



## **ANNUAL REPORT**

**December 31, 2018**

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**December 31, 2018  
(Canadian Funds)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Fjordland Exploration Inc.

### *Opinion*

We have audited the accompanying financial statements of Fjordland Exploration Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of \$861,882 during the year ended December 31, 2018 and, as of that date, the Company's total deficit was \$16,980,579. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information 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 Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Professional Accountants

April 17, 2019

**FJORDLAND EXPLORATION INC.**

**Statements of Financial Position**

**December 31**

(Expressed in Canadian Dollars)

	Note	<b>2018</b>	<b>2017</b>
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 800,082	\$ 1,029,097
Receivables	5	32,265	142,277
Prepays		151	20,478
		832,498	1,191,852
<b>Project Advance</b>	8(a)	-	100,000
<b>Mineral Properties</b>	8	1,639,006	1,752,664
<b>Deposits</b>	7	99,774	84,190
<b>Equipment</b>	6	-	1,074
		\$ 2,571,278	\$ 3,129,780
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9, 10	\$ 34,093	\$ 224,598
Advances – HPX BC Holdings Ltd.	8(a)	6,229	-
		40,322	224,598
<b>Shareholders' Equity</b>			
<b>Share Capital</b>	12	18,622,865	18,575,365
<b>Share-based Payments Reserve</b>		888,670	614,915
<b>Deficit</b>		(16,980,579)	(16,285,098)
		2,530,956	2,905,182
		\$ 2,571,278	\$ 3,129,780

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on April 17, 2019

On behalf of the Board:

Richard C. Atkinson

Victor A. Tanaka

**FJORDLAND EXPLORATION INC.**  
**Statements of Loss and Comprehensive Loss**  
**For the Years Ended December 31**  
*(Expressed in Canadian Dollars)*

	Note	2018	2017
<b>General and administrative expenses</b>			
Accounting and audit	10	\$ 69,250	\$ 58,280
Administration fees	10	36,000	36,000
Depreciation	6	1,074	428
Filing fees		10,506	12,497
Legal fees		4,187	16,465
Marketing		42,742	43,575
Office and printing		6,980	9,186
Rent		22,019	19,292
Share-based compensation	10, 12(c)	440,156	331,587
Transfer agent fees		5,167	12,287
Wages and benefits		1,020	935
		(639,101)	(540,532)
Operator fees		3,705	8,450
Financing expense and interest on loans payable	10, 11	-	(14,960)
Reduction of flow-through premium liability		-	53,000
Mineral properties written-down	8	(226,486)	(50,961)
<b>Loss and comprehensive loss for the year</b>		\$ (861,882)	\$ (545,003)
<b>Basic and diluted loss per share</b>		\$ (0.02)	\$ (0.02)
<b>Weighted average shares outstanding</b>		47,337,312	28,723,170

*See accompanying notes to the financial statements*

# FJORDLAND EXPLORATION INC.

## Statements of Cash Flows

For the Years Ended December 31

(Expressed in Canadian Dollars)

	2018	2017
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Loss for the year	\$ (861,882)	\$ (545,003)
Items not affecting cash:		
Depreciation	1,074	428
Financing expenses and interest on loan payable	-	14,960
Share-based compensation	440,156	331,587
Reverse penalty on previous placement	-	2,400
Reduction of flow-through premium liability	-	(53,000)
Mineral properties written-down	226,486	50,961
Net change in non-cash working capital:		
Receivables	110,012	(140,443)
Prepaid expenses	20,327	(20,339)
Accounts payable	4,829	6,131
	<u>(58,998)</u>	<u>(443,688)</u>
<b>Investing activities</b>		
Advance – HPX BC Holdings	6,229	-
Recoveries mineral properties	1,245,348	-
Acquisition and exploration costs related to mineral properties	(1,406,010)	(1,205,708)
Deposits	(15,584)	(81,140)
	<u>(170,017)</u>	<u>(1,286,848)</u>
<b>Financing activities</b>		
Payment of loans and interest	-	(218,301)
Shares issued for cash	-	2,804,365
Share issuance cost	-	(40,825)
	<u>-</u>	<u>2,545,239</u>
<b>Change in cash</b>	<b>(229,015)</b>	<b>824,703</b>
<b>Cash position - beginning of year</b>	<b>1,029,097</b>	<b>204,394</b>
<b>Cash position - end of year</b>	<b>\$ 800,082</b>	<b>\$ 1,029,097</b>
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 18,301

Supplemental Disclosure with Respect to Cash Flows (Note 14)

**FJORDLAND EXPLORATION INC.**  
**Statements of Shareholders' Equity**  
**For the Years Ended December 31**

(Expressed in Canadian Dollars)

	Share Capital		Share-based Compensation		Total Shareholder's Equity
	No. of Shares	Amount	Reserve	Deficit	
<b>Balance, December 31, 2016</b>	<b>20,756,383</b>	<b>\$15,820,888</b>	<b>\$308,108</b>	<b>\$(15,742,338)</b>	<b>\$386,658</b>
Shares issued for cash					
Private placement, net of issue costs	24,480,000	2,460,174	-	-	2,460,174
Transfer to share capital on exercise of warrants	-	37,473	(37,473)	-	-
Flow-through share premium	-	(53,000)	-	-	(53,000)
Exercise of warrants	1,776,956	303,366	-	-	303,366
Issued for other consideration					
Mineral properties	200,000	19,000	-	-	19,000
Fair value of finder's fee warrants	-	(29,343)	29,343	-	-
Transfer to share capital on expiry of warrants	-	14,407	(14,407)	-	-
Transfer to deficit on expiry of options	-	-	(2,243)	2,243	-
Reverse penalty on previous placement	-	2,400	-	-	2,400
Share-based compensation	-	-	331,587	-	331,587
<u>Loss for the year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(545,003)</u>	<u>(545,003)</u>
<b>Balance, December 31, 2017</b>	<b>47,213,339</b>	<b>18,575,365</b>	<b>614,915</b>	<b>(16,285,098)</b>	<b>2,905,182</b>
Issued for other consideration					
Mineral properties	250,000	47,500	-	-	47,500
Transfer to deficit on expiry of options	-	-	(166,401)	166,401	-
Share-based compensation	-	-	440,156	-	440,156
<u>Loss for the year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(861,882)</u>	<u>(861,882)</u>
<b>Balance, December 31, 2018</b>	<b>47,463,339</b>	<b>\$18,622,865</b>	<b>\$888,670</b>	<b>\$(16,980,579)</b>	<b>\$2,530,956</b>

See accompanying notes to the financial statements

# **FJORDLAND EXPLORATION INC.**

## **Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Fjordland Exploration Inc. (the “Company” or “Fjordland”) was incorporated on September 19, 1996 pursuant to the *Company Act* (British Columbia) and the common shares were listed for trading on the TSX Venture Exchange (“Exchange”). The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flow.

The Company’s head office, principal address and registered and records office is 1100, 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, and raise additional funds by way of equity financings. Any acquisition may be subject to shareholder and regulatory approval and obtaining the necessary financing. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired. The Company has a deficit of \$16,980,579 and has incurred a loss of \$861,882 for the year ended December 31, 2018. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

### **2. STATEMENT OF COMPLIANCE**

These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The financial statements have been prepared on a historical basis, using the accrual basis of accounting except for cash flow information. The accounting policies set out in Note 3 have been applied consistently to all years presented in these financial statements unless otherwise indicated.

These financial statements were authorized for issue by the Board of Directors on April 17, 2019.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Presentation and Consolidation**

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

# **FJORDLAND EXPLORATION INC.**

## **Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(b) Use of Estimates and Judgment**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties and valuation of share-based payments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

##### i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable.

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

##### ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

##### i) Going concern

The Company has exercised judgement in determining that its available funds are insufficient to continue operations for the ensuing year.

# **FJORDLAND EXPLORATION INC.**

## **Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(c) Cash**

Cash consists of cash on hand and demand deposits that are subject to an insignificant risk of change in value.

#### **(d) Mineral Properties**

Once the legal right to explore a property has been obtained, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be tested for impairment, then reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result those exploration and evaluation costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment at each statement of financial position date or whenever facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Although the Company has taken steps to verify title to the properties in which it has an interest in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee that title to the properties will not be challenged or impugned. Property title may be affected by undetected defects, may be subject to unregistered prior agreements, transfers or land claims, or may be non-compliant with regulatory requirements.

#### **(e) Equipment**

Equipment is recorded at cost less accumulated depreciation. Depreciation is recognized using the following rates:

Office equipment - 30% declining balance  
Furniture and fixtures - 20% declining balance

# **FJORDLAND EXPLORATION INC.**

## **Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(f) Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the properties may be diminished or negated.

#### **(g) Restoration Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present 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. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

#### **(h) Financial Instruments**

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Financial Instruments (continued)

On January 1, 2018, the Company adopted IFRS 9, which replaced IAS 39 “*Financial Instruments: Recognition and Measurement*” (“IAS 39”), on a retrospective basis using certain available transitional provisions. In accordance with the transitional provisions, the comparative information for prior periods have not been restated and the information presented for 2017 reflects the requirements of IAS 39 rather than IFRS 9.

The nature and effect of the changes to IFRS 9 are as follows:

##### Financial instrument classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 did not have a significant effect on the Company’s accounting policies related to financial liabilities and derivative financial instruments.

IFRS 9 provides a revised model for the classification and measurement of financial assets that eliminates the previous categories of financial assets under IAS 39 of “available-for-sale”, “held-to-maturity”, or “loans and receivables.” Under IFRS 9, on initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”). The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held.

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at FVOCI whereby changes in the investment’s fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is available on an investment-by-investment basis.

Financial liabilities are designated as either fair value through profit or loss, or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The following table summarizes the impact of transition from IAS 39 to IFRS 9:

Measurement Category			
Asset/Liability	Original (IAS 39)	New (IFRS 9)	Subsequent measurement
Cash	FVTPL	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost	Amortized cost
Deposits	Held to maturity	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Amortized cost

#### (i) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

# **FJORDLAND EXPLORATION INC.**

## **Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(i) Income Taxes (continued)**

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

#### **(j) Warrants Issued In Equity Financing Transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fees or other transaction costs (Finder's Warrants) are compensatory in nature and are assigned a value based on the Black-Scholes pricing model and included in reserves.

When warrants are exercised, any reserves related to those warrants are reclassified from reserves to share capital.

#### **(k) Share-based Payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The Board of Directors grants such options with vesting periods determined at its discretion and at prices not less than the closing market price on the grant date.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. The fair value of the options is measured at the date of grant. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

# **FJORDLAND EXPLORATION INC.**

## **Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(l) Flow-Through Shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss on a pro rata basis at the same time the qualifying expenditures are made.

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

#### **(m) Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. All options and warrants outstanding have been excluded from the calculation as they are considered anti-dilutive.

#### **(n) Segmented information**

The Company has one operating segment, mineral acquisition and exploration, and operates in one geographical segment, being Canada.

#### **(o) New and amended accounting pronouncements**

The Company has not yet adopted the following new standard and interpretations issued by the IASB or International Financial Reporting Interpretation Committee ("IFRIC"):

##### **IFRS 16 Leases**

IFRS 16 was issued in January 2016 and replaces IAS 17. The standard requires 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 expects the standard will increase assets and related liabilities and increase disclosure.

# **FJORDLAND EXPLORATION INC.**

## **Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

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### **4. FINANCIAL AND CAPITAL RISK MANAGEMENT**

The Company's financial instruments consist of cash, receivables, deposits, accounts payable, accrued liabilities and advances. The fair value of these financial instruments, other than cash, approximates their carrying value, unless otherwise noted. Cash is measured at fair value using level 1 inputs.

#### **Credit Risk**

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is held in major Canadian financial institutions. The Company's receivables consist of GST receivable that is due from a government agency. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

#### **Interest Rate Risk**

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

#### **Liquidity Risk**

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets. As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital requirements. The Company is exposed to liquidity risk.

#### **Foreign Exchange Risk**

The Company is not exposed to significant foreign exchange risk as it operates in Canada and does not undertake any significant foreign currency transactions.

#### **Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company defines its capital as shareholder's equity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares periodic expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on demand deposit in an interest bearing Canadian chartered bank account. The Company is not subject to any externally imposed capital restrictions.

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(expressed in Canadian Dollars)

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### 5. RECEIVABLES

The Company's receivables are as follows:

	December 31, 2018	December 31, 2017
GST receivable	\$ 32,265	\$ 142,277
	<hr/> \$ 32,265	<hr/> \$ 142,277

### 6. EQUIPMENT

	Furniture and fixtures \$	Office equipment \$	Total \$
<b>Cost</b>			
Balance, December 31, 2016	6,161	42,039	48,200
Additions	-	-	-
Disposals	-	-	-
Balance, December 31, 2017	6,161	42,039	48,200
Additions	-	-	-
Disposals	-	-	-
<b>Balance at December 31, 2018</b>	<b>6,161</b>	<b>42,039</b>	<b>48,200</b>
<b>Accumulated depreciation</b>			
Balance, December 31, 2016	5,880	40,215	46,095
Depreciation	45	383	428
Balance, December 31, 2017	5,981	41,145	47,126
Depreciation	180	894	1,074
<b>Balance December 31, 2018</b>	<b>6,161</b>	<b>42,039</b>	<b>48,200</b>
<b>Carrying amounts</b>			
As at December 31, 2017	\$180	\$894	\$1,074
As at December 31, 2018	\$ -	\$ -	\$ -

### 7. DEPOSITS

	December 31, 2018	December 31, 2017
Office lease deposit	\$ 3,910	\$ 3,050
Exploration deposits	95,864	81,140
	<hr/> \$ 99,774	<hr/> \$ 84,190

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

### 8. MINERAL PROPERTIES

	Milligan West BC.	S Voisey Bay LB	Northwest Athabasca Basin Sask	Total
<b>Cost</b>				
Balance, December 31, 2016	\$ -	\$329,872	\$50,961	\$380,833
Additions:				
Acquisition costs	-	42,015	-	42,015
Administration	14,434	17,274	-	31,708
Drilling	131,646	858,289	-	989,935
Geology	46,832	231,763	-	278,595
Geophysics	-	77,371	-	77,371
Geochemical	-	3,168	-	3,168
Mineral properties written-down	-	-	(50,961)	(50,961)
Balance December 31, 2017	192,912	1,559,752	-	1,752,664
Additions:				
Acquisition costs	-	96,500	-	96,500
Administration	-	8,526	-	8,526
Permitting	-	1,330	-	1,330
Drilling	-	976,535	-	976,535
Geology	-	170,310	-	170,310
Geophysics	-	102,649	-	102,649
Geochemical	-	1,701	-	1,701
First Nations	-	625	-	625
Government exploration tax credit	(41,578)	-	-	(41,578)
Cost recoveries	-	(1,203,770)	-	(1,203,770)
Mineral properties written down	(151,334)	(75,152)	-	(226,486)
Balance, December 31, 2018	\$ -	\$1,639,006	\$ -	\$1,639,006

#### (a) South Voisey's Bay, Labrador

The Company, in September 2014 as amended November 2014, entered into a Memorandum of Understanding ("MOU") with Commander Resources Ltd ("Commander") whereby the Company was granted an option to earn a 75% undivided interest in the South Voisey's Bay property.

The Company has earned a 15% interest in the property by having expended \$350,000 in exploration costs prior to the option agreement expiration on August 15, 2015.

The Company, in June 2017, entered into a Letter of Intent ("LOI") with Commander Resources Ltd ("Commander") whereby the Company was granted a series of options to earn an additional 85% undivided interest in the South Voisey's Bay property by incurring the following cash, exploration expenditures and share issuance:

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(expressed in Canadian Dollars)

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### 8. MINERAL PROPERTIES (continued)

#### (a) South Voisey's Bay, Labrador (continued)

- i) 20% interest - 200,000 common shares (issued) and \$600,000 (incurred) in exploration expenditures on or before October 31, 2017
- ii) 40% interest - \$10,000 (paid) and 250,000 common shares (issued at a value of \$47,500) on or before July 26, 2018  
\$15,000 and 300,000 common shares on or before July 26, 2019  
\$25,000 and 350,000 common shares on or before July 26, 2020  
\$40,000, 400,000 common shares and \$2,400,000 in exploration expenditures on or before October 31, 2021
- iii) 25% interest - \$200,000, 3,000,000 common shares and \$5,000,000 in exploration expenditures on or before October 31, 2024.

A 2% net smelter returns royalty ("NSR") will be granted upon exercising the final payment. 1% of the NSR may be repurchased for consideration of \$5,000,000. Upon commencement of commercial production, an advanced royalty payment will be made in the amount of \$10,000,000.

On September 5, 2017 the Company entered into an agreement with HPX BC Holdings Inc. ("HPX"), an affiliate of Ivanhoe Industries, LLC. Under the terms of the agreement, HPX has subscribed by means of a private placement and has been issued 14,000,000 units of the Company for proceeds of \$1,400,000 (Note 12(b)). In addition, HPX has the option to incur, on behalf of the Company, \$7,400,000 (\$2,600,000 - paid) in exploration expenditures and to make \$290,000 (\$10,000 - paid) of property payments. If the funding is completed and the Company acquires a 100% interest in the South Voisey's Bay project, the Company has agreed to assign a 65% project interest to HPX.

As at December 31, 2017, the Company has earned an additional 20% interest in the property having issued 200,000 common shares and expended \$600,000 in exploration cost, and has a total interest earned of 35%.

As at December 31, 2017, the Company had advanced \$100,000 to an exploration vendor. As at December 31, 2018, the Company has received advance exploration funds of \$6,229.

HPX may also nominate two directors if they maintain equity ownership of between 10-50%, and three directors if greater than 50%.

HPX also maintains an anti-dilution right, such that they have the right to participate in future financings to maintain their ownership percentage.

On March 26, 2018, the Company signed a letter of intent with Vulcan Minerals Inc. ("Vulcan") granting the Company the option to acquire a 65% interest in certain mining claims located in the South Voisey's area, Labrador. Under the terms of the agreement, the Company has the option to pay to Vulcan \$45,000 (\$10,000 - paid) and incur \$150,000 in exploration expenditures over a period of three years

On March 28, 2018 the Company signed a letter of intent with Unity Resources Inc. ("Unity") granting the Company the option to acquire a 65% interest in one mining claim located in the South Voisey's area, Labrador. Under the terms of the agreement, the Company has the option to pay to Unity \$36,000 (\$9,000 - paid) and incur \$75,000 in exploration expenditures over a period of three years.

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(expressed in Canadian Dollars)

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### 8. MINERAL PROPERTIES (continued)

#### (a) South Voisey's Bay, Labrador (continued)

On July 24, 2018 the Company signed a letter of intent with a consortium of private claim holders. ("The Consortium") granting the Company the option to acquire a 100% interest in certain mining claims located in the South Voisey's area, Labrador. Under the terms of the agreement, the Company has the option to pay to The Consortium \$110,000 (\$20,000 - paid) and incur \$120,000 in exploration expenditures over a period of three years. The Consortium retains a 3% NSR that may be reduced to 1% by paying \$600,000 for the first 1% reduction and \$1,200,000 for the second 1% reduction.

During fiscal 2018, as a result of terminating the Vulcan and Unity agreements, the Company wrote off capitalized acquisition and exploration costs of \$75,152 (2017 - \$nil) related to specific claim blocks.

#### (b) Northwest Athabasca Basin, Saskatchewan

In March and May 2016, the Company staked mineral claims in the Northwest Athabasca Basin, Saskatchewan at a cost of \$50,961.

In 2017, the Company terminated the option agreement, allowed the claims to lapse and wrote off \$50,961.

#### (c) Milligan West, BC

In February 2013, the Company and Serengeti Resources Inc. consolidated certain claims located in north central British Columbia into the Milligan West project. Initially ownership was shared equally however, as a result of the Company electing not to participate in the 2016 and 2017 exploration program its interest has been diluted to 43.7%.

During fiscal 2018, the Company wrote off the property with a value of \$151,334 (2017 - \$nil).

### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

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	December 31, 2018	December 31, 2017
Trades payables	\$ 6,427	\$ 192,248
Accruals	27,500	22,250
Related parties payables	166	10,100
	<hr/> \$ 34,093	<hr/> \$ 224,598

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(expressed in Canadian Dollars)

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### 10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

#### (a) Loans

On November 30, 2017, the Company repaid the principal of \$150,000 and interest of \$13,726 to a corporation with a director in common (Note 11).

#### (b) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including share-based compensation, of key management personnel during the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Administration fees	\$ 36,000	\$ 36,000
Accounting fees	36,000	36,000
Share-based compensation	275,353	179,747
	<hr/> \$ 347,353	<hr/> \$ 251,747

Amounts due to related parties included in accounts payable (Note 9), are unsecured and non-interest bearing.

### 11. Loans

On May 18, 2015, the Company completed loan arrangements by way of promissory notes ("Notes") for total proceeds of \$200,000. The Notes matured on May 17, 2016 and bore interest of 10% per annum. The lenders agreed to extend the date of repayment to November 30, 2017.

On November 30, 2017, the Company repaid the principal of \$200,000 and paid interest of \$18,301, (Note 10(a)).

<b>Balance, December 31, 2016</b>	<b>\$ 203,341</b>
Financing expenses and interest	14,960
Repayment of loan and interest	(218,301)
<b>Balance, December 31, 2018 and 2017</b>	<b>\$ -</b>

### 12. SHARE CAPITAL

#### (a) Authorized

As at December 31, 2018 the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

# **FJORDLAND EXPLORATION INC.**

## **Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

(expressed in Canadian Dollars)

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## **12. SHARE CAPITAL**

### **(b) Issued Share Capital**

On July 4, 2018, the Company issued 250,000 common shares, with a fair value of \$47,500 or \$0.19 per share as consideration towards the acquisition of mineral property (Note 8(a))

On July 24, 2017, the Company issued 200,000 common shares, with a fair value of \$19,000 or \$0.095 per share as consideration towards the acquisition of mineral property (Note 8(a)).

On August 18, 2017, the Company completed a non-brokered private placement for the issuance of 5,910,000 units at \$0.10 per unit (the "Units") and 1,680 000 Flow-Through Units at \$0.125 per unit ("the FT Units") for a total of \$801,000. A flow-through premium of \$42,000 was assigned to the flow-through offering. Each Unit and FT Unit consisted of one common share and one-half of one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.20 per common share until February 18, 2019. The expiry date of each whole warrant is subject to acceleration. The Company paid a finder's fees of \$17,000 and issued 80,000 finder's warrants valued at \$9,955 using the Black-Scholes option pricing model. The Company incurred share issue costs in the amount of \$5,655 in connection with the placement

On September 11, 2017, the Company completed a non-brokered private placement for the issuance of 2,450,000 units at \$0.10 per unit (the "Units") and 440,000 Flow-Through Units at \$0.125 per unit ("the FT Units") for a total of \$300,000. A flow-through premium of \$11,000 was assigned to the flow-through offering. Each Unit and FT Unit consisted of one common share and one-half of one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.20 per common share until March 11, 2019. The expiry date of each whole warrant is subject to acceleration. The Company paid a finder's fees of \$7,600 and issued 38,000 Finder's Warrants valued at \$19,388 using the Black-Scholes option pricing model. The Company incurred share issue costs in the amount of \$10,570 in connection with the placement.

On September 27, 2017, the Company completed a non-brokered private placement for the issuance of 14,000,000 units at \$0.10 per unit (the "Units") for a total of \$1,400,000. Each Unit consisted of one common share and one-half of one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.20 per common share until March 17, 2019. The expiry date of each whole warrant is subject to acceleration.

For the year ended December 31, 2017, the Company issued 1,776,956 common shares on the exercise of warrants for proceeds of \$303,366.

### **(c) Stock Options**

Options to purchase common shares have been granted to directors, officers, employees and consultants at exercise prices determined by reference to the market value on the date of the grant.

In June 2018, the Company received shareholder approval for a 10% Rolling Stock Option Plan.

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(expressed in Canadian Dollars)

### 12. SHARE CAPITAL (continued)

#### (c) Stock Options (continued)

Stock option transactions are summarized as follows:

	December 31, 2018		December 31, 2017	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	3,305,000	\$0.34	2,229,000	\$0.25
Granted	1,375,000	\$0.165	1,116,000	\$0.52
Expired/Forfeited	(1,420,000)	\$0.26	(40,000)	\$0.63
<b>Outstanding at end of year</b>	<b>3,260,000</b>	<b>\$0.30</b>	<b>3,305,000</b>	<b>\$0.34</b>

As at December 31, 2018, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Options	Exercisable	Expiry Date	Exercise Price
919,000	919,000	September 16, 2019	\$0.25
966,000	966,000	September 12, 2022	\$0.55
1,375,000	1,312,500	June 28, 2023	\$0.165
<b>3,260,000</b>	<b>3,197,500</b>		

The fair value of options on the grant date was \$266,480 (2017 - \$555,559) or \$0.16 (2017 - \$0.50) per option. Total share-based compensation expense recognized for the options that vested during the year was \$440,156 (2017 - \$331,587).

The fair value of the options granted during the year were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	June 28, 2018	September 12, 2017	April 10, 2017
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	278.70%	183.49%	183.49%
Risk-free interest rate	2.01%	1.12%	1.12%
Forfeiture rate	0.00%	0.00%	0.00%
Expected life of options	5 year	5 year	5 year

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(expressed in Canadian Dollars)

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### 12. SHARE CAPITAL (continued)

#### (d) Warrants

##### Fiscal 2018

Exercise Price	Expiry Date	Outstanding at December 31, 2017	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding at December 31, 2018
\$0.20	February 18, 2019	3,875,000	-	-	-	3,875,000
\$0.20	March 11, 2019	1,483,000	-	-	-	1,483,000
\$0.20	March 27, 2019	7,000,000	-	-	-	7,000,000
12,358,000						12,358,000
Weighted average						\$0.20

Subsequent to year end, all warrants expired unexercised.

##### Fiscal 2017

On August 15, 2017, the Company received approval to reprice its outstanding warrants.

The warrant terms for the re-priced warrants was amended to include an accelerated expiry clause, as required by Exchange policy, such that the exercise period of the warrants will be reduced to 30 days if for any 10 consecutive trading days during the unexpired term of the warrants the closing price of the Company's shares is \$0.19 or more.

The Company, in connection with the private placements dated August 18, 2017, issued warrants allowing the purchase of up to 3,875,000 common shares of which 80,000 relate to Finder's Warrants. All the warrants entitle the holder to purchase one common share at a price of \$0.20 expiring on February 18, 2019. The 80,000 Finder's Warrants have a fair value of \$9,955 or \$0.12 per warrant, based on the Black Scholes option pricing model using the following assumptions: a discount rate of 1.23%, expected life of 1.5 years, expected volatility of 298.12% and dividend and forfeiture rates of 0%.

The Company, in connection with the private placements dated September 11, 2017, issued warrants allowing the purchase of up to 1,483,000 common shares of which 38,000 relate to Finder's Warrants. All the warrants entitle the holder to purchase one common share at a price of \$0.20 expiring on March 11, 2019. The 38,000 Finder's Warrants have a fair value of \$19,388 or \$0.51 per warrant, based on the Black Scholes option pricing model using the following assumptions: a discount rate of 1.54%, expected life of 1.5 years, expected volatility of 304.2% and dividend and forfeiture rates of 0%.

The Company, in connection with the private placements dated September 27, 2017, issued warrants allowing the purchase of up to 7,000,00 common shares. All the warrants entitle the holder to purchase one common share at a price of \$0.20 expiring on March 17, 2019.

**FJORDLAND EXPLORATION INC.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2018 and 2017**  
(*expressed in Canadian Dollars*)

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**12. SHARE CAPITAL (continued)**

**(d) Warrants (continued)**

Exercise Price	Expiry Date	Outstanding at December 31, 2016	Warrants Issued	Warrants Exercised	Warrants Expired	Outstanding at December 31, 2017
\$0.15	October 23, 2017	396,460	-	(396,460)	-	-
\$0.25	October 23, 2017	303,540	-	(303,540)	-	-
\$0.15	October 31, 2017	329,540	-	(329,540)	-	-
\$0.25	October 31, 2017	30,460	-	(30,460)	-	-
\$0.15	January 6, 2018	317,172	-	(317,172)	-	-
\$0.25	January 6, 2018	25,054	-	(25,054)	-	-
\$0.15	September 27, 2017	374,730	-	(374,730)	-	-
\$0.75	September 27, 2017	134,370	-	-	(134,730)	-
\$0.20	February 18, 2019	-	3,875,000	-	-	3,875,000
\$0.20	March 11, 2019	-	1,483,000	-	-	1,483,000
\$0.20	March 27, 2019	-	7,000,000	-	-	7,000,000
		1,911,326	12,358,000	(1,776,956)	(134,730)	12,358,000
	Weighted average		\$0.40	\$0.20	\$0.17	\$0.20

**13. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2018	2017
Loss for the year	\$(861,882)	\$(545,003)
Expected Income tax (recovery)	\$(233,000)	\$(142,000)
Change in statutory rates and other	9,000	(101,000)
Permanent difference	119,000	72,000
Impact of flow-through share	-	69,000
Share issue costs	-	(11,000)
Change in unrecognized deductible temporary differences	105,000	113,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

# FJORDLAND EXPLORATION INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(expressed in Canadian Dollars)

### 13. INCOME TAXES (continued)

The significant components of the Company's deferred tax assets that have been included on the statements of financial positions are as follows:

	2018	2017
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$1,558,000	\$1,552,000
Property and equipment	41,000	19,000
Share issue costs	1,000	10,000
Allowable capital losses	-	21,000
Non-capital losses available for future period	1,381,000	1,274,000
	2,981,000	2,786,000
Unrecognized deferred tax assets	(2,981,000)	(2,876,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, and unused tax losses that have not been included on the statements of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
<b>Temporary differences</b>				
Exploration and evaluation assets	\$5,501,000	No expiry date	\$5,477,000	No expiry date
Investment tax credit	100,000	2027 to 2032	100,000	2027-2032
Property and equipment	151,000	No expiry date	69,000	No expiry date
Share issue costs	3,000	2039 to 2042	38,000	2038 to 2041
Allowable capital losses	1,000	No expiry date	81,000	No expiry date
Non-capital losses available for future period	5,119,000	2026 to 2038	4,719,000	2026 to 2037

Tax attributes are subject to review and potential adjustment by tax authorities.

### 14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company had non-cash transactions as follows:

	2018	2017
Significant non-cash investing and financing activities:		
Investing activities		
Mineral properties expenditures included in accounts payable and accrued liabilities	\$ 2,749	\$ 198,084
Shares issued for mineral properties	47,500	19,000
Advance applied to mineral property	100,000	-
Financing activities		
Expiration of options and warrants	\$ 166,401	\$ 16,650
Fair value of Finder's Warrants	-	29,343
Residual value of unit warrants (expired)	-	(37,473)