Sama Resources Inc.

Consolidated Financial Statements
December 31, 2018 and 2017
(in Canadian dollars)

SAMA RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's report

To the Shareholders of Sama Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sama Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and

  the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Material uncertainty related to going concern

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
April 29, 2019

[1] FCPA auditor, FCA, public accountancy permit No. A110416

Sama Resources Inc.

Consolidated Statements of Financial Position

As at December 31, 2018 and 2017

(in Canadian dollars)

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents		5,779,248	4,185,560
Trade and other amounts receivable		23,520	63,964
Sales taxes receivable		64,966	79,097
Due from a related company		62,344	16,418
Prepaid expenses and deposits		77,239	36,577
Deferred transaction costs		-	80,142
		6,007,317	4,461,758
Non-current assets			
Deposit on exploration and evaluation assets		25,000	39,578
Property, plant and equipment	7	944,449	286,713
Investment in associate	8	29,880,633	30,687,029
Exploration and evaluation assets	9	24,842,193	21,111,239
		55,692,275	52,124,559
		61,699,592	56,586,317
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		898,033	491,794
Non-current liabilities			
Deferred tax liability	12	5,031,216	4,773,863
		5,929,249	5,265,657
Shareholders' equity			
Share capital	10	41,680,104	34,264,927
Contributed surplus	11	4,428,508	3,750,352
Retained earnings		9,661,731	13,305,381
Total equity		55,770,343	51,320,660
Total liabilities and equity		61,699,592	56,586,317

Nature of operations and going concern	1
Subsequent events	20

On behalf of the Board of Directors,

Signed: "Benoit La Salle" Director

Signed: "Marc-Antoine Audet" Director

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

Sama Resources Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2018 and 2017

(in Canadian dollars)

	Note	2018 $	2017 $
Revenue		445,686	18,865
Direct costs		(280,330)	(15,395)
Gross profit		165,356	3,470
Operating expenses			
Consulting		713,977	663,041
Salaries and benefits		112,033	264,893
Professional fees		438,932	305,546
Travel and representation		229,135	217,374
General and other expenses		266,662	179,396
Investor relations		50,000	96,800
Transfer agent and filing fees		47,055	59,174
Shareholder information		27,338	25,310
Depreciation		22,941	7,530
Exploration and evaluation assets impairment		-	11,629
Stock-based compensation		816,835	1,708,901
		2,724,908	3,539,594
Operating loss		(2,559,552)	(3,536,124)
Other income (expenses)			
Share of loss of associate	8	(923,060)	(135,805)
Gain on dilution of associate	8	116,664	-
Foreign exchange loss		(38,084)	(49,913)
Interest income		77,817	7,593
Loss on disposal of property and equipment	7	(23,466)	(33,189)
Gain resulting from loss of control of a subsidiary	2	-	28,454,689
		(790,129)	28,243,375
Income (loss) before income tax		(3,349,681)	24,707,251
Income taxes			
Deferred tax expense	12	(293,969)	(4,834,845)
Net income (loss) and comprehensive income (loss)		(3,643,650)	19,872,406
Net income (loss) and comprehensive income (loss) attributable to			
Sama shareholders		(3,643,650)	20,979,221
Non-controlling interests	2	-	(1,106,815)
		(3,643,650)	19,872,406
Net income (loss) per common share	19		
Basic earnings (loss) per common share		(0.02)	0.16
Diluted earnings (loss) per common share		(0.02)	0.15

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

Sama Resources Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2018 and 2017

(in Canadian dollars)

	Notes	Share capital numbers	Share capital $	Contributed surplus $	Retained earnings (deficit) $	Total attributable to the owners of the parent company $	Non-controlling interest $	Total $
Balance – December 31, 2016		118,955,287	27,862,489	3,082,518	(9,848,691)	21,096,316	1,170,237	22,266,553
Issuance of units under private placements	10	18,000,488	2,700,075	-	-	2,700,075	-	2,700,075
Exercise of warrants	10	18,826,528	3,882,371	(119,565)	-	3,762,806	-	3,762,806
Share issuance costs, net of a deferred tax asset of $60,982	10	-	(180,008)	119,684	-	(60,324)	-	(60,324)
Issuance of common shares and units by a subsidiary		-	-	-	-	-	4,412,488	4,412,488
Effects of changes in ownership of a subsidiary		-	-	-	1,613,158	1,613,158	(1,613,158)	-
Stock-based compensation	11	-	-	667,715	561,693	1,229,408	654,321	1,883,729
Loss of control over a subsidiary	2	-	-	-	-	-	(3,517,073)	(3,517,073)
Net income (loss) and comprehensive income (loss)		-	-	-	20,979,221	20,979,221	(1,106,815)	19,872,406
Balance – December 31, 2017		155,782,303	34,264,927	3,750,352	13,305,381	51,320,660	-	51,320,660
Issuance of units under private placements	10	25,000,000	5,250,000	-	-	5,250,000	-	5,250,000
Exercise of warrants	10	6,889,107	1,626,241	(7,746)	-	1,618,495	-	1,618,495
Exercise of stock options	10, 11	1,755,000	640,492	(259,392)	-	381,100	-	381,100
Share issuance costs, net of a deferred tax asset of $36,616	10	-	(101,556)	-	-	(101,556)	-	(101,556)
Stock-based compensation	11	-	-	945,294	-	945,294	-	945,294
Net loss and comprehensive loss		-	-	-	(3,643,650)	(3,643,650)	-	(3,643,650)
Balance – December 31, 2018		189,426,410	41,680,104	4,428,508	9,661,731	55,770,343	-	55,770,343

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

Sama Resources Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(in Canadian dollars)

	Note	2018 $	2017 $
Cash flows from			
Operating activities			
Net income (loss) for the year		(3,643,650)	19,872,406
Items not affecting cash			
Deferred tax expense	12	293,969	4,834,845
Depreciation	7	22,941	7,530
Exploration and evaluation assets impairment	9	-	11,629
Stock-based compensation	11	816,835	1,708,901
Loss on disposal of property, plant and equipment	7	23,466	33,189
Share of loss of associate	8	923,060	135,805
Gain on dilution of associate	8	(116,664)	-
Gain resulting from loss of control of a subsidiary	2	-	(28,454,689)
		(1,680,043)	(1,850,384)
Change in non-cash working capital items			
Trade and other amounts receivable		40,444	(49,050)
Sales taxes receivable		14,131	(67,315)
Due from a related company		(45,926)	(16,418)
Prepaid expenses and deposits		(40,662)	(22,495)
Accounts payables and accrued liabilities		(3,420)	55,221
		(35,433)	(100,057)
		(1,715,476)	(1,950,441)
Investing activities			
Cash disposed through the loss of control of a subsidiary	2	-	(3,676,352)
Deposit on property, plant and equipment		-	(64,788)
Deposit on exploration and evaluation assets		(25,000)	(39,578)
Acquisition of property, plant and equipment	7	(878,516)	(243,179)
Exploration and evaluation expenditures	9	(2,898,743)	(3,173,582)
		(3,802,259)	(7,197,479)
Financing activities			
Issuance of units under private placements	10	5,250,000	2,700,075
Exercise of warrants	10	1,618,495	3,762,806
Exercise of stock options	10,11	381,100	-
Share issuance costs paid	10	(138,172)	(121,306)
Issuance of common shares and units by a subsidiary		-	4,412,488
		7,111,423	10,754,063
Increase in cash during the year		1,593,688	1,606,143
Cash and cash equivalents – Beginning of year		4,185,560	2,579,417
Cash and cash equivalents – End of year		5,779,248	4,185,560

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

1 Nature of operations and going concern

Sama Resources Inc. ("Sama" or the "Company") is a Canadian-based mineral exploration and development business with activities in West Africa. The Company was incorporated on July 11, 2006 under the *Business Corporations Act* of British Columbia. On May 13, 2013, the Company continued its jurisdiction of incorporation from British Columbia into the federal jurisdiction of Canada under the *Canada Business Corporations Act*. The Company's head office is located at #132 – 1320 Graham Blvd., Mont-Royal, Quebec, Canada, H3P 3C8. The Company's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "SME.V". Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete exploration and development programs and, ultimately, upon future profitable production.

These consolidated financial statements were authorized for publication by the Board of Directors on April 29, 2019.

The Company's exploration and evaluation assets are located in the Republic of Ivory Coast ("Ivory Coast") West Africa, and hence are subject to the risks normally associated with foreign investment including unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

Going concern uncertainty

These consolidated financial statements have been prepared on a going concern basis, which presumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business for the foreseeable future. The use of these principles may not be appropriate. The Company is in its early stages, and as is common with similar companies, it raises financing for its exploration and evaluation activities. As at December 31, 2018, the Company has accumulated retained earnings of $9,661,731 (December 31, 2017 – $13,305,381) and a working capital of $5,109,284 (December 31, 2017 – $3,969,964), including cash and cash equivalents of $5,779,248 (December 31, 2017 – $4,185,560). To date, the Company has financed its cash requirements primarily by issuing common shares or units. The Company's ability to continue as a going concern is subject to its ability to raise additional financing or reduce its expenditure levels. The Company's discretionary activities do have some scope for flexibility in terms of the amount and timing of expenditures, and to a certain extent, expenditures may be adjusted accordingly.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Management has assessed its liquidity needs and estimates that these funds will not be sufficient to meet the Company's obligations, budgeted expenditures and commitments through December 31, 2019. Based on the extent of the Company's current stage and anticipated plan, the Company will need to raise additional financing within the next 9-12 month, and those facts cast significant doubt on the Company's ability to continue as a going concern. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding will be available to the Company or that they will be available on terms acceptable to the Company.

(in Canadian dollars)

If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

2 Non-controlling interests and loss of control of a subsidiary

On December 31, 2016, as part of a reverse takeover into which a subsidiary of the Company took part, the Company retained 49.16% ownership interest in SRG Graphite Inc. ("SRG") and determined that the Company had control over SRG. The Company assessed its investment in SRG and judged that it had maintained control over SRG as defined by IFRS 10 and continued to consolidate SRG from January 1, 2017 to November 23, 2017. Following the nomination of three additional board members and pursuant to additional equity issuances which reduced the Company's interest in SRG to 40.24% on November 23, 2017, management determined that control over SRG has been lost and thus SRG no longer required to be consolidated. The Company accounts for the retained investment in SRG as an investment in an associate using the equity method. A gain resulting from loss of control of a subsidiary of $28,454,689 and an equity investment in SRG of $30,822,834 were recognized.

The carrying value of SRG's net assets deconsolidated and the gain resulting from loss of control of a subsidiary are as follows:

	November 23, 2017 $
Cash and cash equivalents	3,676,352
Sales taxes receivable	33,890
Prepaid expenses and deposits	19,104
Deposit on property and equipment	64,788
Property and equipment	62,926
Exploration and evaluation assets	2,311,290
Accounts payables and accrued liabilities	(283,132)
	5,885,218
Non-controlling interest	(3,517,073)
	2,368,145
Fair value of the investment in SRG	30,822,834
Gain resulting from loss of control of a subsidiary	28,454,689

(in Canadian dollars)

3 Changes in accounting policies

Accounting standards and interpretations issued and in effect

IFRS 2, *Share-based Payment*

Amendments to IFRS 2, clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The adoption of these amendments had no impact on the Company's consolidated financial statements.

IFRS 9, *Financial instruments*

Effective January 1, 2018, the Company retrospectively adopted IFRS 9 with restatement of prior periods, but there was no impact on the opening balance sheet as of January 1, 2017 and on the information for the year ended December 31, 2017 other than the terminology and methodology changes described below.

The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. On initial recognition, financial assets are now classified either at amortized costs, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). For financial liabilities, most of the requirements from IAS 39 were carried forward in IFRS 9 and did not impact the Company's financial liabilities. Additionally, IFRS 9 also replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The Company's financial instruments policies under IFRS 9 are as described in Note 4 and the Company's credit risk is described in Note 15.

The following tables summarizes the changes to the Company's financial assets and liabilities classifications and measurements:

	IAS 39		IFRS 9	
	Classification	**Measurement**	**Classification**	**Measurement**
Financial assets				
Cash	Loans and receivable	Amortized cost	Amortized cost	Amortized cost
Trade and other amounts receivable	Loans and receivable	Amortized cost	Amortized cost	Amortized cost
Due from a related company	Loans and receivable	Amortized cost	Amortized cost	Amortized cost
Financial liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost

The adoption of IFRS 9 had no impact on the measurement of the Company's financial assets and liabilities.

IFRS 15, *Revenue from contracts with customers*

Effective January 1, 2018, the Company adopted IFRS 15 using the modified retrospective approach, which requires the cumulative effect of adopting IFRS 15 to be recognized as at January 1, 2018. In its retrospective adoption of IFRS 15, the Company applied a practical expedient that allow the Company to avoid re-considering the accounting for any contracts that were completed prior to January 1, 2018 and were previously accounted for under IAS 18, *Revenues*. Upon adoption of this standard, the Company did not have a cumulative adjustment, with the previous revenue recognition policy being applied consistently under the new standard. The Company's revenue recognition policy under IFRS 15 is as described under Note 4.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

Effective January 1, 2018, the Company adopted IFRIC 22 which clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The adoption of IFRIC 22 had no impact on the consolidated financial statements.

4 Basis of presentation and significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the same accounting policies throughout all the periods presented in these consolidated financial statements, except for the new accounting standards adopted in 2018 (Note 3).

Basis of measurement

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

Basis of consolidation

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are deconsolidated from the date that control by the Company ceases. Any retained interest is measured to its fair value with the change in carrying amount recognized in income or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or joint venture.

(in Canadian dollars)

As at December 31, 2018 and 2017, the subsidiaries of the Company are as follows:

	Jurisdiction of incorporation	Ownership 2018 %	Ownership 2017 %
Sama Nickel Corporation (“Sama Nickel”)	Canada	100	100
Sama Nickel Côte d’Ivoire SARL (“Sama CI”)	Ivory Coast	100	100
Société Minière du Tonkpi (“SMT”)	Ivory Coast	100	-

Non-controlling interests

Non-controlling interests (“NCI”) represent equity interests owned by outside parties. NCI maybe initially measured either at fair value or at the NCI’s proportionate share of the recognized amounts of the acquires identifiable net assets. The choice of measurement is made on a transaction by transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity. Total net loss and comprehensive loss of subsidiaries is attributed to the shareholders of the Company and to the NCI even if this results in the NCI having a deficit balance. Changes in the parent company’s ownership interest that do not result in a loss of control are accounted for as equity transactions.

Investment in associate

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity but can also arise where the Company holds less than 20% if it has the power to be actively involved and influential in policy decision affecting the entity.

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Company’s share of net assets of the associate, less any impairment losses. Losses in an associate in excess of the Company’s interest in that associate are recognized only to the extent that the Company has incurred a legal or constructive obligation to make payments on behalf of the associate. Unrealized profits or losses on transactions between the Company and an associate are eliminated to the extent of the Company’s interest there in.

At the end of each reporting period, management considers whether there is any evidence of impairment in associates. When there is evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount. If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period of impairment. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in the statement of income (loss) and comprehensive income (loss) in the period the reversal occurs.

Functional and presentation currency

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar. The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The determination of the functional currency may involve certain judgments as to defining the primary economic environment, and the parent entity will reconsider the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment in which these entities operate.

The consolidated financial statements are presented in Canadian dollars.

Foreign currency transactions

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the financial position date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Expenses denominated in a foreign currency are translated at the average rate in effect during the period with the exception of depreciation that is translated at the historical rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

Cash and cash equivalents

Cash is comprised of cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that can be withdrawn at any time without penalty and which are subject to an insignificant risk of change in value.

Exploration and evaluation ("E&E") assets

The Company is in the exploration stage with respect to its investment in E&E assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. E&E expenditures include expenses directly attributable to the related activities.

The aggregate costs related to abandoned mineral properties are recognized as an impairment charge in the statement of income (loss) and comprehensive income (loss) at the time of any abandonment, when the permits expired and are not renewed or when it has been determined that there is evidence of a permanent impairment.