraine on December 21, 2018 were determined to have a fair value of $125,000 at the time of issuance based on the Company's share price.

Under the Option Agreement, the Company may purchase from Lorraine at any time 50% of the precious metals NSR, equal to a 1% NSR, for a total amount of $1,500,000. The Company may also purchase 50% of the other minerals NSR, equal to a 0.5% NSR, for a total amount of $1,500,000.

b. Acquisition Costs

Details of the Company's acquisition costs are as follows:

		Stardust Project
Balance – June 23, 2017	$	-
Acquisition costs – cash payments		100,000
Acquisition costs – share payments *(Note 12b(xi))*		100,000
Balance – December 31, 2017		200,000
Acquisition costs – cash payments		75,000
Acquisition costs – share payments *(Note 12b(vi))*		125,000
Change in estimate of provision for closure and reclamation *(Note 11)*		130,313
Balance – December 31, 2018	**$**	**530,313**

c. Exploration and Evaluation Expenditures

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the statement of loss and comprehensive loss, are as follows:

For the year ended December 31, 2018		Stardust Project
Drilling and Assaying	$	926,771
Contractors / consultants		850,585
Field Expenses and travel		747,264
Salaries		381,343
Surveying		204,873
Community		185,302
Administration and other		27,417
Expenditures for the year		**3,323,555**
Cumulative balance – December 31, 2017		621,951
Cumulative balance – December 31, 2018	**$**	**3,945,506**

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

For the period June 23, 2017 to December 31, 2017	Stardust Project
Contractors / consultants	$ 431,298
Field Expenses	104,516
Drilling and Assaying	89,061
Equipment rental	26,382
Staking	3,028
Administration and other	5,225
Government Assistance	(37,559)
Expenditures for the period	**621,951**
Cumulative balance – December 31, 2017	**$ 621,951**

In June 2018 the Company entered into an 18 month Exploration Agreement with Takla First Nation (“Takla”), pursuant to which the Company was required to issue a total of 500,000 units (the "Takla Units") to Takla and make a cash payment of $60,000. The Takla Units are comprised of one common share in the capital of the Company and one common, non-transferable share purchase warrant.

The Takla Units were issued on July 24, 2018 and the related fair value of $116,434 (Note 12b(iv)), as well as the cash payment, has been included in ‘Community’ expenses in exploration and evaluation expenditures for the year ended December 31, 2018.

9. PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2018:

	Computer Equipment	Computer Software	Office Furniture & Equipment	Exploration Equipment	Total
Cost					
December 31, 2017	$ 4,196	$ -	$ 1,957	$ -	$ 6,153
Additions	6,848	6,383	2,974	2,105	18,310
December 31, 2018	11,044	6,383	4,931	2,105	24,463
Accumulated Depreciation					
December 31, 2017	$ -	$ -	$ -	$ -	$ -
Depreciation	(3,420)	(3,119)	(419)	(263)	(7,221)
December 31, 2018	(3,420)	(3,119)	(419)	(263)	(7,221)
Carrying Value					
December 31, 2017	**$ 4,196**	**$ -**	**$ 1,957**	**$ -**	**$ 6,153**
December 31, 2018	**$ 7,624**	**$ 3,264**	**$ 4,512**	**$ 1,842**	**$ 17,242**

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

The period June 23, 2017 to December 31, 2017:

	Computer Equipment	Office Furniture & Equipment	Total
Cost			
June 23, 2017	$ -	$ -	$ -
Additions	4,196	1,957	6,153
December 31, 2017	4,196	1,957	6,153
Accumulated Depreciation			
June 23, 2017	$ -	$ -	$ -
Depreciation	-	-	-
December 31, 2017	-	-	-
Carrying Value			
June 23, 2017	**$ -**	**$ -**	**$ -**
December 31, 2017	**$ 4,196**	**$ 1,957**	**$ 6,153**

10. RECLAMATION DEPOSITS

As of December 31, 2018, the Company has a deposit with a Canadian financial institution to provide financial assurance for a letter of credit in the amount of $131,136 (December 31, 2017 - $nil). The letter of credit provides for a partial indemnification of the closure and reclamation costs with respect to the Stardust Project. The deposit yields interest at a rate of 1.35% per annum and has no maturity date. The deposit is considered long-term, regardless of its term, as the funds will remain on deposit until the letter of credit is extinguished.

11. PROVISION FOR CLOSURE AND RECLAMATION

During the year December 31, 2018, the Company recognized a liability relating to its Stardust Project. The Company has calculated the present value of the closure and reclamation provision at December 31, 2018 using a pre-tax discount rate of 1.86% and inflation rate of 2.00%. The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the provision for closure and reclamation at December 31, 2018 is $139,163. The Company has estimated that payments will be made in 2021.

	Year Ended December 31, 2018
Balance, beginning of the period	$ -
New estimated cash flows and changes in estimates	130,313
Accretion on discounted obligation	1,365
Balance, end of the period	**$ 131,678**

12. EQUITY

a. Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

b. Issued Share Capital

During the year ended December 31, 2018, the Company issued common shares as follows:

(i) On February 1, 2018, the Company issued a purchase option to acquire 500,000 common shares at a price of $0.10 per common share to an employee. The purchase option was exercised on March 22, 2018 for total proceeds of $50,000.

(ii) Upon completion of the Transaction on May 2, 2018, the proceeds of the Offering (Note 1) were released from escrow. Upon satisfaction of the escrow conditions, each Subscription Receipt was automatically converted into one unit (each, a "Unit") for no additional consideration. Each Unit consists of one common share and one common share purchase warrant, with each common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.35 per common share until May 2, 2023, subject to acceleration in certain circumstances. Following conversion of the Subscription Receipts, the Company paid $293,250 in finder's fees, $107,859 in other cash issuance costs, and issued 1,173,000 Finder's Warrants (with a fair value of $31,592). The Finder's Warrants entitle the holder to acquire one additional common share at a price of $0.30 per common share until May 2, 2019.

(iii) Pursuant to the Transaction, on May 2, 2018 the Company acquired, on a one for one basis, all of the issued and outstanding shares of Privco, in exchange for a total of 34,780,001 common shares of which 21,745,001 common shares are subject to escrow restrictions over a period of three years, 11,140,000 common shares are subject to Seed Share Resale Restrictions ("SSRR") over a period of one year, and 1,895,000 common shares were subject to SSRR over a period of 4 months. As discussed in Note 5, since the former shareholders of Privco effectively assumed control of the Company, the transaction has been treated for accounting purposes as a reverse acquisition.

(iv) On July 24, 2018, the Company issued 500,000 Takla Units pursuant to an Exploration Agreement between the Company and Takla. The Takla Units are comprised of one common share in the capital of the Company and one common, non-transferable share purchase warrant (each, a "Takla Warrant"). Each Takla Warrant entitles Takla to acquire one additional common share at a price of $0.35 until January 24, 2020. The fair value of the common shares issued was determined to be $92,499 based on the market price of the Company's shares at the date of issuance and the fair value of the Takla Warrants was determined to be $23,935 based on a Black-Scholes option pricing model (Note 12c).

(v) On December 20, 2018, the Company completed a private placement of 12,500,000 flow-through common shares ("FT Shares"), at a price of $0.413 per FT Share for aggregate gross proceeds of $5,162,500. A flow-through premium of $2,412,500, being the difference between the FT Shares subscription price and the market price of the Company's common shares, related to the sale of the associated tax benefits of the qualifying resource expenditures (Note 15b) has been recorded as a flow-through premium liability in the consolidated statement of financial position. In connection with the private placement the Company paid legal fees and filing fees totaling $63,546.

(vi) On December 21, 2018 the Company issued 500,000 common shares to Lorraine pursuant to the terms of the Option Agreement (Note 8a).

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

During the period June 23, 2017 (date of incorporation) to December 31, 2017, the Company issued common shares as follows:

(vii) On June 23, 2017 (date of incorporation), the Company issued 1 incorporation share for gross proceeds of $1.

(viii) On June 24, 2017, the Company completed a private placement of 9,018,037 common shares at a price of $0.0001 per share for gross proceeds of $902.

(ix) On August 1, 2017, the Company completed a private placement of 10,625,713 flow-through common shares ("FT Shares"), at a price of $0.05 per FT Share, and 11,636,250 common shares at a price of $0.05 per common share for aggregate gross proceeds of $1,113,098. In connection with the private placement the Company paid share issue costs totaling $4,662.

(x) On October 1, 2017, the Company completed a private placement of 2,000,000 common shares at a price of $0.10 per common share for aggregate gross proceeds of $200,000. In connection with the private placement the Company paid share issue costs totaling $3,324.

(xi) On each of November 3, 2017 and December 8, 2017 the Company issued 500,000 common shares to Lorraine pursuant to the terms of the Option Agreement (Note 8a).

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the year ended December 31, 2018, and period June 23, 2017 (date of incorporation) to December 31, 2017 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance – June 23, 2017 and December 31, 2017	-	-
Issued	27,461,400	$0.35
Outstanding Balance – December 31, 2018	**27,461,400**	**$0.35**

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

Expiry Date	Exercise Price	Number of Warrants
May 2, 2023	$0.35	25,788,400
May 2, 2019	$0.30	1,173,000
January 24, 2020	$0.35	500,000
Weighted Average Exercise Price	**$0.35**	**27,461,400**

At the time of issuance, the 25,788,400 share purchase warrants issued as part of the Offering had a fair value of $2,532,700 ($2,700,727 net of allocated share issuance costs of $168,027), the 1,173,000 Finder's Warrants had a fair value of $31,592, and the 500,000 Takla Warrants had a fair value of $23,935. These fair values have been included in equity reserves in the Company's consolidated statement of financial position at December 31, 2018.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

The fair value of newly granted warrants are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for warrants granted in the year ended December 31, 2018 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility[1]	Weighted Average Black-Scholes Fair Value
May 2, 2018	5.0	$0.35	2.17%	111.12%	$0.10
May 2, 2018	1.0	$0.30	1.90%	96.04%	$0.03
July 24, 2018	1.5	$0.35	1.97%	91.45%	$0.05

[1]Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option.

d. Stock Options

The Company has established a share purchase option plan (the "Stock Option Plan") whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or technical and administrative company employees. Options granted must be exercised no later than five years from the date of grant or such lesser or greater period as may be determined by the Company's board of directors and in accordance with the policies of the Exchange. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the Exchange. Subject to the policies of the Exchange, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist. The Company applies the fair value based method of accounting for options.

At December 31, 2018, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
May 2, 2023	$0.25	4,550,000	4.34	1,500,000
December 24, 2023	$0.28	4,100,000	4.98	1,600,000
	$0.26	**8,650,000**	**4.64**	**3,100,000**

Details of options granted, exercised, expired and forfeited during the year ended December 31, 2018 and period June 23, 2017 (date of incorporation) to December 31, 2017 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – June 23, 2017 and December 31, 2017	-	-
Granted during the period	8,750,000	$0.26
Forfeited during the period	(100,000)	$0.25
Balance – December 31, 2018	**8,650,000**	**$0.26**

Granting of Options

The fair value of newly granted options are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for options granted in the year ended December 31, 2018 were as follows:

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility[1]	Weighted Average Black-Scholes Fair Value
May 2, 2018	5.0	$0.25	2.17%	111.12%	$0.20
December 24, 2018	5.0	$0.28	1.93%	108.61%	$0.19

[1]Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option.

Options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date. The following option grants are subject to alternate vesting provisions:

(i) 1,500,000 of the 4,650,000 options granted May 2, 2018 were granted to non-executive directors and vested immediately. The remaining 3,150,000 options were granted to employees and consultants and subject to typical vesting provisions.

(ii) 1,600,000 of the 4,100,000 options granted December 24, 2018 were granted to non-executive directors and vested immediately. The remaining 2,500,000 options were granted to employees and consultants and subject to typical vesting provisions.

Forfeiture of Options

During the year ended December 31, 2018, 100,000 options with an exercise price of $0.25, were forfeited. As a result of the forfeiture, previously recognized share-based compensation expense relating to the unvested options of $8,106 was reversed, resulting in a net expense for the year of $861,239.

No options were forfeited during the period from June 23, 2017 to December 31, 2017.

13. RELATED PARTY TRANSACTIONS

<u>Oxygen Capital Corp ("Oxygen").</u>

Oxygen is a private company owned by three directors of the Company and provides technical and administrative services to the Company (the "Oxygen Agreement") at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at December 31, 2018, Oxygen holds a refundable security deposit of $19,500 on behalf of the Company (December 31, 2017 - $19,500), equal to an estimated amount of three months of services.

During the year ended December 31, 2018, a total of $457,134 was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company (June 23, 2017 to December 31, 2017 - $27,486). As at December 31, 2018, the Company has a payable amount to Oxygen of $59,916 (December 31, 2017 – $14,096). This amount was paid subsequent to December 31, 2018.

<u>Compensation of key management personnel</u>

Key management includes the members of the Board of Directors, the Special Advisor to the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer, and the Vice President, Exploration. The aggregate total compensation paid or payable to key management for services directly or via Oxygen is as follows:

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. RELATED PARTY TRANSACTIONS (continued)

	Year ended December 31, 2018	June 23, 2017 to December 31, 2017
Salaries and other short-term employee benefits	$ 676,005	$ 33,168
Directors fees	193,333	-
Special advisor fees	23,333	-
Consulting fees	-	100,000
Share-based compensation	717,731	-
Total	**$ 1,610,402**	**$ 133,168**

14. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment which is the mineral exploration business in Canada. The Company's exploration and evaluation asset is located in Canada.

15. COMMITMENTS & CONTINGENCIES

a) The Company's general and administrative costs, including rent, with respect to its head office premises are paid by Oxygen pursuant to the Oxygen Agreement, and may be terminated by either party giving at least 180 days' prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative fees due under the Oxygen Agreement as a result of the termination as such term is defined under the Oxygen Agreement, and the Company's share of any contractual obligations entered into on its behalf by Oxygen.

b) As at December 31 2018, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the December 20, 2018 private placement (Note 12b(v)). At December 31, 2018, the Company had incurred no material qualifying resource expenditures relating to the FT Shares. The Company must therefore incur the balance of $5,162,500 in qualifying resource expenditures before January 1, 2020. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

c) The Company had incurred the full qualifying resource expenditures of $531,286 pursuant to the August 1, 2017 private placement of FT Shares (Note 12b(ix)) by December 31, 2017. No premium was recognized in regards to the flow–through feature of the FT Shares as the issue price of the FT Shares was equal to the fair value of the Company's common shares at the date of issue.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities	Year Ended December 31, 2018	June 23, 2017 to December 31, 2017
Fair value of shares issued for exploration and evaluation assets *(Note 8a)*	$ 125,000	$ 100,000
Fair value of shares issued to shareholders of North Bluff Capital Corp. *(Note 5)*	2,550,000	-
Fair value of share issue costs – warrants	(31,592)	-
Fair value of warrants issued with common shares *(Note 12c)*	(2,700,727)	-
Fair value of share issue costs allocated to warrants	168,027	-
Change in estimate of provision for closure and reclamation	130,313	-

17. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial assets or liabilities measured and recognized the statement of financial position at fair value. At December 31, 2018, the carrying amounts of cash, amounts receivable, deposits, reclamation deposits, accounts payable and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature and/or the interest rate being earned.

18. MANAGEMENT OF CAPITAL

Sun Metals considers the items included in the statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements. Sun Metals' objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to explore its mineral property interests and continue its operations for the benefit of its shareholders. There has been no change to the Company's approach during the year ended December 31, 2018.

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial instrument related risks. The Board provides oversight for the Company's risk management processes. The type of risk exposure and the way in which such exposure is managed is explained as follows:

<u>Credit Risk</u>

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, amounts receivable and deposits. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

The Company deposits its cash and reclamation deposits with high credit quality major Canadian financial institutions as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses.

To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

The Company's deposit is held by a related party and is not considered to be subject to credit risk.

(Expressed in Canadian Dollars Unless Noted Otherwise)

19. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At December 31, 2018, the Company had cash of $6,888,625 (December 31, 2017 - $479,764) to settle accounts payable and accrued liabilities of $274,917 and meet its flow-through financing resource expenditure commitment of $5,162,000 (December 31, 2017 accounts payable and accrued liabilities - $310,870).

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash balance is deposited in an account which earns a variable interest rate. For the year ended December 31, 2018, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash by approximately $12,000.

20. INCOME TAXES

a. There are no current income taxes owing by Sun Metals at December 31, 2018. The income tax provision for the year ended December 31, 2018 differs from the amount that would have resulted from applying combined Canadian federal and provincial income tax rates of 27% because of the following:

	For the year ended December 31, 2018	For the period June 23, 2017 to December 31, 2017
Loss before income taxes	$ (7,892,443)	$ (953,583)
Statutory Canadian federal and provincial tax rates	27.00%	26.00%
Expected tax recovery	(2,130,960)	(247,932)
Adjustments:		
Permanent differences	834,865	2,021
Benefit not recognized and other	1,296,095	112,002
Change and difference in tax rates	-	(4,225)
Flow through shares	-	138,134
Income tax (recovery) expense	**$ -**	**$ -**

b. Deferred tax assets have not been recognized for the temporary differences noted below as the Company does not presently have sufficient evidence to establish that it is probable that it will generate future taxable income against which to utilize the deductible temporary differences identified. The Company has no deferred income tax liabilities at December 31, 2018.

The following are the Company's deductible temporary differences, the net benefits of which have not been recognized at December 31, 2018:

(Expressed in Canadian Dollars Unless Noted Otherwise)

20. INCOME TAXES (continued)

	December 31, 2018	December 31, 2017
Non-capital loss carry-forwards	$ 1,897,951	$ 324,657
Exploration and evaluation expenditures	3,247,478	90,665
Share issuance costs	435,490	7,187
Reclamation and other	131,678	-
Equipment	6,511	-
Total deductible temporary differences	**$ 5,719,108**	**$ 422,509**

c. The Company has non-capital losses which may be applied to reduce future year's taxable income. At December 31, 2018, the non-capital losses amounted to $1,898,000 and will expire between 2037 and 2038. In addition the Company has certain resource related deductions and other expenditures of approximately $3,778,000 which can be carried forward indefinitely and used against future taxable income.

21. SUBSEQUENT EVENTS

a) During the period January 1 to March 26, 2019, 774,750 common share purchase warrants with an exercise price of $0.30, and 690,000 common share purchase warrants with and exercise price of $0.35 were exercised for total proceeds of $473,925.

b) On February 4, 2019 the Company and Lorraine announced they had entered into an arrangement agreement providing for the indirect merger of the companies (the "Arrangement Agreement"). Pursuant to the Arrangement Agreement, the Company will acquire, through its subsidiary Tsayta, all of the issued and outstanding common shares of Lorraine by way of a statutory plan of arrangement under the *Business Corporations Act* (British Columbia) (the "Arrangement"). Pursuant to the terms of the Arrangement, shareholders of Lorraine will receive 0.54 of a common share of Sun Metals for every Lorraine common share held.

The Arrangement is expected to be completed in April 2019, subject to a number of conditions being satisfied or waived by one or both of Sun Metals and Lorraine at or prior to closing of the Arrangement, including: approval of Lorraine securityholders and Lorraine shareholders excluding certain specified parties, and receipt of all necessary regulatory and court approvals and the satisfaction of certain other closing conditions customary for a transaction of this nature.

Following the expected completion of the Arrangement, the Company will own 100% of the Stardust Project royalty-free.

Pursuant to the Arrangement Agreement, in the event that the mailing of Lorraine shareholder materials for the Lorraine shareholder meeting has been completed but the Arrangement has not closed by March 31, 2019, Lorraine has agreed to extend the timeframe of the Option Agreement, as amended, for a period of not less than 60 days.

On March 26, 2019 the Company and Lorraine entered into a third amendment to the Option Agreement extending the timeframe of the Option Agreement to June 1, 2019.

c) A total of 75,000 stock options with an exercise price of $0.46 per common share were granted to a consultant on March 26, 2019. The options will vest one third in six months from the grant date, one third in one year from the grant date and one third in eighteen months from the grant date.