Copperbank Resources Corp.

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF COPPERBANK RESOURCES CORP.

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the management in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,784,662 during the year ended December 31, 2018 and, as of that date, the Company has a working capital deficiency of $478,603. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditors' 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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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 auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2019

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Copperbank Resources Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	**December 31, 2018**	**December 31, 2017**
		$	$
Assets			
Current assets			
Cash and cash equivalents		153,399	83,607
Receivables		60,604	52,464
Prepaid expenses and deposit		13,500	47,691
		227,503	183,762
Note receivable	9	–	8,326
Property and equipment	7	244,981	–
Reclamation deposit		8,805	2,509
Resource properties	6	12,634,035	7,305,080
Total Assets		13,115,324	7,499,677
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		603,824	381,875
Note payable, current	6	68,210	–
Obligation to issue shares	5	20,000	–
Due to related parties	8	14,072	29,994
		706,106	411,869
Note payable, non-current	6	68,210	–
		774,316	411,869
Shareholders' Equity			
Share capital	5	23,491,379	17,141,602
Reserves		23,431,322	22,743,237
Deficit		(34,581,693)	(32,797,031)
		12,341,008	7,087,808
Total Liabilities and Shareholders' Equity		13,115,324	7,499,677
Nature of operations and going concern		1	
Subsequent events		6 & 14	

Approved and authorized for issuance by the Board of Directors on April 26, 2019

"Gavin Dirom"	*"Gianni Kovacevic"*
Director	Director

See accompanying notes to the consolidated financial statements

Copperbank Resources Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

Year ended December 31,	Note	**2018**	**2017**
		$	$
EXPENSES			
Amortization	7	14,469	–
Consulting and management fees	8	579,150	441,532
Filing fees and shareholders' services		45,562	25,592
Insurance		15,263	8,861
Mineral property maintenance and consulting	6	61,681	48,110
Office and administration	8	32,417	33,065
Professional fees		61,709	93,510
Promotion, advertisement and shareholder relations		186,167	298,027
Rental		28,554	45,917
Share-based compensation	5,8	663,561	412,326
Travel		101,911	135,896
Loss before the following:		(1,790,444)	(1,542,836)
Other items:			
Foreign exchange		(20,371)	(8,510)
Gain on debt settlement	4,5	26,153	35,019
Net loss for the year		(1,784,662)	(1,516,327)
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translating foreign operations		(4,927)	(995)
Comprehensive loss for the year		(1,789,589)	(1,517,322)
Loss per share, basic and diluted		(0.01)	(0.01)
Weighted average number of outstanding shares		218,685,026	167,469,019

See accompanying notes to the consolidated financial statements

Copperbank Resources Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common shares		Reserves					
	Number	**Amount**	**Warrants**	**Options**	**Other**	**Accumulated other comprehensive loss**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**	**$**	**$**
December 31, 2016	**145,614,830**	**13,519,605**	**2,672,391**	**209,409**	**16,182,235**	**3,190,271**	**(31,280,704)**	**4,493,207**
Share issuance for debt	3,376,922	369,231	–	–	–	–	–	369,231
Share issuance for cash	33,840,036	3,252,766	77,600	–	–	–	–	3,330,366
Share-based compensation	–	–	–	412,326	–	–	–	412,326
Translation from the foreign subsidiary	–	–	–	–	–	(995)	–	(995)
Net loss for the year	–	–	–	–	–	–	(1,516,327)	(1,516,327)
December 31, 2017	**182,831,788**	**17,141,602**	**2,749,991**	**621,735**	**16,182,235**	**3,189,276**	**(32,797,031)**	**7,087,808**
Share issuance for cash	26,829,572	1,878,090	–	–	–	–	–	1,878,090
Share issuance for acquisition of mineral interests	68,795,181	4,471,687	–	–	–	–	–	4,471,687
Share-based compensation	–	–	–	663,561	–	–	–	663,561
Value of replacement options issued for acquisition mineral interests	–	–	–	2,967	–	–	–	2,967
Value of replacement warrants issued for acquisition of mineral interests	–	–	26,484	–	–	–	–	26,484
Translation from the foreign subsidiary	–	–	–	–	–	(4,927)	–	(4,927)
Net loss for the year	–	–	–	–	–	–	(1,784,662)	(1,784,662)
December 31, 2018	**278,456,541**	**23,491,379**	**2,776,475**	**1,288,263**	**16,182,235**	**3,184,349**	**(34,581,693)**	**12,341,008**

Copperbank Resources Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31,	**2018**	**2017**
	$	$
Operating Activities		
Net loss for the year	(1,784,662)	(1,516,327)
Items not involving cash		
Amortization	14,469	–
Share-based compensation	663,561	412,326
Gain on debt settlement	(26,153)	(35,019)
Foreign exchange	20,371	8,510
Changes in non-cash working capital		
Prepaid expenses and deposits	34,191	(35,658)
Receivables	9,597	(32,135)
Note receivable	8,326	–
Accounts payable and accrued liabilities	(15,441)	221,617
Obligation to issue shares	20,000	–
Due to related party	(15,922)	209,063
Cash Used in Operating Activities	(1,071,663)	(767,623)
Financing Activities		
Shares issuance for cash	1,878,090	3,336,006
Repayment of note payable	(68,333)	(5,640)
Cash Provided by Financing Activities	1,809,757	3,330,366
Investing Activities		
Cash outflow for acquisition (Note 4)	(196,471)	–
Note receivable	–	6,018
Expenditure on resource properties	(452,306)	(2,523,938)
Cash Used in Investing Activities	(648,777)	(2,517,920)
Effect of Change in Foreign Currency	(19,525)	(8,532)
Net Increase in Cash and Cash Equivalents	69,792	36,291
Cash and Cash Equivalents, Beginning of Year	83,607	47,316
Cash and Cash Equivalents, End of Year	**153,399**	**83,607**

See accompanying notes to the consolidated financial statements

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)

1. NATURE OF OPERATIONS AND GOING CONCERN

Copperbank Resources Corp. (the "Company" or "Copperbank") was incorporated on October 21, 2014 under the *Business Corporations Act* (British Columbia). The Company's registered office is Suite 2080 - 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4. The Company's head office and principal address is located at Suite 2706 - 1011 West Cordova Street, Vancouver, British Columbia, V6B 0C2. The Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "CBK", and its principal business is the acquisition and development of mineral properties.

Going concern

These consolidated financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, these consolidated 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 is a resource exploration stage company which does not generate any revenue and has been relying on equity-based financing to fund its operations. The Company reported a comprehensive loss of $1,789,589 (2017 - $1,517,322) and has had recurring losses since inception. As at December 31, 2018 the Company has a working capital deficit of $478,603 (2017 - $228,107) and recurring losses since inception. The Company will require additional financing either through equity or debt financing, sale of assets, joint venture arrangements or a combination thereof to meet its administrative costs and to continue to explore and develop its resource properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. These conditions indicate the existence of material uncertainties that cast significant doubt as to the ability of the Company to meet its obligations as they come due.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and maintain an adequate level of financial resources to discharge its ongoing obligations. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful, as it is dependent on prevailing capital market conditions and the availability of other financing opportunities.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("ISAB").

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements incorporate the accounts of the Company and its wholly owned subsidiaries, Enexco International Inc. ("Enexco US") (USA), 1016079 B.C Ltd. (Canada), Copperbank Resources Alaska Inc. (USA), Redhawk Resources, Inc. (Canada), Redhawk Copper Inc. (USA), Redhawk Resources (USA), Inc., and Copper Creek Project LLC (USA).

During the year ended December 31, 2018 the Company acquired Redhawk Resources Ltd. and its wholly owned subsidiaries (Note 4).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (continued)

A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

Adoption of new accounting policies

The Company has not changed its accounting policies since its prior year ended December 31, 2017 and has applied accounting policies consistently for all periods presented except the adoption of IFRS 9 commencing January 1, 2018. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 as there were no changes to the Company's assets or liabilities classifications as a result of this new accounting standard

<u>IFRS 9</u>

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments: Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

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

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL").

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

The Company's receivables and note receivable are financial assets measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting policies (continued)

(b) Classification of financial assets (continued)

(ii) Financial assets measured at FVTPL

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company's cash and cash equivalents are financial assets measured at FVTPL.

(iii) Financial assets measured at FVTOCI

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

The Company's does not have any financial assets measured at FVTOCI.

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities measured at amortized cost or measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting policies (continued)

Financial liabilities (continued)

(b) Classification of financial liabilities (continued)

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company's accounts payable and accrued liabilities, due to related parties and note payable are financial liabilities measured at amortized cost.

(ii) Financial liabilities measured at FVTPL

A financial liability measured at FVTPL is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any financial liabilities measured at FVTPL.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive loss.

Offsetting financial assets and liabilities

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

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 Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the consolidated statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant estimates and judgments

Apart from making estimates and assumptions as described below, the Company's management makes critical judgments in the process of applying its accounting policies that have a significant effect on the amounts recognized in the Company's consolidated financial statements. The significant judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimation uncertainties, that have the most significant effect include, but are not limited to:

- The indicators of impairment of property and equipment and resource properties

  Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's property and equipment and resource properties.

  Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of resource properties may exceed its recoverable amount. The retention of regulatory permits and licenses; the Company's ability to obtain financing for exploration and development activities and its future plans on the resource properties; current and future metal prices; and market sentiment are all factors considered by the Company.

  In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined that it continues to be appropriately recorded, as there has been no obsolescence or physical damage to the assets and there are no indications that the value of the assets have declined more than what is expected from the passage of time or normal use.

- The determination of the Company and its subsidiaries' functional currency

  The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

- The recognition of deferred income tax assets

  The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

- The determination of asset versus business acquisition

  Management has had to apply judgement relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or asset was purchased, considering inputs, processes and outputs of the acquired entity in order to reach a conclusion.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Significant areas requiring the use of management estimates include:

- The provision for income taxes.

- The inputs used in the Black-Scholes option pricing model to calculate the fair value of options.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant estimates and judgments (continued)

- The fair value of consideration to acquire Redhawk Resources Inc.

  The consideration paid to acquire Redhawk Resources Inc. comprised common shares and replacement warrants and options. The common shares were valued on the date of issuance. Replacement warrants and options were valued using the Black-Scholes model. The Company applied IFRS 2 *Share-based Payments* in accounting for the transaction.

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

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. The calculation of diluted loss per share excludes the effects of conversion or exercise of options and warrants if they would be anti-dilutive.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of Enexco International Inc., Redhawk Copper Inc. (USA), Redhawk Resources (USA), Inc., and Copper Creek Project LLC (USA) is the United States dollar ("US$"). The functional currency of Redhawk Resources, Inc. (Canada), Copperbank Resources Alaska Inc. (Alaska) and 1016079 B.C Ltd. (British Columbia) is the Canadian dollar.

<u>Transactions and balances:</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

<u>Foreign operations:</u>

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:
- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Resource properties

Costs directly related to the exploration and evaluation of resource properties are capitalized once the legal rights to explore the resource properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Resource properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as resource property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of resource property.

Property and equipment

Property and equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortization is calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

Class of property and equipment	Depreciation rate
Building	25 years
Land	Nil

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use) to which the assets belong.

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.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Non-monetary transactions

Shares issued for non-monetary consideration are valued at the fair value of the assets received or services rendered or the quoted market price at the date of issuance, whichever is determined to be the more reliable measure.

Unit issuance

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

Share-based payments

The Company has a stock option plan that is described in Note 5. 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in option reserve is transferred to share capital. For those unexercised options that expire, the recorded value is transferred to deficit. For those unexercised options that are cancelled or forfeited, the recorded value remains in option reserve.

Cash equivalents

Cash equivalents consist of a cashable guaranteed investment certificate of $2,300 (2017 - $2,300) that is readily convertible into a known amount of cash.

Provision for closure and reclamation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of resource properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

As at December 31, 2018, the Company has deposited $8,805 (2017 - $2,509) for the Contact property in Nevada and for the Copper Creek property in Arizona.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity, and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Financial instruments

Initial recognition and measurement:

Financial assets and liabilities are recognized on the consolidated statement of financial position when the Company becomes party to the contractual provisions of the instrument. The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's consolidated financial statements.

Impact of adoption of IFRS 9:

The Company adopted the new accounting standard IFRS 9, Financial Instruments effective January 1, 2018. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 as there were no changes to the Company's assets or liabilities classifications as a result of this new accounting standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at January 1, 2018:

Financial Assets	**Previous classification under IAS 39**	**New classification under IFRS 9**
Cash and cash equivalents	Other financial assets – amortized cost	Amortized cost
Receivables	Other financial assets – amortized cost	Amortized cost
Note Receivable	Other financial assets – amortized cost	Amortized cost
Financial Liabilities	**Previous classification under IAS 39**	**New classification under IFRS 9**
Accounts payable and accrued liabilities	Other financial liabilities – amortized cost	Amortized cost
Due to related parties	Other financial liabilities – amortized cost	Amortized cost
Note payable	Other financial liabilities – amortized cost	Amortized cost

Fair value hierarchy:

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Accounting standards issued but not yet adopted

A number of new standards, amendments to standards, and interpretations are not yet effective as of December 31, 2018, and have not been applied in preparing these consolidated financial statements. These new standards are being evaluated but are not expected to have a material effect on the consolidated financial statements of the Company. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.:

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards issued but not yet adopted (continued)

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

This standard is applicable to the Company's annual period beginning January 1, 2019. The Company does not expect there to be a material impact on adoption.

4. ACQUISITION OF REDHAWK RESOURCES INC.

In June 2018, The Company executed a definitive arrangement agreement ("Arrangement Agreement") pursuant to which the Company would acquire all of the issued and outstanding shares of Redhawk Resources, Inc. ("Redhawk"), a company listed on the NEX board of TSX Venture Exchange. Copperbank's acquisition of Redhawk (the "Transaction") and its Copper Creek Project ("Copper Creek") was effected by way of a plan of arrangement completed under the Business Corporations Act (British Columbia). Obtaining control of Copper Creek was the incentive for the Transaction.

The Transaction completed on August 31, 2018. Redhawk and its USA subsidiaries became subsidiaries of Copperbank. Redhawk ceased to be a reporting issuer under applicable Canadian securities laws. Copperbank issued 63,506,816 common shares of the Company to shareholders of Redhawk as consideration of the Transaction (using an exchange ratio of 0.928928) and 5,288,365 common shares in acquisition related costs. Copperbank also advanced $200,000 to cover expenses incurred by Redhawk prior to the closing. This advance was forgiven upon the closing of the Transaction. After the Transaction, Copperbank is approximately 75% owned by current Copperbank shareholders and 25% by former Redhawk shareholders.

At the time of the Transaction, Redhawk's assets consisted primarily of cash, receivables and prepaids, reclamation bonds, property and equipment and a resource property, and it did not have any processes capable of generating outputs; therefore, Redhawk did not meet the definition of a business. Accordingly, as Redhawk did not qualify as a business in accordance with IFRS 3 *Business Combinations*, the amalgamation did not constitute a business combination and has been accounted for as an asset acquisition.

As the acquisition was not considered a business combination, the excess of value of consideration paid over net assets acquired was allocated to the Copper Creek Project.

The fair value of the common shares amounted to $4,127,943, based on the trading price of the Company's shares on the issuance date. The fair value of the replacement options and warrants was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Market price of shares	$0.065
Exercise price	$0.115
Expected life	0.74
Volatility	77.0%
Risk-free rate	2.04%
Dividend yield	0.00%

(Expressed in Canadian dollars)

4. ACQUISITION OF REDHAWK RESOURCES INC. (Continued)

The Company considers the Transaction an asset acquisition with details as follows:

Consideration paid:	
Issuance of 63,506,816 shares at $0.065/share	$4,127,943
Issuance of 5,288,365 shares for transaction costs	343,744
Transaction costs	109,948
Cash advance	200,000
Fair value of 3,344,139 replacement options issued	2,967
Fair value of 4,118,191 replacement warrants issued	26,484
Total	$4,811,086

Assets acquired:	
Cash	$3,529
Receivables	17,737
Reclamation bond	5,871
Property and equipment	248,287
Copper Creek resource property	4,955,328
Liabilities assumed:	
Accounts payable	(214,913)
Loan payable	(204,753)
Total	$4,811,086

Subsequent to the acquisition, accounts payable of $26,153 which is included in the acquisition balance above, was forgiven by a director of Redhawk. This has been recorded as a gain on debt settlement.

5. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

During the year ended December 31, 2018, the Company:

- Issued 15,627,143 common shares at $0.07 per share for gross proceeds of $1,093,900. No fees were paid with this financing.
- Issued 68,795,181 shares of the Company in connection with the Transaction (Note 4).
- Issued 11,202,429 common shares at $0.07 per share for gross proceeds of $784,190. No fees were paid with this financing.
- Received consulting and management services for $20,000 agreed to be paid in common shares of the Company. These shares are yet to be issued and represent an obligation to issue shares at year-end.

During the year ended December 31, 2017, the Company:

- Issued 22,500,000 common shares through a private placement at a price of $0.08 per share for gross proceeds of $1,800,000. Finder's fees of $5,640 were paid on the financing;
- Issued 4,166,667 common shares through a private placement at a price of $0.12 per share for gross proceeds of $500,000.

(Expressed in Canadian dollars)

5. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

- Issued 5,173,366 units through a private placement at a price of $0.15 per unit for gross proceeds of $776,005. Each unit consists of one common share and a warrant that is exercisable at $0.25 per share for a five-year period after issuance. If common shares of the Company trade at $0.40 per share for twenty consecutive trading days, the Company can accelerate the conversion of these warrants. The Company has applied the residual method and allocated $698,405 and $77,600 to share capital and reserve for warrants, respectively.
- Issued 2,000,003 common shares through a private placement at a price of $0.13 per share for gross proceeds of $260,001.

  Issued 3,376,922 common shares to the Company's officers and consultants for the settlement of $401,468 of accounts payable and related party payable. The fair value of these common shares was $369,231 and the Company recorded a gain on debt settlement of $35,019.

c) Warrants

Continuity is as follows:

	Number outstanding	Expiry date	Exercise price
Outstanding and exercisable, December 31, 2016	74,238,001	October 20, 2019	$0.50 per share
Issued	5,173,366	August 21, 2022	$0.25 per share
Outstanding and exercisable, December 31, 2017	79,411,367		
Assumed on acquisition of Redhawk (Note 4) (i)	356,089	March 14, 2019	$0.21 per share
Assumed on acquisition of Redhawk (Note 4)	3,762,102	August 24, 2019	$0.08 per share
Outstanding and exercisable, December 31, 2018	83,529,558		

As at December 31, 2018, the weighted average exercise price and remaining life of these warrants was $0.46 (2017 - $0.48) per share and 0.97 years (2017 – 1.99).

(i) These warrants expired unexercised subsequent to year-end.

d) Options

The Company has a "rolling" stock option plan (the "Plan") that allows the Company to grant options to its employees, directors, consultants and officers for a maximum of 10% of outstanding shares to be issued.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or officer, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of twelve months after the date of death and the expiration of the option period. During the year ended December 31, 2018, the Company incurred share-based compensation of $663,561 (2017 - $412,326) in connection with options granted.

(Expressed in Canadian dollars)

5. SHARE CAPITAL (Continued)

d) Options (continued)

The Company used Black Scholes option pricing model and the following assumptions to determine the fair values of the stock options granted in the year:

	2018	2017
Risk-free interest rate	2.22%	1.14%
Expected life of the option	5 years	5 years
Annualized volatility	238%	216%
Dividend Rate	0.00 %	0.00%

Continuity is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2016	4,350,000	$0.09
Granted	7,300,000	$0.10
Forfeited	(1,700,000)	$0.10
Outstanding, December 31, 2017	9,950,000	$0.10
Granted	9,350,000	$0.10
Assumed on acquisition of Redhawk (Note 4)	3,344,139	$0.14
Forfeited	(500,000)	$0.10
Outstanding, December 31, 2018	22,144,139	$0.11
Exercisable, December 31, 2018	13,369,139	$0.11

As at December 31, 2018, the following stock options were outstanding:

Expiry Date	Exercise Price	Outstanding	Exercisable
February 28, 2019 (i)	$0.14	3,344,139	3,344,139
February 5, 2020	$ 0.10	2,050,000	2,050,000
June 8, 2020	$ 0.10	500,000	500,000
April 11, 2021	$ 0.05	500,000	500,000
February 24, 2022	$0.10	5,750,000	4,312,500
July 28, 2022	$0.13	650,000	325,000
May 10 to May 21, 2023	$0.10	9,350,000	2,337,500
		22,144,139	13,369,139

(Expressed in Canadian dollars)

5. SHARE CAPITAL (Continued)

d) Options (continued)

As at December 31, 2017, the following stock options were outstanding:

Expiry Date	Exercise Price	Outstanding	Exercisable
February 5, 2020	$ 0.10	2,050,000	2,050,000
June 8, 2020	$ 0.10	500,000	500,000
April 11, 2021	$ 0.05	500,000	500,000
February 24, 2022	$0.10	6,250,000	6,250,000
July 28, 2022	$0.13	650,000	650,000
		9,950,000	9,950,000

The remaining contractual life of the Company's options as at December 31, 2018 was 2.98 (2017 – 3.63) years.

(i) These options expired unexercised subsequent to year-end.

6. RESOURCE PROPERTIES

The continuity of the mineral properties is as follow:

	Pyramid	Copper Creek	Total
	$	$	$
Balance, December 31, 2017	7,305,080	-	7,305,080
Acquisition	-	4,955,328	4,955,328
Annual option fees and maintenance of permits	197,130	106,005	303,135
Report and analysis	47,291	-	47,291
Management and study	20,191	-	20,191
Effect of change in foreign exchange rate	-	3,010	3,010
Balance, December 31, 2018	7,569,692	5,064,343	12,634,035

a) Pyramid property, Alaska

<u>Option agreement with TAC</u>

The Company, through an amalgamation with Full Metal Minerals (USA) Inc. ("Full Metal"), acquired its interest in the Pyramid Project in 2014. Full Metal has an option agreement ("Pyramid Agreement") with The Aleut Corporation ("TAC"), an Alaska Regional Native Corporation for the acquisition of a 100% interest in subsurface mineral rights covering the Pyramid project.

The commitment related to the Pyramid property is as follows:

1) Pay totally $345,000 in cash or shares of the Company from 2011 to 2017 (Paid); and

2) Incur $4,500,000 of exploration expenditures by December 31, 2016 (Incurred).

6. RESOURCE PROPERTIES (Continued)

a) Pyramid property, Alaska (continued)

In addition to the payments disclosed above, the Company agrees that during the option period, the Company will pay US$20,000 per period noted above for the rights to use materials on the property.

On January 4, 2018, the Company entered into a first amendment ("First Amendment") to the Pyramid Agreement. The First Amendment is effective December 31, 2017. The exploration area has been modified to a division into the Pyramid District Lands ("Pyramid Lands") and San Diego Bay District ("SDB Lands"). The option period has been modified to (i) December 31, 2019 for the Pyramid Lands and (ii) December 31, 2020 for the SDB Lands. The following additional option payments and minimum exploration expenditures are required:

(i) Option Payments

- Before March 10, 2018, the Company shall pay TAC US$65,000 in cash (Paid);
- Before March 10, 2019, the Company shall pay TAC US$70,000 in cash; and
- Before March 10, 2020, the Company shall pay TAC US$70,000 in cash.

(ii) Exploration Expenditures

- For the year ending December 31, 2018, the Company shall spend (i) US$1,000,000 on the Pyramid Lands and (ii) US$300,000 on the SDB Lands;
- For the year ending December 31, 2019, the Company shall spend (i) US$1,000,000 on the Pyramid Lands and (ii) US$300,000 on the SDB Lands; and
- For the year ending December 31, 2020, the Company shall spend (i) US$500,000 on SDB Lands.

During the year ended December 31, 2018, the exploration expenditures were further amended as follows:

- During the period January 1, 2018 to December 31, 2019, the Company shall spend (i) at least US$2,000,000 on the Pyramid Lands and (ii) at least US$600,000 on the SDB Lands;
- During the year January 1 to December 31, 2020, the Company shall spend at least US$500,000 on the SDB Lands.

<u>Option agreement with Antofagasta Minerals</u>

On August 6, 2010, Full Metal entered into an option agreement with Antofagasta Minerals to explore the Pyramid property claims. Antofagasta Minerals can earn an initial 51% interest by fulfilling the following:

1) Pay a total of US$200,000 by August 20, 2014 (Received); and
2) Incur a total of US$6,000,000 in exploration expenditures by August 20, 2014 (Incurred).

During the year ended May 31, 2013, Antofagasta Minerals completed all required cash payments and exploration expenditures, and therefore earned a 51% interest in the Pyramid property. All exploration expenditures were incurred by the Company and subsequently reimbursed by Antofagasta Minerals. The schedule of Pyramid mineral property costs does not include these costs.

6. RESOURCE PROPERTIES (Continued)

a) Pyramid property, Alaska (continued)

Antofagasta Minerals can further earn an additional 14% interest for a total aggregate 65% interest by preparing and delivering at its sole cost, a scoping study costing a minimum of US$4,000,000 in expenditures within two years of earning a 51% initial interest. Antofagasta Minerals can then earn an additional 15% interest for a total 80% interest by funding at its sole cost a feasibility study on the Pyramid property project within two years after obtaining the additional 15% interest. Antofagasta Minerals is also required to reimburse the Company for certain of its obligations relating to the Aleut Agreement – Pyramid, the Shumagin Letter Agreement and the TDX Agreement (collectively, the "Property Agreements").

Reacquisition of Antofagasta Minerals' interest

On March 5, 2014 (the "Assignment Date"), Full Metal reacquired the 51% interest in the Pyramid property (the "Assignment Agreement") previously earned by Antofagasta Minerals under the 2010 option agreement discussed above.

In July 2017, the Company entered into an amendment for the Assignment Agreement with respect to its interest in the Pyramid Property with Antofagasta Minerals. Total consideration, after the amendment is comprised of the following:

- Payment of US$150,000 cash and issuance of 1,000,000 common shares of the Company to Antofagasta Minerals by March 4, 2019 (Note 14).
- Payment of US$5,500,000 cash upon the occurrence of a construction decision in respect of the Pyramid Project.
- Payment of US$2,500,000 cash upon the commencement of commercial production in respect of the Pyramid Project.

i) Shumagin Agreement – Pyramid Surface Rights: On August 5, 2011, Full Metal and Shumagin Corporation, an Alaska Native Village Corporation, signed an agreement for a surface rights mining Exploration Agreement and Option to Lease in respect of the Pyramid property. The agreement terms include annual cash payments totaling US$290,000 through December 31, 2016 (Paid).

In February 2018, the Company entered into a first amendment to the Assignment Agreement. The First Amendment is effective December 31, 2017. The following additional option payments are required:

- Before March 10, 2018, the Company shall pay Shumagin US$80,000 in cash (Paid);
- Before March 10, 2019, the Company shall pay TAC US$80,000 in cash; and
- Before March 10, 2020, the Company shall pay TAC US$80,000 in cash.

ii) TDX Agreement – Pyramid Surface Rights:
On July 15, 2010, Full Metal and TDX Pyramid LLC ("TDX Pyramid"), an affiliate of an Alaska Native Village Corporation, signed an Exploration Agreement with Option to Lease covering surface lands at the Pyramid property. Under this agreement, the Company must make an initial option payment of US$15,000 (paid by Antofagasta Minerals) upon the effective date of the agreement, and annual cash payments totaling US$171,000 over seven years, of which US$52,000 has been paid from 2012 through 2014 (paid by Antofagasta Minerals). At any time prior to December 31, 2016, the Company may enter into a Lease Agreement with TDX Pyramid. On or before the effective date of the lease and then on or before each anniversary during the term of the lease until there is commercial production, the Company shall pay to TDX Pyramid an annual rental equal to 10% of the fair market value of the lease area.

The Company terminated the surface right agreement during 2016 with US$100,000 (Paid)

6. RESOURCE PROPERTIES (Continued)

b) Contact Property, Nevada

The Company owns a 100% interest in the Contact property located in Elko County, Nevada.

This property was fully impaired during fiscal 2015. The Company incurred $61,681 (2017 - $48,110) for the permit maintenance and a study to the Contact Property during the year ended December 31, 2018.

c) Copper Creek Mineral Properties, Arizona

i) The Company acquired 100% of the Copper Creek Project thru the acquisition of Redhawk with a value of $4,955,328 (Note 4).

ii) D & G Mining Agreement - In November 2005, Redhawk entered into a lease-to-purchase agreement with a third party for additional property within the Copper Creek boundaries. Redhawk paid US$80,000 in both 2006 and 2007 and was required to pay US$100,000 in November 2008 and annually thereafter until the end of year fifteen. In May 2018, the agreement was amended to reduce the annual payments to US$50,000 (paid up to May 2018).

Redhawk has the option to purchase the property for US$3,000,000. Commencing January 1, 2022, 50% of the yearly lease payments made prior to exercising the option to purchase will be applied against the purchase price in the event that Redhawk exercises its property purchase option.

iii) Freeport Mineral Corporation Agreement - In April 2007, Redhawk entered into a purchase agreement with Freeport Mineral Corporation (“Freeport”) to acquire additional mining claims within the Copper Creek boundaries. The additional mining claims are subject to a 1% Net Smelter Return royalty.

In conjunction with Redhawk’s acquisition of mining claims from Freeport, Redhawk entered into a promissory note. The promissory note with the principal amount of US$1,525,594 is repayable over 11 years and bears interest at 5% per annum. On May 30, 2018, Redhawk entered into an amendment to the Fourth Workout Agreement with Freeport. The substance of the amended agreement is a conversion of interest and principal owing to Freeport into production decision royalty payments. The total will be US$3,000,000 paid in six equal annual instalments of US$500,000 per annum. The payments are contingent upon Redhawk or successors achieving a defined commercial production of minerals.

As a result of this amendment, no liabilities in connection with this promissory note has been recorded as at December 31, 2018.

iv) Morgan Agreements - In December 2012, Redhawk acquired patented land from two unrelated parties for total consideration of US$1.2 million. As at December 31, 2018, Redhawk is required to pay $68,210 (US$50,000) in 2019 (current) and another $68,210 (US$50,000) in 2020 (non-current).

(Expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

The Company acquired the following land and building with the Redhawk acquisition on August 31, 2018 (Note 4):

	Building	Land	Total
	$	$	$
Cost			
Balance, December 31, 2017	-	-	-
Additions through Redhawk acquisition	215,649	32,638	248,287
Foreign exchange adjustment	9,695	1,468	11,163
Balance, December 31, 2018	225,344	34,106	259,450
Amortization			
Balance, December 31, 2017	-	-	-
Addition	14,469	-	14,469
Balance December 31, 2018	14,469	-	14,469
Net book value			
Balance, December 31, 2017	-	-	-
Balance, December 31, 2018	210,875	34,106	244,981

8. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2018 and 2017, the Company incurred the following transactions with key management members and the directors of the Company:

	Nature	2018 $	2017 $
Key management	Rent	6,000	24,000
Key management	Management fees	491,281	331,048
Directors	Technical services for the mineral properties	20,191	57,786
Key management and directors	Share-based payments	536,693	243,464

Included in the Company's due to related party is an amount owing to key management members of $14,072 (2017 - $29,994). Due to related party has the same terms as the Company's trade payable, which is unsecured and non-interest-bearing and due with no specific terms.

9. NOTE RECEIVABLE

During the year ended December 31, 2016, the Company sold a vehicle that was fully depreciated for total proceeds of US$25,000. The Company received US$10,000 cash, $1,000 rent credits and a US$14,000 promissory note. The promissory note was paid through the issuance of a five-year note receivable bearing interest at 4% per annum for US$14,000, with blended monthly payments of $257. As at December 31, 2018, the note was fully repaid.

10. SEGMENTED INFORMATION

The Company operates primarily in one business segment, which is the exploration and development of resource properties located in the United States. The Company's non-current assets were $12,887,821 (2017- $7,307,589), which comprised mainly of resource properties, property and equipment, and reclamation bonds that are in the United States.

(Expressed in Canadian dollars)

11. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the statutory income tax rate of 27% (2017 - 26%) to income before income taxes. The reasons for the differences are as follows:

	2018 $	2017 $
Loss before income tax	(1,784,662)	(1,516,327)
Statutory income tax rate	27%	26%
	(481,859)	(394,245)
Items not deductible for tax purposes	178,348	105,289
Differences on tax rates between jurisdictions	2,106	-
Change in timing differences	(1,376,135)	101,749
Effect of change in foreign exchange rates	(567,444)	-
Effect of change in tax rates	2,244,984	-
Unrecognized tax benefits	-	187,207
Total income taxes	-	-

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2018 and 2017 are presented below:

	2018	2017
Deferred income tax assets		
Non-capital losses	$ 1,335,353	$ 636,476
Deferred income tax liability		
Resource properties	(1,335,353)	(636,476)
Net deferred income tax liabilities	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets have been met.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2018	2017
Resource properties	$ 46,877,698	$ 16,208,740
Non-capital losses	46,168,481	9,365,048
Property and equipment	1,812,590	485
Share issuance cost	4,374	49,467
Capital losses	24,563	41,848
Unrecognized deductible temporary differences	$ 94,887,706	$ 25,665,588

As at December 31, 2018, the Company has US non-capital losses of approximately $34.6 million that may be applied to reduce future US taxable income. The Company also has Canadian non-capital losses of approximately $16.5 million that may be applied to reduce future Canadian taxable income.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to several financial and market risks, including credit, interest rate, liquidity and commodity risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities. There was no change in the management of the financial risks compared to the prior year.

Credit risk

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

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents. The Company mitigates its exposure to credit loss associated with cash and cash equivalents by placing its cash and cash equivalents in a major financial institution. As at December 31, 2018, the Company had cash equivalents of $2,300 in term deposits (2017 - $2,300).

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts, which are available on demand. The Company manages its liquidity risk mainly through raising funds from private placements and amounts from related parties.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Commodity risk

The Company is subject to commodity price risk arising from the fluctuation of metal price beyond the Company's control. The Company may have difficulties to identify and acquire economically viable projects for the Company to invest in if metal prices are depressed in an extended period.

Interest rate risk

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As of December 31, 2018, and 2017, the Company has no interest-bearing debt with long-term maturities, and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk (continued)

As at December 31, 2018 and 2017, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	2018	2017
Cash	US$ 7,783	US$ 1,402
Receivables	-	6,637
	US$ 7,783	US$ 8,039
Canadian dollar equivalent	$ 10,608	$ 10,085

A 5% (2017 - 5%) change in the US dollar against the Canadian dollar at December 31, 2018 would result in a change of approximately $530 (2017 - $927) in comprehensive loss.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Non-cash transactions during the year:		
Common shares issued for related party debt settlement	$ -	$ 205,300
Common shares issued for accounts payable debt settlement	$ -	$ 196,168
Common shares issued for prepaid	$ -	$ 2,782
Resource property additions included in accounts payable and accrued liabilities	$ 248,356	$ 335,045
Redhawk acquisition transaction costs included in accounts payable	$ 109,948	$ -
Interest received	$ -	$ 468
Interest paid	$ -	$ -
Income tax	$ -	$ -

14. EVENTS AFTER THE REPORTING DATE

a) In February 2019 the Company granted 2,000,000 stock options to consultants and directors of the Company with an exercise price of $0.10 and an expiry date of February 28, 2024.
b) In March 2019 the Company closed a private placement, issuing 7,656,548 common shares at a price of $0.07 per share for net proceeds of $535,958.
c) In March 2019 the Company issued 1,000,000 common shares to Antofagasta Minerals S.A. to satisfy the July 28, 2017 assignment agreement. In addition to the issuance of common shares, the Company paid cash of US$25,000.