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# **PUREPOINT URANIUM GROUP INC.**

## **Consolidated Financial Statements**

**December 31, 2018 and 2017**

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*(Expressed in Canadian Dollars)*

# Independent Auditor's Report

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To the Shareholders of Purepoint Uranium Group Inc.:

## Opinion

We have audited the consolidated financial statements of Purepoint Uranium Group Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in 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 December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## 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 Consolidated Financial Statements section of our report. We are independent of the Company 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 is sufficient and appropriate to provide a basis for our opinion.

## 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 audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits 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 on this other information, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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 Patrycja Anna Kajda.

*MNP LLP*

Mississauga, Ontario

April 23, 2019

Chartered Professional Accountants

Licensed Public Accountants

Purepoint Uranium Group Inc.  
**Consolidated Statements of Financial Position**  
*As at December 31, 2018 and 2017*  
*(Expressed in Canadian Dollars)*

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,150,972	1,527,116
Short-term investments	705,101	1,210,706
Accounts receivable	18,490	80,061
Prepaid expenses	56,989	295,881
Deposits <i>(note 6)</i>	53,982	129,762
	<u>1,985,534</u>	<u>3,243,526</u>
<b>Property and equipment <i>(note 3)</i></b>	<u>5,909</u>	<u>7,605</u>
	<u>1,991,443</u>	<u>3,251,131</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	173,666	438,391
Advances on projects <i>(note 5)</i>	247,255	817,560
	<u>420,921</u>	<u>1,255,951</u>
<b>Shareholders' equity</b>		
Share capital <i>(note 7(a))</i>	35,275,074	34,721,305
Contributed surplus	7,787,346	7,359,253
Deficit	<u>(41,491,898)</u>	<u>(40,085,378)</u>
	<u>1,570,522</u>	<u>1,995,180</u>
	<u>1,991,443</u>	<u>3,251,131</u>

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

**Approved by the Board:**

Signed "Borys Chabursky"

Signed "Allan Beach"

Purepoint Uranium Group Inc.  
**Consolidated Statements of Loss and Comprehensive Loss**  
For the years ended December 31, 2018 and 2017  
(Expressed in Canadian Dollars)

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Expenses</b>		
Mining exploration and evaluation expenditures (notes 3 and 4)	1,067,504	1,404,742
Mining exploration and evaluation salaries and benefits (note 14)	415,485	427,645
Share-based payments (notes 8 and 14)	161,847	185,446
Salaries, compensations and benefits (note 14)	159,857	182,402
Investor relations	115,945	73,551
General and administration	98,815	92,415
Professional fees	64,565	91,524
Transfer agent and filing fees	28,082	20,127
Insurance	24,780	36,705
Travel	8,239	20,006
Depreciation (note 3)	913	457
	<u>2,146,032</u>	<u>2,535,020</u>
<b>Other</b>		
Operator fees and other recoveries (note 5)	(730,388)	(752,849)
Interest income	(9,124)	(7,437)
Net gain on sale of assets (note 3)	-	(600)
	<u>(739,512)</u>	<u>(760,886)</u>
<b>Net loss and comprehensive loss</b>	<u>(1,406,520)</u>	<u>(1,774,134)</u>
<b>Basic and diluted loss per common share (note 10)</b>	<u>(0.01)</u>	<u>(0.01)</u>
<b>Weighted average number of shares (note 10)</b>	205,257,404	190,260,433

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

Purepoint Uranium Group Inc.  
**Consolidated Statements of Changes in Equity**

As at December 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Capital stock		Contributed surplus	Deficit	Equity total
	Number of shares	Amount			
		\$	\$	\$	\$
Balance at January 1, 2018	204,803,072	34,721,305	7,359,253	(40,085,378)	1,995,180
Issuance of common shares from private placement	9,754,778	877,930	-	-	877,930
Fair value of issued warrants from private placement	-	(249,828)	249,828	-	-
Fair value of finders fee compensation warrants	-	(16,418)	16,418	-	-
Expenses of the private placement	-	(57,915)	-	-	(57,915)
Share based payment	-	-	161,847	-	161,847
Net loss	-	-	-	(1,406,520)	(1,406,520)
<b>Balance at December 31, 2018</b> (note 7(a))	<b>214,557,850</b>	<b>35,275,074</b>	<b>7,787,346</b>	<b>(41,491,898)</b>	<b>1,570,522</b>
Balance at January 1, 2017	188,629,260	33,665,670	6,861,621	(38,311,244)	2,216,047
Issuance of common shares from private placement	12,000,000	1,200,000	-	-	1,200,000
Fair value of issued warrants from private placement	-	(391,564)	391,564	-	-
Fair value of finders fee compensation warrants	-	(14,653)	14,653	-	-
Exercise of warrants and options (note 7(a))	4,173,812	222,278	-	-	222,278
Fair value of exercised warrants and options	-	94,031	(94,031)	-	-
Expenses of the private placement	-	(54,457)	-	-	(54,457)
Share based payment	-	-	185,446	-	185,446
Net loss	-	-	-	(1,774,134)	(1,774,134)
<b>Balance at December 31, 2017</b> (note 7(a))	<b>204,803,072</b>	<b>34,721,305</b>	<b>7,359,253</b>	<b>(40,085,378)</b>	<b>1,995,180</b>

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

Purepoint Uranium Group Inc.  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2018 and 2017  
(Expressed in Canadian Dollars)

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Cash flow from operating activities</b>		
Net loss for the year	(1,406,520)	(1,774,134)
Items not affecting cash:		
Depreciation	1,696	1,470
Share based payment	161,847	185,446
Net gain on sale of assets	-	(600)
	<u>(1,242,977)</u>	<u>(1,587,818)</u>
Changes in non-cash items relating to operating activities:		
Accounts receivable	61,571	(51,577)
Prepaid expenses	238,892	(280,234)
Deposits	75,780	(5,442)
Accounts payable and accrued liabilities	(264,725)	260,640
Advances (disbursements) on behalf of joint venturer, net	(570,305)	1,154,885
	<u>(1,701,764)</u>	<u>(509,546)</u>
<b>Cash flow from investing activities</b>		
Short-term investments	505,605	45,349
Cost of purchase of property and equipment	-	(4,567)
Proceeds of sale of property and equipment	-	9,600
	<u>505,605</u>	<u>50,382</u>
<b>Cash flow from financing activities</b>		
Proceeds from exercise of warrants and options, net of costs	-	222,278
Proceeds from issuance of shares, net of costs	820,015	1,145,543
	<u>820,015</u>	<u>1,367,821</u>
<b>Net (decrease) increase in cash</b>	(376,144)	908,657
<b>Cash - Beginning of the year</b>	<u>1,527,116</u>	<u>618,459</u>
<b>Cash - End of the year</b>	<u>1,150,972</u>	<u>1,527,116</u>

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

# Purepoint Uranium Group Inc.

## Notes to the Consolidated Financial Statements

### For the Years Ended December 31, 2018 and 2017

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*(Expressed in Canadian Dollars)*

#### 1. GENERAL INFORMATION

Purepoint Uranium Group Inc. ("the Company") is a Canadian resource company engaged in the acquisition, exploration and development of properties for the purpose of producing uranium. The Company's principal assets are mineral properties located in Saskatchewan. The ability of the Company to realize the costs it has incurred to date on these and other properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mining claims, the ability to continue to raise adequate financing and to commence profitable operations in the future, or alternatively, upon the disposal of properties, or the Company's interests therein, on an advantageous basis.

The Company's head office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, M5H 1T1, Canada.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, William River Exploration Corp. All significant intercompany accounts and transactions have been eliminated. Subsidiaries are entities over which the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Potential voting rights that are presently exercisable or convertible, are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies applied in these consolidated financial statements are presented in this note and are based on IFRS issued and outstanding as of April 23, 2019, the date the Board of Directors approved the consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

##### (b) Basis of preparation

The consolidated financial statements are presented in Canadian dollars. The consolidated financial statements are prepared on the historical cost basis.

##### (c) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the actual number of share options that are expected to vest.

**Purepoint Uranium Group Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**(d) Income taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**(e) Flow-through shares**

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into:

- i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and
- ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. 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 as a financial expense until paid.

**Purepoint Uranium Group Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**(f) Property and equipment**

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of loss and comprehensive loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company provides for depreciation of its property and equipment at the following methods and annual rates:

Exploration field property and equipment	20% declining balance
Exploration furniture and equipment	20% declining balance
Office computer equipment	Straight line over 3 years
Office furniture and fixtures	Straight line over 5 years
Leasehold interests	Straight line over the term of the lease (up to 6 years)

**(g) Mining properties and exploration and evaluation costs**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of the exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

**(h) Impairment of non-financial assets**

At the end of each reporting period, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

**Purepoint Uranium Group Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**(h) Impairment of non-financial assets - continued**

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

**(i) Financial assets and liabilities**

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments. In accordance with the transitional provisions, the Company adopted the standard retrospectively without restating comparative as the change did not impact the opening balance.

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVTPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivables and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets. The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company’s financial instruments:

<b>Financial assets</b>	<b>Financial Instrument Classification</b>	
	<b>Under IAS 39</b>	<b>Under IFRS 9</b>
Cash	Loans and receivables	Amortized cost
Accounts receivable, excluding HST	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	FVTPL
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Advances on projects	Other financial liabilities	Amortized cost

The following are the Company’s new accounting policies for financial instruments under IFRS 9:

**Financial assets and Liabilities**

**Financial assets**

Non-derivative financial assets within IFRS 9 are classified as “financial assets at fair value (either through profit or loss (“FVPL”) or through other comprehensive income (“FVOCI”))”, and “financial assets at amortized costs” as appropriate. The Company determines the classification of its financial assets at initial recognition based on the Company’s business model and contractual terms of cash flows.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

**Purepoint Uranium Group Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**Financial assets and Liabilities - continued**

**Financial assets - continued**

Where fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

***Derecognition***

A financial asset is derecognized when the contractual rights to the cash flows from the asset expired, or the Company transfers substantially all the risks and rewards of ownership of the asset.

***Impairment of financial assets***

The impairment model under IFRS 9 is application to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The Company's only financial assets subject to impairment are amounts received which are measured at amortized costs. The Company has elected to apply the simplified approach of impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized. The Company has measured the lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to debtors and other relevant factors.

**Financial liabilities**

Non-derivative financial liabilities are measured at amortized costs, unless they are required to be measured at FVTPL as it is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include accounts payable and accrued liabilities and advances on projects which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

***Financial liabilities at amortized costs***

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized costs using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of loss and comprehensive loss.

***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other income or expenses in the consolidated statements of loss and comprehensive loss.

**Purepoint Uranium Group Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

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*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**(j) Cash**

Cash consists of cash deposits in banks. The Company does not hold any asset backed commercial paper.

**(k) Short-term investments**

Short-term investments are comprised of liquid investments with an initial maturity greater than three months and maturing within one year of the reporting date.

**(l) Asset retirement obligations**

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with its resource properties. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the date of purchase. Future changes to those regulations and standards, as well as changes resulting from operations may result in actual reclamation costs differing from the estimate.

The Company has determined that there are no asset retirement obligations or any other environmental obligations with respect to its mineral properties, and therefore no liability has been recognized in these consolidated financial statements.

**(m) Jointly controlled asset**

The Company has an interest in a jointly controlled asset in an unincorporated joint venture. The Company recognizes its share of mining exploration and evaluation expenditure related to the asset in the profit or loss.

**(n) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(o) Loss per share**

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the year by the weighted average number of common shares outstanding in the year. Diluted loss per common share is calculated using the treasury stock method by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

**Purepoint Uranium Group Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**

*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**(p) Segment reporting**

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration and one geographical segment, Canada.

**(q) Significant accounting judgments and estimates**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

**(r) Accounting standards and amendments effective in the current year**

The IASB issued new standards and amendments effective for, and adopted in, the current year. The adoption of these accounting policies had no impact on the Company's consolidated financial statements.

**(s) Accounting standards issued but not yet effective**

IFRS 16 Leases ("IFRS 16") was issued by the IASB in January 2016. It will replace IAS 17 Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from contract with customers has also been applied. The Company intends to adopt the standard on its effective date as it relates to its office lease disclosed in Note 11.

**3. PROPERTY AND EQUIPMENT**

Cost	January 1, 2017	Deductions in 2017	December 31, 2017	Additions in 2018	December 31, 2018
Exploration property and equipment					
Field property and equipment	\$ 5,350	\$ -	\$ 5,350	\$ -	\$ 5,350
Furniture and equipment	28,373	-	28,373	-	28,373
Office property and equipment					
Computer equipment	13,299	-	13,299	-	13,299
Furniture and fixtures	11,977	(5,433)	6,544	-	6,544
	<u>\$ 58,999</u>	<u>\$ (5,433)</u>	<u>\$ 53,566</u>	<u>\$ -</u>	<u>\$ 53,566</u>

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**3. PROPERTY AND EQUIPMENT - continued**

<b>Accumulated depreciation</b>	<b>Depreciation and</b>				
	<b>January 1, 2017</b>	<b>Deductions in 2017</b>	<b>December 31, 2017</b>	<b>Depreciation in 2018</b>	<b>December 31, 2018</b>
Exploration property and equipment					
Field property and equipment	\$ 3,074	\$ 455	\$ 3,529	\$ 364	\$ 3,893
Furniture and equipment	26,141	558	26,699	419	27,118
Office property and equipment					
Computer equipment	13,299	-	13,299	-	13,299
Furniture and fixtures	2,977	(543)	2,434	913	3,347
	<u>\$ 45,491</u>	<u>\$ 470</u>	<u>\$ 45,961</u>	<u>\$ 1,696</u>	<u>\$ 47,657</u>
<b>Net book value</b>			<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>January 1, 2017</b>
Exploration property and equipment					
Field property and equipment		\$ 1,457	\$ 1,821	\$ 2,276	
Furniture and equipment		1,255	1,674	2,232	
Office property and equipment					
Computer equipment		-	-	-	
Furniture and fixtures		3,197	4,110	9,000	
		<u>\$ 5,909</u>	<u>\$ 7,605</u>	<u>\$ 13,508</u>	

During 2018, \$783 (2017 - \$1,013) of depreciation expense was included in mining exploration and evaluation expenditures on the consolidated statements of loss and comprehensive loss.

Furniture and fixtures were sold in 2017 for proceeds of \$9,600, resulting in net gain of \$600.

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**4. MINING EXPLORATION AND EVALUATION EXPENDITURES**

The Company's properties are all located at the Athabasca Basin, Northern Saskatchewan.

The Hook Lake property has an annual expenditure commitment of \$690,755 to maintain title. The Company's cumulative expenditures to date are substantially in excess of that amount and are sufficient to satisfy the minimum requirement for the foreseeable future. There are no other commitments on the other properties.

Mining exploration expenditures on the Company's properties during last two years are as follows:

	<u>2018</u>	<u>2017</u>
Red Willow Property	\$ -	\$ -
Hook Lake Property	1,031,879	1,090,783
Smart Lake Property	-	-
Turnor Lake Property	-	29,103
Umfreville Lake Property	5,905	145,341
Henday Lake Property	-	47,857
McArthur East Property	-	67,139
New Properties	29,720	24,519
	<u>\$ 1,067,504</u>	<u>\$ 1,404,742</u>

**5. ADVANCES AND RECEIVABLES ON PROJECTS**

**Joint Venture with Cameco and Areva**

On October 31, 2012, the Company entered into a definitive joint venture agreement with Cameco Corporation ("Cameco") and Orano Canada Inc. ("Orano", formerly Areva Resources Canada Inc.) for the ongoing exploration of Hook Lake uranium project in the Athabasca Basin (the "Project") and pursuant to the option agreement with Cameco from 2007. The Company holds a 21% interest in the Project. The remaining 79% is owned equally by Cameco and Orano. The Company acts as the Project operator for the Joint Venture and charges an administration fee of 10% of the invoiced Project costs incurred. In 2018, Cameco and Orano each funded their respective portions of the project by contributing \$1,665,120 (2017 - \$1,888,046) to the Company for a total amount of \$3,330,240 (2017 - \$3,776,092). (Cameco's deposit of \$568,208 for the start of 2018 - 2019 winter drilling program was received after the year end and is not included on the consolidated statements of financial position.) The Company had an unspent balance of \$247,255 at December 31, 2018 (2017 - \$817,770) from the Joint Venture partners, all of that is to cover January 2019 of Project costs in winter season 2018 - 2019. The receivables and advances are unsecured and non-interest bearing.

The administration fees are included in operator fees and other recoveries in the consolidated statements of loss and comprehensive loss.

**Joint Venture with Cameco**

On January 1, 2010, the Company entered into a definitive joint venture agreement with Cameco Corporation ("Cameco") for the ongoing exploration of the Smart Lake uranium project in the Athabasca Basin (the "Smart Lake Project"). The Company holds a 27% interest in the Smart Lake Project. The remaining 73% is owned by Cameco. The Company acts as the Project operator for the Joint Venture. At December 31, 2018, a receivable balance from Cameco from 2017 year of \$210 was written off.

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**6. DEPOSITS**

Deposits consist of security deposit for rent for Toronto office, last month rent for Saskatoon office and a deficiency deposits for Umferville and McArthur East properties. The deficiency deposits are held by the Province of Saskatchewan in lieu of exploration work performed. The deficiency deposits will be refunded once the exploration work was completed and required filings submitted and processed.

**7. SHAREHOLDERS' EQUITY**

**(a) Share capital**

**Authorized, issued and outstanding common shares**

Authorized - unlimited number of common shares without par value.

Issued – 214,557,850 common shares at December 31, 2018 (2017 – 204,803,072).

On December 14, 2018, the Company closed its non-brokered private placement for gross proceeds of \$877,930.

The Company issued 9,754,778 flow-through units at a price of \$0.09 per unit. Each flow-through unit consisted of one common share in the capital of the Company issued on a “flow-through” basis pursuant to the Income Tax Act (Canada) and one common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.13 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company paid finders' fees consisting of \$48,176 in cash and 535,287 non-transferable compensation warrants. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.13 per share for a period of 24 months after the closing date.

All securities issued in connection with the private placement were subject to a four-month hold period pursuant to the applicable securities laws with an expiry date of April 14, 2019.

The Company incurred cash costs of \$57,915 and non-cash compensation warrants valued at \$16,418.

The proceeds have been prorated to common shares and warrants based on the relative fair value of each component, with \$249,828 being allocated to warrants. The Black-Scholes option pricing model was used to determine the fair value of the warrants and the compensation warrants using the following assumptions: expected dividend yield – nil; expected volatility – 111%; risk free interest rate – 2.20%; and an expected life of 2 years.

On December 6, 2017, the Company closed its non-brokered private placement for gross proceeds of \$1,200,000. The financing was transacted in three tranches with the first two tranches closing November 29, 2017 and November 30, 2017 respectively.

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**7. SHAREHOLDERS' EQUITY – continued**

**(a) Share capital - continued**

The Company issued 12,000,000 flow-through units at a price of \$0.10 per unit. Each flow-through unit consisted of one common share in the capital of the Company issued on a “flow-through” basis pursuant to the Income Tax Act (Canada) and one common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.15 per share for a period of 24 months from the date of issuance. In connection with the all three tranches of the private placement, the Company paid finders’ fees consisting of \$34,500 in cash and 345,000 non-transferable compensation warrants. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.15 per share for a period of 24 months after the closing date.

All securities issued in connection with the private placement were subject to a four-month hold period pursuant to the applicable securities laws with an expiry date of April 7, 2018.

The Company incurred cash costs of \$54,457 and non-cash compensation warrants valued at \$14,653.

The proceeds have been prorated to common shares and warrants based on the relative fair value of each component, with \$391,564 being allocated to warrants. The Black-Scholes option pricing model was used to determine the fair value of the warrants and the compensation warrants using the following assumptions: expected dividend yield – nil; expected volatility – 127%; risk free interest rate – 1.40%; and an expected life of 2 years.

**(b) Share purchase warrants**

The following common share purchase warrants were outstanding at December 31, 2018:

	<b>Number of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
Common share purchase warrants	8,279,481	\$ 0.10	April 15, 2019
Common share purchase warrants	15,001,278	\$ 0.10	April 29, 2019
Common share purchase warrants	3,264,161	\$ 0.10	May 6, 2019
Common share purchase warrants	5,000,000	\$ 0.15	November 29, 2019
Common share purchase warrants	212,000	\$ 0.15	November 30, 2019
Common share purchase warrants	7,133,000	\$ 0.15	December 6, 2019
Common share purchase warrants	<u>10,290,065</u>	\$ 0.13	December 14, 2020
	<u>49,179,985</u>		

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**7. SHAREHOLDERS' EQUITY - continued**

**(b) Share purchase warrants - continued**

A summary of warrants outstanding as at December 31, 2018 and 2017 and changes during these years are presented below:

	<b>2018</b>			<b>2017</b>		
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Fair value</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Fair value</b>
Balance, beginning of the year	37,964,592	\$ 0.12	\$ 1,225,609	29,365,592	\$ 0.09	\$ 889,973
Granted	9,754,778	0.13	249,828	12,000,000	0.15	391,564
Exercised	-	-	-	(3,401,000)	0.05	(55,928)
Balance, end of the year	47,719,370	\$ 0.12	\$ 1,475,437	37,964,592	\$ 0.12	\$ 1,225,609

**(c) Finder's Compensation Warrants**

A summary of compensation warrants outstanding as at December 31, 2018 and 2017 and changes during these years are presented below:

	<b>2018</b>			<b>2017</b>		
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Fair value</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Fair value</b>
Balance, beginning of the year	925,328	\$ 0.12	\$ 56,475	813,140	\$ 0.09	\$ 47,936
Granted	535,287	0.13	16,418	345,000	0.15	14,653
Exercised	-	-	-	(232,812)	0.05	(6,114)
Balance, end of the year	1,460,615	\$ 0.12	\$ 72,893	925,328	\$ 0.12	\$ 56,475

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**8. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN**

The Company has a stock option plan (the "Plan"). Under the Plan, the Company can grant options to directors, officers, employees and consultants for up to 10% of the total number of issued and outstanding shares. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. No option shall be exercisable for a period exceeding ten years from the date the option is granted and vesting limitations shall be determined by the Board at the time that such option is granted.

On May 16, 2018 the Company granted 3,150,000 stock options at an exercise price of \$0.06 per option, vesting immediately. These options expire in 5 years.

On July 13, 2017 the Company granted 3,250,000 stock options at an exercise price of \$0.065 per option, vesting immediately. These options expire in 5 years.

Using the Black-Scholes pricing model, the weighted average fair value of options granted during the year ended December 31, 2018 was estimated at \$161,847 (2017 - \$185,446). This amount, net of estimated forfeitures, has been recognized as an expense in 2018 and 2017 respectively, as the options vested immediately. The unvested, unamortized fair value balance of stock options granted at December 31, 2018 amounted to \$Nil (2017 - \$Nil).

The following principal assumptions were used in applying the Black-Scholes option-pricing model for options granted in 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Risk-free interest rate	2.34%	1.15%
Dividend rate	0%	0%
Expected volatility	128%	137%
Expected life	5 years	5 years

A summary of the status of the Plan as at December 31, 2018 and 2017, and changes during the years ended on those dates is presented below:

	<u>2018</u>		<u>2017</u>	
	<u>Number of</u>	<u>Weighted</u>	<u>Number of</u>	<u>Weighted</u>
	<u>options</u>	<u>average</u>	<u>options</u>	<u>average</u>
		<u>exercise</u>		<u>exercise</u>
		<u>price</u>		<u>price</u>
Balance, beginning of the year	18,180,000	\$ 0.08	18,130,000	\$ 0.08
Granted	3,150,000	0.06	3,250,000	0.065
Exercised	-	-	(540,000)	0.07
Expired and cancelled	(1,250,000)	0.07	(2,660,000)	0.11
Balance, end of the year	20,080,000	\$ 0.07	18,180,000	\$ 0.08

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**8. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN - continued**

As at December 31, 2018, the Company had stock options issued to directors, officers, employees and contractors of the Company outstanding and exercisable as follows:

<b>Date of grant</b>	<b>Number of options</b>	<b>Number exercisable</b>	<b>Exercise price</b>	<b>Expiry date</b>
January 30, 2014	1,780,000	1,780,000	\$ 0.075	January 30, 2019
April 27, 2015	5,730,000	5,730,000	\$ 0.06	April 27, 2020
September 27, 2016	6,170,000	6,170,000	\$ 0.10	September 27, 2021
July 13, 2017	3,250,000	3,250,000	\$ 0.065	July 13, 2022
May 16, 2018	3,150,000	3,150,000	\$ 0.06	May 16, 2023
	<u>20,080,000</u>	<u>20,080,000</u>		

**9. INCOME TAXES**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate of nil is as follows:

	2018	2017
Loss before income taxes	\$ (1,406,520)	\$ (1,774,134)
Statutory tax rate	26.50 %	26.50 %
Expected income tax recovery at statutory rates	\$ (372,727)	\$ (470,146)
Effect of flow-through renunciation	318,000	-
Share based compensation and non-deductible expenses	30,614	60,326
Share issuance costs booked directly through equity	(15,348)	(18,314)
Change in unrecognized deferred income tax assets	39,461	428,134
Income tax recovery	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because the Company cannot reliably estimate if future taxable profit will be available, against which these benefits can be utilized:

	2018	2017
Non capital losses	\$ 6,844,181	\$ 6,935,958
Exploration expenditures	8,815,720	8,532,824
Share issuance costs	122,800	138,261
Property and equipment	100,460	134,815
Investment tax credits	67,850	67,850

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**9. INCOME TAXES - continued**

The non-capital losses carried forward will expire as noted in the table below.  
 The share issue and financing costs will be fully amortized in 2022.  
 The exploration expenditures, and property and equipment may be carried forward indefinitely.  
 Investment tax credits will expire between 2029 and 2034.

<u>Year</u>	<u>Non-capital Losses</u>
2026	\$ 415,568
2027	1,071,111
2028	1,152,923
2029	1,297,210
2030	1,178,994
2031	667,133
2032	496,453
2033	366,454
2034	198,335
	<u>\$ 6,844,181</u>

**10. LOSS PER SHARE**

**(a) Basic**

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares issued during the year.

	<u>2018</u>	<u>2017</u>
Loss attributable to common shareholders	\$ (1,406,520)	\$ (1,774,134)
Weighted average common shares outstanding	205,257,404	190,260,433
Basic loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

**(b) Diluted**

Diluted loss per common share has not been presented as this is anti-dilutive.

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**11. COMMITMENTS**

(a) Minimum payments due under operating leases in respect of exploration office space are set out below:

2019	\$46,803
Thereafter	-
	<hr/>
	\$46,803

(b) Pursuant to the issuance of flow-through shares described in note 7(a), the Company is required to spend approximately \$877,930 on Canadian Exploration Expenditures before the end of 2019. To date, the Company spent approximately \$802,000 of qualifying expenditures.

**12. FINANCIAL RISK MANAGEMENT**

**(a) Credit risk management**

The Company's credit risk is primarily attributable to short-term investments and accounts receivable (excluding HST). The Company has no significant concentration of credit risk arising from operations. Short-term investments consist of GIC's, which have been invested with reputable Canadian financial institution, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable (excluding HST) is remote.

**(b) Liquidity risk**

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As of December 31, 2018, the Company had a cash and short-term investments totalling \$1,856,073 (2017 - \$2,737,822) to settle current accounts payable and accrued liabilities of \$173,666 (2017 - \$438,391).

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt.

**(d) Commodity price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of uranium. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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**12. FINANCIAL RISK MANAGEMENT - continued**

**(e) Fair value of financial assets and liabilities**

The book value of the short-term investments approximates their fair values due to the short-term nature of these instruments.

For accounts receivable, excluding HST, and accounts payable and accrued liabilities and advances on projects with a remaining life of less than one year, the book value amounts are equivalent to their fair values.

**13. CAPITAL RISK MANAGEMENT**

The Company considers its capital structure to consist of capital stock and contributed surplus. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its exploration, development and operations activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2018, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during 2018. The Company is not subject to externally imposed capital requirements.

**14. RELATED PARTY TRANSACTIONS**

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

The aggregate compensation of key management and directors of the Company for years 2018 and 2017 was as follows:

	<b>2018</b>	<b>2017</b>
Remuneration	\$ 313,000	\$ 333,000
Share-based payments	\$ 146,433	\$ 168,328