SILVER ELEPHANT MINING CORP.

(Formerly Prophecy Development Corp.)

Annual Consolidated Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(Expressed in Canadian Dollars)

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MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The annual audited consolidated financial statements (the “**Annual Financial Statements**”), the notes thereto, and other financial information contained in the accompanying Management’s Discussion and Analysis (“**MD&A**”) have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Silver Elephant Mining Corp. The financial information presented elsewhere in the MD&A is consistent with the data that is contained in the Annual Financial Statements. The Annual Financial Statements, where necessary, include amounts which are based on the best estimates and judgment of management.

In order to discharge management’s responsibility for the integrity of the Annual Financial Statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company’s assets are safeguarded, transactions are executed and recorded in accordance with management’s authorization, proper records are maintained, and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ethics and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The Board of Directors is responsible for overseeing management’s performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Board who approve the Annual Financial Statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits and the adequacy of the system of internal controls, and to review financial reporting issues.

The external auditors, Davidson & Company LLP, have been appointed by the Company’s shareholders to render their opinion on the Annual Financial Statements and their report is included herein.

“Michael Doolin”	“*Irina Plavutska*”
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Michael Doolin, Chief Executive Officer Vancouver, British Columbia	Irina Plavutska, Chief Financial Officer

March 30, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Silver Elephant Mining Corp. (formerly Prophecy Development Corp.)

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Silver Elephant Mining Corp. (formerly Prophecy Development Corp.) (the "Company"), as of December 31, 2019, 2018 and 2017 and the related consolidated statements of operations and comprehensive gain (loss), changes in equity (deficiency), and cash flows for the years ended December 31, 2019, 2018, and 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Silver Elephant Mining Corp. (formerly Prophecy Development Corp.) as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years ended December 31, 2019, 2018, and 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2013.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 30, 2020

SILVER ELEPHANT MINING CORP.
(formerly Prophecy Development Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Notes	December 31, 2019	December 31, 2018	December 31, 2017
Assets				
Current assets				
Cash and cash equivalents	8	$ 3,017,704	$ 5,304,097	$ 4,100,608
Receivables	9	246,671	36,399	34,653
Prepaid expenses	10	135,767	123,272	140,610
Marketable securities	11	-	-	205,600
		3,400,142	5,463,768	4,481,471
Non-current assets				
Restricted cash equivalents	8	34,500	34,500	34,500
Reclamation deposits		21,055	21,055	21,055
Right-of-use asset	12	50,023	-	-
Equipment	13	159,484	101,162	531,911
Mineral properties	14	23,782,884	3,643,720	13,299,906
		$ 27,448,088	$ 9,264,205	$ 18,368,843
Liabilities and Equity (Deficiency)				
Current liabilities				
Accounts payable and accrued liabilities	15	$ 2,420,392	$ 1,636,786	$ 1,895,983
Lease liability	16	32,285	-	-
		2,452,677	1,636,786	1,895,983
Non-current liabilities				
Lease liability	16	20,533	-	-
Provision for closure and reclamation	17	266,790	265,239	244,323
Tax provision	18	-	8,121,918	7,541,016
		2,740,000	10,023,943	9,681,322
Equity (Deficiency)				
Share capital	19	181,129,012	173,819,546	165,862,805
Reserves		24,058,336	23,413,830	22,621,202
Accumulated other comprehensive income		-	-	12,160
Deficit		(180,479,260)	(197,993,114)	(179,808,646)
		24,708,088	(759,738)	8,687,521
		$ 27,448,088	$ 9,264,205	$ 18,368,843

Approved on behalf of the Board:

"John Lee"
John Lee, Director

"Greg Hall"
Greg Hall, Director

Commitments (Note 26)
Contingencies (Note 27)
Events after the reporting date (Note 28)

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

SILVER ELEPHANT MINING CORP.
(formerly Prophecy Development Corp.)
Consolidated Statements of Operations and Comprehensive Gain (Loss)
(Expressed in Canadian Dollars)

	Notes		Years Ended December 31, 2019		2018		2017
General and Administrative Expenses							
Advertising and promotion		$	794,182	$	471,230	$	101,512
Consulting and management fees	23		251,552		255,610		751,612
Depreciation and accretion			65,157		28,024		8,823
Director fees	23		103,805		70,378		60,600
Insurance			93,661		55,546		52,566
Office and administration			123,904		137,289		89,808
Professional fees			228,594		428,884		194,912
Salaries and benefits	23		760,182		827,168		260,710
Share-based payments	19		707,802		553,430		599,117
Stock exchange and shareholder services			139,908		239,319		163,229
Travel and accommodation			236,815		231,505		98,476
			(3,505,562)		(3,298,383)		(2,381,365)
Other Items							
Costs in excess of recovered coal			(120,354)		(94,335)		(109,187)
Finance cost			-		-		(8,111)
Foreign exchange gain/(loss)			(443,203)		(412,663)		(188,464)
(Impairment)/recovery of mineral property	14		13,708,200		(13,994,970)		(14,829,267)
Impairment of prepaid expenses	10		(51,828)		(26,234)		(57,420)
Impairment of equipment	13		-		(425,925)		(159,666)
Impairment of receivables	9		(16,304)		(21,004)		(61,202)
Interest expense			-		-		(21,066)
Loss on sale of marketable securities			-		(91,890)		(22,810)
Loss on sale of equipment	13		(9,795)		-		(1,681)
(Loss)/gain on debt settlement	27, 23		7,952,700		50,000		(752,742)
Other income			-		130,936		-
			21,019,416		(14,886,085)		(16,211,616)
Net Gain/(Loss) for Year			17,513,854		(18,184,468)		(18,592,981)
Fair value loss on marketable securities			-		(81,000)		12,160
Reclassification adjustment for realized loss marketable securities			-		68,840		-
Comprehensive Gain/(Loss) for Year		$	17,513,854	$	(18,196,628)	$	(18,580,821)
Gain/(Loss) Per Common Share,							
basic		$	0.17	$	(0.23)	$	(0.33)
diluted		$	0.17	$	(0.23)	$	(0.33)
Weighted Average Number of Common Shares Outstanding,							
basic			102,208,111		78,445,396		55,760,700
diluted			102,398,145		78,443,396		55,760,700

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

SILVER ELEPHANT MINING CORP.
(formerly Prophecy Development Corp.)
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity (Deficiency)
Balance, December 31, 2016	**48,076,530**	**$ 156,529,025**	**$ 21,482,133**	**$ -**	**$ (161,215,665)**	**$ 16,795,493**
Private placements, net of share issue costs	20,775,060	6,527,619	337,190	-	-	6,864,809
Shares issued on acquisition of property	200,000	96,200	-	-	-	96,200
Debt Settlements	4,019,130	2,039,269	-	-	-	2,039,269
Share bonus to personnel	390,000	190,320	-	-	-	190,320
Share compensation for services	984,200	344,470	-	-	-	344,470
Exercise of stock options	126,870	65,252	(14,567)	-	-	50,685
Exercise of warrants	150,000	70,650	(10,650)	-	-	60,000
Share-based payments	-	-	827,096	-	-	827,096
Loss for the year	-	-	-	-	(18,592,981)	(18,592,981)
Unrealized gain on marketable securities	-	-	-	12,160	-	12,160
Balance, December 31, 2017	**74,721,790**	**$ 165,862,805**	**$ 22,621,202**	**$ 12,160**	**$ (179,808,646)**	**$ 8,687,521**
Private placements, net of share issue costs	16,061,417	6,096,621	-	-	-	6,096,621
Warrants issued for mineral property	-	-	181,944	-	-	181,944
Exercise of stock options	87,500	39,500	(15,350)	-	-	24,150
Exercise of warrants	3,445,420	1,470,620	(132,453)	-	-	1,338,167
Bonus shares	1,000,000	350,000	-	-	-	350,000
Share-based payments	-	-	758,487	-	-	758,487
Loss for the year	-	-	-	-	(18,184,468)	(18,184,468)
Unrealized loss on marketable securities	-	-	-	(12,160)	-	(12,160)
Balance, December 31, 2018	**95,316,127**	**$ 173,819,546**	**$ 23,413,830**	**$ -**	**$ (197,993,114)**	**$ (759,738)**
Private placements, net of share issue costs	22,750,000	6,117,991	-	-	-	6,117,991
Finders shares	1,179,500	366,800	-	-	-	366,800
Debt Settlements	104,951	43,030	-	-	-	43,030
Exercise of stock options	622,500	328,095	(153,845)	-	-	174,250
Exercise of warrants	651,430	279,050	(28,478)	-	-	250,572
Bonus shares	500,000	115,000	-	-	-	115,000
Share compensation for services	175,000	59,500	-	-	-	59,500
Share-based payments	-	-	826,829	-	-	826,829
Gain for the year	-	-	-	-	17,513,854	17,513,854
Balance, December 31, 2019	121,299,508	$ 181,129,012	$ 24,058,336	$ -	$ (180,479,260)	$ 24,708,088

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

SILVER ELEPHANT MINING CORP.
(formerly Prophecy Development Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended December 31, 2019	2018	2017
Operating Activities			
Net gain/(loss) for period	$ 17,513,854	$ (18,184,468)	$ (18,592,981)
Adjustments to reconcile net loss to net cash flows:			
Depreciation and accretion	65,157	28,024	8,823
Share-based payments	707,802	553,430	599,117
Finance cost	-	-	8,111
Interest costs	-	-	21,066
Unrealized foreign exchange (gain)/loss	(169,218)	580,902	480,325
Share compensation for services	356,003	350,000	344,470
Impairment/(recovery) of mineral property	(13,708,200)	13,994,970	14,829,267
Impairment of prepaid expenses	51,828	26,234	57,420
Impairment of equipment	-	425,925	159,666
Impairment of receivables	16,304	21,004	61,202
Loss/(gain) on sale of marketable securities	-	91,890	22,810
Loss on sale of equipment	9,795	-	1,681
Debt settlement gain	(7,952,700)	-	752,742
	(3,109,375)	(2,112,089)	(1,246,281)
Working capital adjustments			
Receivables	(196,079)	(22,750)	(4,290)
Prepaid expenses and reclamation deposits	(29,323)	(8,896)	2,496
Accounts payable and accrued liabilities	659,264	(482,952)	540,844
	433,862	(514,598)	539,050
Cash Used in Operating Activities	(2,675,513)	(2,626,687)	(707,231)
Investing Activities			
Purchase of GIC	-	-	(34,500)
Net (purchases)/proceeds from marketable securities	-	101,550	(40,250)
Purchase of property and equipment	(113,564)	(120,416)	(515,609)
Mineral property acquisition and expenditures	(6,123,401)	(3,609,896)	(1,398,207)
Cash Used in Investing Activities	(6,236,965)	(3,628,762)	(1,988,566)
Financing Activities			
Funds borrowed under credit facility	-	-	163,405
Credit facilities paid	-	-	(343,076)
Interest paid	-	-	(21,066)
Lease payments	(36,528)	-	-
Proceeds from share issuance, net of share issue costs	6,237,791	6,096,621	6,864,809
Proceeds from exercise of optons	174,250	24,150	50,685
Proceeds from exercise of warrants	250,572	1,338,167	60,000
Cash Provided by Financing Activities	6,626,085	7,458,938	6,774,757
Net Decrease in Cash and Cash equivalents	(2,286,393)	1,203,489	4,078,960
Cash and cash equivalents- beginning of year	5,304,097	4,100,608	21,648
Cash and cash equivalents - end of year	$ 3,017,704	$ 5,304,097	$ 4,100,608

Supplemental cash flow information (Note 25)

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

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Silver Elephant Mining Corp. (formerly Prophecy Development Corp.) (the "**Company**") is incorporated under the laws of the province of British Columbia, Canada. The Company's common shares (the "**Shares**") are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "ELEF", the OTCQX® Best Market under the symbol "SILEF", and the Frankfurt Stock Exchange under the symbol "1P2N".

The Company is an exploration stage company. The Company holds a mining joint venture interest in the Pulacayo Paca silver-lead-zinc property located in Bolivia. The Company also has a 100% interest in two vanadium projects in North America including the Gibellini vanadium project which is comprised of the Gibellini and Louie Hill vanadium deposits and associated claims located in the State of Nevada, USA and the Titan vanadium-titanium-iron property located in the Province of Ontario, Canada. The Company also has a 100% interest in the Ulaan Ovoo coal property located in Selenge province, Mongolia and a 100% interest in the Chandgana Tal coal property and Khavtgai Uul coal property located in Khentii province, Mongolia.

The Company maintains its registered and records office at Suite 1610 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

These consolidated audited annual financial statements have been prepared under the assumption that the Company is a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The Company has a deficit of $180 million.

The business of mineral exploration involves a high degree of risk and there can be no assurance that the Company's current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of mineral properties, and property and equipment interests and the Company's continued on going existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional sources of funding, and/or, alternatively, upon the Company's ability to dispose of some or all of its interests on an advantageous basis. Additionally, the current capital markets and general economic conditions are significant obstacles to raising the required funds. These conditions may cast significant doubt upon the Company's ability to continue as a going concern.

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, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. These adjustments could be material.

2. BASIS OF PRESENTATION

These Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards, ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing these Annual Financial Statements and their effect are disclosed in Note 5.

These Annual Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as marketable securities and fair value through profit or loss ("**FVTPL**"), which are stated at their fair values. These Annual Financial Statements have been prepared using the accrual basis of accounting except for

2. BASIS OF PRESENTATION (cont'd…)

cash flow information. These Annual Financial Statements are presented in Canadian Dollars, except where otherwise noted.

The accounting policies set out in Note 6 have been applied consistently by the Company and its subsidiaries to all periods presented. Certain prior year amounts have been reclassified to conform to the current year presentation.

The Annual Consolidated Financial Statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 24, 2019.

3. BASIS OF CONSOLIDATION

The Annual Financial Statements comprise the financial statements of the Company and its wholly owned and partially owned subsidiaries as at December 31, 2019. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. Effects of transactions between related companies are eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The Company's significant subsidiaries at December 31, 2019 are presented in the following table:

Subsidiary	Location	Ownership interest	Operations and Projects Owned
Nevada Vanadium LLC	USA	100%	Gibellini project
VC Exploration (US) Inc,	USA	100%	Gibellini project
Apogee Minerals Bolivia S. A.	Bolivia	98%	Pulacayo project
ASC Holdings Limited	Bolivia	100%	Pulacayo project
Red Hill Mongolia LLC	Mongolia	100%	Ulaan Ovoo mine
Chandgana Coal LLC	Mongolia	100%	Chandgana project

4. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2019, the Company, for the first time, has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) effective January 1, 2019, using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information and continues to be reported under IAS 17, *Leases* and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Company's leases consist of corporate office lease arrangements. The Company, on adoption of IFRS 16, recognized lease liabilities in relation to office leases which had previously been classified as operating leases under the principles of IAS 17. In relation, under the principles of the new standard these leases are measured as lease liabilities at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right-of-use asset has been measured at the amount equal to the lease liability on January 1, 2019. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset (refer to Note 12 and Note 16).

Furthermore, the right-of-use asset may be reduced due to impairment losses.

(Expressed in Canadian Dollars)

4. CHANGES IN ACCOUNTING POLICIES (cont'd…)

The following table reconciles the Company's operating lease commitments at December 31, 2018, as previously disclosed in the Company's Annual Financial Statements, to the lease liability recognized on adoption of IFRS 16 at January 1, 2019:

		Adoption of IFRS 16
Lease commitments as at December 31, 2018	$	124,556
Less short-term commitments		(32,313)
		92,243
Impact of discounting		(10,626)
Lease liability as of January 1, 2019	$	81,617

5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of a company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

5.1 Significant Judgments

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 (Annual financial statements 5.2), that have the most significant effect on the amounts recognized in the Annual Financial Statements include, but are not limited to:

(a) Functional currency determination

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. Management has determined the functional currency of all entities to be the Canadian dollar.

(b) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping, prefeasibility and feasibility studies, assessable facilities, existing permits and life of mine plans.

Management has determined that during the year ended December 31, 2019, none of the Company's silver and vanadium projects have reached technical feasibility and commercial viability and therefore remain within Mineral Properties on the Statement of Financial Position.

(c) Impairment (recovery) assessment of deferred exploration interests

The Company considers both external and internal sources of information in assessing whether there are any indications that mineral property interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral property interest. Internal sources of information the

5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd…)

5.1 Significant Judgments (cont'd…)

Company considers include the manner in which mineral properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

During the year ended December 31, 2018, the Company wrote-off $13,994,970 of capitalized mineral property costs. During the year ended December 31, 2019, the Company reversed $13,708,200 of impairment. (Note 14).

(d) Deferred Tax Liability

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognised in the statement of financial position. Deferred tax liabilities, including those arising from un-utilised tax gains, require management to assess the likelihood that the Company will generate sufficient taxable losses in future periods, in order to offset recognised deferred tax liabilities. Assumptions about the generation of future taxable losses depend on management's estimates of future cash flows. These estimates of future taxable losses are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable losses differ significantly from estimates, the ability of the Company to offset the net deferred tax liabilities recorded at the reporting date could be impacted.

5.2 Estimates and Assumptions

The Company bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(a) Mineral reserves

The recoverability of the carrying value of the mineral properties is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(b) Depreciation

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(c) Impairment

The carrying value of long-lived assets are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is recognized in the consolidated statement of operations. The assessment of fair values, including those of the cash generating units (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) ("**CGUs**") for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)

5.2 Estimates and Assumptions (cont'd...)

(d) Allowance for doubtful accounts, and the recoverability of receivables and prepaid expense amounts.

Significant estimates are involved in the determination of recoverability of receivables and no assurance can be given that actual proceeds will not differ significantly from current estimations. Similarly, significant estimates are involved in the determination of the recoverability of services and/or goods related to the prepaid expense amounts, and actual results could differ significantly from current estimations.

Management has made significant assumptions about the recoverability of receivables and prepaid expense amounts. During the year ended December 31,2019 the Company wrote-off $16,304 (2018 - $21,004; 2017- $61,202) of trade receivables which are no longer expected to be recovered and $51,828 (2018 - $26,234; 2017 - $57,420) of prepaid expenses for which not future benefit is expected to be received.

(e) Provision for closure and reclamation

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

(f) Share-based payments

Management uses valuation techniques in measuring the fair value of share purchase options granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgement, and assumptions in relation to the expected life of the share purchase options and share purchase warrants, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Annual Financial Statements.

(f) Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company and that may result in regulatory or government actions that may negatively impact the Company's business or operations, the Company and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Company's assets. Contingent assets are not recognized in the Annual Financial Statements.

(g) Fair value measurement

The Company measures financial instruments at fair value at each reporting date. The fair values of financial instruments measured at amortized cost are disclosed in Note 21. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, completes

5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd...)

5.2 Estimates and Assumptions (cont'd...)

(g) Fair value measurement (cont'd…)

an asset acquisition or where an entity measures the recoverable amount of an asset or cash-generating unit at fair value less costs of disposal. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Restricted cash equivalents

Restricted cash equivalents consist of highly liquid investments pledged as collateral for the Company's credit card and are readily convertible to known amounts of cash.

(b) Mineral properties

Mineral property assets consist of exploration and evaluation costs. Costs directly related to the exploration and evaluation of resource properties are capitalized to mineral properties once the legal rights to explore the resource properties are acquired or obtained. These costs include acquisition of rights to explore, license and application fees, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

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. Mineral 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 mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balances of the payments received are recorded as a gain on option or disposition of mineral property.

(i) Title to mineral properties

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title, nor has the Company insured title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(b) Mineral properties (cont'd…)

(ii) Realization of mineral property assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, and the attainment of successful production from properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into profitable producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

(ii) Environmental

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

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. Other than as disclosed in Note 17, the Company is not aware of any existing environmental issues related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

(c) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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.

Depreciation of equipment is recorded on a declining-balance basis at the following annual rates:

Computer equipment	45%
Furniture and equipment	20%
Leasehold improvement	Straight line / 5 years
Mining equipment	20%
Vehicles	30%
Right-of-use asset	Straight line / term of lease

When parts of major components of equipment have different useful lives, they are accounted for as a separate item of equipment.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(c) Equipment (cont'd…)

The cost of major overhauls of part of equipment is recognized in the carrying amount of the item if is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

(d) Impairment of non-current assets and Cash Generating Units ("**CGU**")

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, 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, 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 immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Each project or group of claims or licenses is treated as a CGU. 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 concerning reserves and expected future production revenues and expenses, which can vary from actual.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, such 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 CGU) in prior years.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short-term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project are from part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(f) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the prevailing exchange rates on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at the date of the consolidated statement of financial position. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising from this translation are included in the determination of net gain or loss for the year.

(g) Revenue recognition

The Company recognizes interest income on its cash on an accrual basis at the stated rates over the term to maturity.

Sales of coal are recognized when the risks and rewards of ownership pass to the customer and the price can be measured reliably. Sales contracts and revenue is recognized based on the terms of the contract. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. Royalties related to production are recorded in cost of sales. Sales of coal are generated from incidental coal sales and are recorded net of associated costs.

(h) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(i) Share-based payments

The Company has a share purchase option plan that is described in Note 19. The Company accounts for share-based payments using a fair value-based method with respect to all share-based payments to directors, officers, employees, and service providers. 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 if such fair value is not reliably measurable, at the fair value of the equity instruments issued. The fair value is recognized as an expense or capitalized to mineral properties or property and equipment with a corresponding increase in option reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of operations over the remaining vesting period.

Upon the exercise of the share purchase option, the consideration received, and the related amount transferred from option reserve are recorded as share capital.

(j) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options and warrants. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. During the year ended December 31, 2019, the weighted average number of diluted common shares outstanding includes 190,034 dilutive stock options.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(k) Income taxes

The Company uses the asset and liability method to account for income taxes. Deferred income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax basis on the statement of financial position date. Deferred income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of deferred income tax assets recognized is limited to the amount of the benefit that is probable upon recovery.

(l) Provision for closure and reclamation

The Company assesses its equipment and mineral property rehabilitation provision at each reporting date. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment*.

The Company records the present value of estimated costs of legal and constructive obligations required to restore operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures; rehabilitating mineral properties; dismantling operating facilities; closure of plant and waste sites; and restoration, reclamation and vegetation of affected areas.

Present value is used where the effect of the time value of money is material. The related liability is adjusted each period for the unwinding of the discount rate and for changes in estimates, changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

(m) Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of operations and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI. Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Please refer to Note 21 for relevant fair value measurement disclosures.

(Expressed in Canadian Dollars)

7. SEGMENTED INFORMATION

The Company operates in one operating segment, being the acquisition, exploration and development of mineral properties. Geographic segmentation of the Company's non-current assets is as follows:

	December 31, 2019				
	Canada	USA	Mongolia	Bolivia	Total
Reclamation deposits	$ -	$ -	$ 21,055	$ -	$ 21,055
Equipment	12,005	89,826	35,721	21,932	159,484
Mineral properties	-	8,600,658	-	15,182,226	23,782,884
	$ 12,005	$ 8,690,484	$ 56,776	$ 15,204,158	$ 23,963,423

	December 31, 2018				
	Canada	USA	Mongolia	Bolivia	Total
Reclamation deposits	$ -	$ -	$ 21,055	$ -	$ 21,055
Equipment	14,839	22,713	33,440	30,170	101,162
Mineral properties	-	3,643,720	-	-	3,643,720
	$ 14,839	$ 3,666,433	$ 54,495	$ 30,170	$ 3,765,937

	December 31, 2017				
	Canada	USA	Mongolia	Bolivia	Total
Reclamation deposits	$ -	$ -	$ 21,055	$ -	$ 21,055
Equipment	18,376	-	48,364	465,171	531,911
Mineral properties	-	490,356	-	12,809,550	13,299,906
	$ 18,376	$ 490,356	$ 69,419	$ 13,274,721	$ 13,852,872

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents and restricted cash equivalents of the Company are comprised of bank balances and a guaranteed investment certificate which can be readily converted into cash without significant restrictions, changes in value or penalties.

	December 31, 2019	December 31, 2018	December 31, 2017
Cash	$ 3,017,704	$ 804,097	$ 4,100,608
Cash equivalents	-	4,500,000	-
Restricted cash equivalents	34,500	34,500	34,500
	$ 3,052,204	$ 5,338,597	$ 4,135,108

Cash Equivalents

Restricted Cash Equivalents

As at December 31, 2019, a guaranteed investment certificate of $34,500 (2018 - $34,500, 2017 – $34,500) has been pledged as collateral for the Company's credit card.

(Expressed in Canadian Dollars)

9. RECEIVABLES

Trade receivables are non-interest-bearing and are generally on terms of 30 to 90 days.

	December 31, 2019	December 31, 2018	December 31, 2017
Input tax recoverable	$ 20,741	$ 36,399	$ 10,562
Trade receivable	195,433	-	24,091
Subscriptions receivable	30,497	-	-
	$ 246,671	$ 36,399	$ 34,653

During the year ended December 31, 2019, the Company wrote-off $16,304 (2018 - $21,004. 2017 - $61,202) of receivables which are no longer expected to be recovered.

10. PREPAID EXPENSES

	December 31, 2019	December 31, 2018	December 31, 2017
General	$ 44,613	$ 47,215	$ -
Insurance	59,815	57,883	41,029
Environmental and taxes	6,850	8,789	47,508
Rent	24,489	9,385	11,458
Market advisors	-	-	40,615
	$ 135,767	$ 123,272	$ 140,610

During the year ended December 31, 2019, the Company wrote-off $51,828 (2018 - $26,234, 2017 - $57,420) of prepaid expenses for which no future benefit is expected to be received.

11. MARKETABLE SECURITIES

Marketable securities consist of investment in common shares of public companies and therefore have no fixed maturity date or coupon rate. The fair value of the listed marketable securities has been determined directly by reference to published price quotation in an active market.

As at and during the year ended December 31, 2019, the Company did not have marketable securities. During the year ended December 31, 2018, the Company sold all its marketable securities for proceeds of $162,490 and a realized loss of $91,890. Following the disposal of the shares, the Company reclassified the cumulative loss previously recognized in other comprehensive income of $68,840 to profit and loss on the sale of marketable securities.

The following table summarized information regarding the Company's marketable securities as at December 31, 2017, 2018, and 2019:

Marketable securities	2019	2018	2017
Balance, beginning of period	$ -	$ 205,600	$ 176,000
Additions	-	60,940	193,440
Disposals	-	(162,490)	(153,190)
Realized loss on disposal	-	(91,890)	(22,810)
Unrealized gain/(loss) on mark-to-market	-	(12,160)	12,160
Balance, end of period	$ -	$ -	$ 205,600

(Expressed in Canadian Dollars)

12. RIGHT-OF-USE ASSET

During the first-time application of IFRS 16 to the Company's office lease, the recognition of a right of use asset was required and the leased asset was measured at the amount of the lease liability using the Company's current incremental borrowing rate of 10%. The lease contains no extension or termination options. The following table presents the right-of-use-asset as at January 1, 2019 and December 31, 2019:

Initial recognition, January 1, 2019	$	81,617
Additions		-
Depreciation		(31,594)
Balance at December 31, 2019	$	50,023

13. EQUIPMENT

During the year ended December 31, 2018, the Company wrote-off $425,925 of mining equipment in Bolivia that was no longer in use. During the year ended December 31, 2017, the Company wrote-off $159,666 (2016 - $Nil) of equipment in Mongolia that was no longer in use.

On October 10, 2018, the Company signed a lease agreement (the "**Lease**") with an arms-length private Mongolian company (the "**Lessee**") whereby the Lessee plans to perform mining operations at The Company's Ulaan Ovoo coal mine and will pay The Company USD2.00 (the "**Production Royalty**") for every tonne of coal shipped from the Ulaan Ovoo site premises. The Lessee paid The Company USD100,000 in cash (recorded as other income on the consolidated statement of operations) as a non-refundable advance royalty payment and is preparing, at its own and sole expense, to restart and operate the Ulaan Ovoo mine with its own equipment, supplies, housing and crew.

The Lease is valid for 3 years with an annual advance royalty payment ("**ARP**") for the first year of USD100,000 which was due and paid upon signing, and USD150,000 and USD200,000 due on the 1st and 2nd anniversary of the Lease, respectively. The ARP can be credited towards the USD2.00 per tonne Production Royalty payments to be made to The Company as the Lessee starts to sell Ulaan Ovoo coal. The 3-year Lease can be extended upon mutual agreement.

The impaired value of $Nil for deferred development costs at Ulaan Ovoo property at December 31, 2019 (2018, 2017 - $Nil) remains unchanged.

The following table summarized information regarding the Company's equipment as at December 31, 2017, 2018, and 2019:

(Expressed in Canadian Dollars)

13. EQUIPMENT (cont'd…)	Computer Equipment	Furniture & Equipment	Vehicles	Mining Equipment	Total
Cost					
Balance, December 31, 2016	$ 100,221	$ 279,213	$ 453,854	$ 1,534,745	$ 2,368,033
Additions	(147)	(2,383)	-	-	(2,530)
Impairment charge	-	-	(281,162)	(219,916)	(501,078)
Balance, December 31, 2017	$ 100,074	$ 276,830	$ 172,692	$ 1,314,829	$ 1,864,425
Accumulated depreciation					
Balance, December 31, 2016	$ 94,900	$ 181,639	$ 339,916	$ 833,971	$ 1,450,426
Depreciation for year	1,795	35,434	18,434	167,837	223,500
Impairment charge	-	-	(228,508)	(112,904)	(341,412)
Balance, December 31, 2017	$ 96,695	$ 217,073	$ 129,842	$ 888,904	$ 1,332,514
Carrying amount at December 31, 2017	$ 3,379	$ 59,757	$ 42,850	$ 425,925	$ 531,911
Cost					
Balance, December 31, 2017	$ 100,074	$ 276,830	$ 172,692	$ 1,314,829	$ 1,864,425
Additions/Disposals	3,180	2,015	-	24,476	29,671
Impairment charge	-	-	-	(1,314,829)	(1,314,829)
Balance, December 31, 2018	$ 103,254	$ 278,845	$ 172,692	$ 24,476	$ 579,267
Accumulated depreciation					
Balance, December 31, 2017	$ 96,695	$ 217,073	$ 129,842	$ 888,904	$ 1,332,514
Depreciation for year	1,316	16,351	13,337	3,491	34,495
Impairment charge	-	-	-	(888,904)	(888,904)
Balance, December 31, 2018	$ 98,011	$ 233,424	$ 143,179	$ 3,491	$ 478,105
Carrying amount at December 31, 2018	$ 5,243	$ 45,421	$ 29,513	$ 20,985	$ 101,162
Cost					
Balance, December 31, 2018	$ 103,254	$ 278,845	$ 172,692	$ 24,476	$ 579,267
Additions	-	-	95,887	-	95,887
Disposals	-	-	(48,973)	-	(48,973)
Balance, December 31, 2019	$ 103,254	$ 278,845	$ 219,606	$ 24,476	$ 626,181
Accumulated depreciation					
Balance, December 31, 2018	$ 98,011	$ 233,424	$ 143,179	$ 3,491	$ 478,105
Disposals	-	-	(39,178)	-	(39,178)
Depreciation for year	792	12,445	10,641	3,892	27,770
Balance, December 31, 2019	$ 98,803	$ 245,869	$ 114,642	$ 7,383	$ 466,697
Carrying amount at December 31, 2019	$ 4,451	$ 32,976	$ 104,964	$ 17,093	$ 159,484

(Expressed in Canadian Dollars)

14. MINERAL PROPERTIES

	Gibellini	Chandgana Tal	Khavtgai Uul	Pulacayo Paca	Titan	Total
Balance, December 31, 2016	$ -	$ 11,186,322	$ 3,232,443	$ 11,980,943	$ -	$ 26,399,708
Additions:						-
Acquisition cost	$ 58,790	$ -	$ -	$ -	$ 96,200	$ 154,990
Deferred exploration costs:						-
Licenses, tax, and permits	74,876	27,190	242,766	-		344,832
Geological and consulting	272,620	39,362	-	102,592		414,574
Personnel, camp and general	84,070	2,492	2,492	726,015		815,069
	431,566	69,044	245,258	828,607		1,574,475
Impairment	-	(11,255,366)	(3,477,701)	-	(96,200)	(14,829,267)
Balance, December 31, 2017	$ 490,356	$ -	$ -	$ 12,809,550	$ -	$ 13,299,906
Additions:						
Acquisition cost	$ 425,605	$ -	$ -	$ -	$ -	$ 425,605
Deferred exploration costs:						
Licenses, tax, and permits	387,149	1,271	261,168	-	-	649,588
Geological and consulting	1,509,587	-	-	51,112	-	1,560,699
Personnel, camp and general	831,023	20,590	3,741	847,538	-	1,702,892
	2,727,759	21,861	264,909	898,650	-	3,913,179
Impairment	-	(21,861)	(264,909)	(13,708,200)	-	(13,994,970)
Balance, December 31, 2018	$ 3,643,720	$ -	$ -	$ -	$ -	$ 3,643,720
Additions:						
Acquisition cost	$ -	$ -	$ -	$ -	$ -	$ -
Deferred exploration costs:						
Licenses, tax, and permits	286,158	-	-	-	-	286,158
Geological and consulting	3,200,773	-	-	970,955	-	4,171,728
Personnel, camp and general	1,470,007	-	-	503,071	-	1,973,078
	4,956,938	-	-	1,474,026	-	6,430,964
Impairment Recovery	-	-	-	13,708,200	-	13,708,200
Balance, December 31, 2019	$ 8,600,658	$ -	$ -	$ 15,182,226	$ -	$ 23,782,884

14. MINERAL PROPERTIES (cont'd...)

Gibellini Project, Nevada, United States

Gibellini Project

The Gibellini Project consists of a total of 354 unpatented lode mining claims that include: the Gibellini group of 40 claims, the VC Exploration group of 105 claims, and the Company group of 209 claims. All the claims are located in Eureka County, Nevada, USA.

Gibellini Group

The Gibellini group of claims was acquired on June 22, 2017, through lease from the claimant (the "**Gibellini Lessor**") and includes an area of approximately 771 acres. Under the Gibellini Mineral Lease Agreement (the "**Gibellini MLA**") the Company leased the Gibellini group of claims which originally constituted the Gibellini Project by among other things, agreeing to pay to the Gibellini Lessor, US$35,000 (paid), and annual advance royalty payments which will be tied, based on an agreed formula (not to exceed US$120,000 per year), to the average vanadium pentoxide price of the prior year. Upon commencement of production, The Company will maintain its acquisition through lease of the Gibellini group of claims by paying to the Gibellini Lessor, a 2.5% NSR until a total of US$3,000,000 is paid. Thereafter, the NSR will be reduced to 2% over the remaining life of the mine (and referred to thereafter, as "production royalty payments"). All advance royalty payments made, will be deducted as credits against future production royalty payments. The lease is for a term of 10 years, which can be extended for an additional 10 years at The Company's option.

On April 23, 2018, the Company announced an amendment to the Gibellini MLA, whereby the Company has been granted the right to cause the Gibellini Lessor of the Gibellini mineral claims to transfer their title to the claims to The Company. With the amendment, the Company will have the option to, at any time during the term of the Gibellini MLA, require the Gibellini Lessor to transfer title over all of the leased, unpatented lode mining claims (excluding four claims which will be retained by the Gibellini Lessor (the "**Transferred Claims**") to The Company in exchange for US$1,000,000, to be paid as an advance royalty payment (the "**Transfer Payment**"). A credit of US$99,027 in favour of The Company towards the Transfer Payment is already paid upon signing of the amendment, with the remaining US$900,973 portion of the Transfer Payment due and payable by The Company to the Gibellini Lessor upon completion of transfer of the Transferred Claims from the Gibellini Lessor to The Company. The advance royalty obligation and production royalty will not be affected, reduced or relieved by the transfer of title.

On June 22, 2019, the Company paid US$120,000 (2018 – US$101,943) of the annual royalty payment to the Gibellini Lessor.

VC Exploration Group

On July 13, 2017, the Company acquired (through lease under the mineral lease agreement "**Louie Hill MLA**") from the holders (the "**Former Louie Hill Lessors**") 10 unpatented lode claims totaling approximately 207 acres that comprised the Louie Hill group of claims located approximately 500 metres south of the Gibellini group of claims. These claims were subsequently abandoned by the holders, and on March 11, 2018 and March 12, 2018, the Company's wholly owned US subsidiaries, Vanadium Gibellini Company LLC and VC Exploration (US) Inc., staked the area within and under 17 new claims totaling approximately 340 gross acres which now collectively comprise the expanded Louie Hill group of claims.

Under the Louie Hill MLA, the Company is required to make payments as follows: cash payment of US$10,000 (paid), annual advance royalty payments which will be tied, based on an agreed formula (not to exceed US$28,000 per year), to the average vanadium pentoxide price for the prior year. Upon commencement of production, the Company will pay to the Former Louie Hill Lessors, a 2.5% NSR of which, 1.5% of the NSR may be purchased at any time by the Company for US$1,000,000, leaving the total NSR to be reduced to 1% over the remaining life of the mine (and referred to thereafter, as "production royalty payments"). All advance royalty payments made, will be

14. MINERAL PROPERTIES (cont'd...)

Gibellini Project, Nevada, United States (cont'd…)

deducted as credits against future production royalty payments. The lease will be for a term of 10 years, which can be extended for an additional 10 years at The Company's option.

On October 22, 2018, the Company and Former Louie Hill Lessors entered into a royalty agreement (the "**Royalty Agreement**") that terminated the Louie Hill MLA and provides for the Company to pay the following royalties to the Former Louie Hill Lessors as an advance royalty: (i) US$75,000 upon the Company achieving Commercial Production (as defined in the Royalty Agreement) at its Gibellini Project; (ii) US$50,000 upon the Company selling, conveying, transferring or assigning all or any portion of certain claims defined in the Royalty Agreement to any third party and (iii) annually upon the anniversary date of July 10, 2018 and the like day thereafter during the term of the Royalty Agreement: (a) if the average vanadium pentoxide price per pound as quoted on www.metalbulletin.com (the "**Metal Bulletin**") or another reliable and reputable industry source as agreed by the parties, remains below US$7.00/lb during the preceding 12 months, US$12,500; or (b) if the average vanadium pentoxide price per pound as quoted on Metal Bulletin or another reliable and reputable industry source as agreed by the parties, remains equal to or above US$7.00/lb during the preceding 12 months, US$2,000 x average vanadium pentoxide price per pound up to a maximum annual advance royalty payment of US$28,000. Further, the Company will pay to the Former Louie Hill Lessors a production royalty of 2.5% of the net smelter returns of vanadium produced from the royalty area and sold. The Company has an option to purchase 1.5% of the 2.5% of the production royalty from the Former Louie Hill Lessors for US$1,000,000.

On June 18, 2019, the Company paid US$28,000 (2018 – US$21,491) of the annual royalty payment to the Louie Hill Lessor.

On February 15, 2018, the Company acquired 105 unpatented lode mining claims located adjacent to its Gibellini Project through the acquisition of 1104002 B.C. Ltd. and its Nevada subsidiary VC Exploration (US) Inc. ("**VC Exploration**") by paying a total of $335,661 in cash and issuing 500,000 Share purchase warrants (valued at $89,944) to arm's-length, private parties. Each warrant entitles the holder upon exercise, to acquire one Share of the Company at a price of $0.50 per Share until February 15, 2021. The acquisition of the VC Exploration has been accounted for as an asset acquisition as their activities at the time of the acquisition consisted of mineral claims only.

The Company Group

During 2017 and 2018, the Company expanded the land position at the Gibellini Project, by staking a total of 209 new claims immediately adjacent to the Gibellini Project covering 4091 acres.

Pulacayo Paca Property, Bolivia

The Pulacayo property, a silver-lead-zinc project located in southwestern Bolivia, was acquired on January 2, 2015 through the acquisition of 100% of Apogee's interest in ASC Holdings Limited and ASC Bolivia LDC, which together, hold ASC Bolivia LDC Sucursal Bolivia ("**ASC**"), which in turn, holds a joint venture interest in the Pulacayo Project.

ASC controls the mining rights to the Pulacayo Project through a joint venture agreement entered into between itself and the Pulacayo Ltda. Mining Cooperative on July 30, 2002 (the "**ASC Joint Venture**"). The ASC Joint Venture has a term of 23 years which commenced the day the ASC Joint Venture was entered into. Pursuant to the ASC Joint Venture, ASC is committed to pay monthly rent of US$1,000 to the state-owned Mining Corporation of Bolivia, COMIBOL and US$1,500 monthly rent to the Pulacayo Ltda. Mining Cooperative until the Pulacayo Project starts commercial production.

During the year ended December 31, 2018, the Company determined there were several indicators of potential impairment of the carrying value of the Pulacayo Paca property. The indicators of potential impairment were as follows:

14. MINERAL PROPERTIES (cont'd...)

Pulacayo Paca Property, Bolivia (cont'd...)

(i) change in the Company's primary focus to the Gibellini Project;
(ii) management's decision to suspend further exploration activities; and
(iii) no positive decision from the Bolivian Government to grant mining production contract to develop the project.

As result, in accordance with *IFRS 6, Exploration for and Evaluation of Mineral Resources* and *IAS 36, Impairment of Assets*, at December 31, 2018, the Company assessed the recoverable amount of the Pulacayo Paca property exploration costs and determined that its value in use is $nil. As at December 31, 2018, the recoverable amount of $nil resulted in an impairment charge of $13,708,200 against the value of the deferred exploration costs, which was reflected on the consolidated statement of operations.

During the year ended December 31, 2019, the Company assessed whether there was any indication that the previously recognized impairment loss in connection with the Pulacayo Paca property may no longer exist or may have decreased. The Company noted the following indications that the impairment may no longer exist:

- The Company signed a mining production contract granting the Company the 100% exclusive right to develop and mine at the Pulacayo Paca property;
- The Company renewed its exploration focus to develop the Pulacayo Paca property in the current year;
- The Company re-initiated active exploration and drilling program on the property;
- Completed a positive final settlement of Bolivian tax dispute (note 27).

As the Company identified indications that the impairment may no longer exist, the Company completed an assessment to determine the recoverable amount of the Pulacayo Paca property.

In order to estimate the fair-value of the property the Company engaged a third-party valuation consultant and also utilized level 3 inputs on the fair value hierarchy to estimate the recoverable amount based on the property's fair value less costs of disposal determined with reference to dollars per unit of metal in-situ.

With reference to metal in-situ, the Company applied US$0.79 per ounce of silver resource to its 36.8 million ounces of silver resources and US$0.0136 per pound of zinc or lead in resource to its 303 million pounds of zinc and lead.

The Company also considered data derived from properties similar to the Pulacayo Paca Property. The data consisted of property transactions and market valuations of companies holding comparable properties, adjusted to reflect the possible impact of factors such as location, political jurisdiction, commodity, geology, mineralization, stage of exploration, resources, infrastructure and property size.

As the recoverable amount estimated with respect to the above was $31.4 million an impairment recovery of $13,708,200 was recorded during the year ended December 31, 2019.

Previously Impaired Properties

Chandgana Properties, Mongolia

Chandgana Tal

In March 2006, the Company acquired a 100% interest in the Chandgana Tal property, a coal exploration property consisting of two exploration licenses located in the northeast part of the Nyalga coal basin, approximately 290 kilometers east of Ulaanbaatar, Mongolia.

In March 2011, the Company obtained a mine permit from Ministry of Mineral Resources and Energy for the Chandgana Tal coal project.

(Expressed in Canadian Dollars)

14. MINERAL PROPERTIES (cont'd...)

Previously Impaired Properties (cont'd...)

Khavtgai Uul Property, Mongolia

In 2007, the Company acquired a 100% interest in the Chandgana Khavtgai property, a coal exploration property consisting of one license located in the northeast part of the Nyalga coal basin.

During the year ended December 31, 2017, the Company determined there were several indicators of potential impairment of the carrying value of the Chandgana Tal and Khavtgai Uul properties. As result, in accordance with *IFRS 6, Exploration for and Evaluation of Mineral Resources* and *IAS 36, Impairment of Assets*, at December 31, 2017, the Company assessed the recoverable amount of the Chandgana Properties deferred exploration costs and determined that its value in use is $nil. As at December 31, 2017, the recoverable amount of $nil resulted in an impairment charge of $14,733,067 against the value of the deferred exploration costs, which was reflected on the consolidated statement of operations. As at and for the year ended December 31, 2019 and 2018, there were no changes to the impairment assessment and accordingly all costs remain impaired.

Titan Property, Ontario, Canada

The Company has a 100% interest in the Titan property, a vanadium-titanium-iron project located in Ontario, Canada. In January 2010, the Company entered into an option agreement with Randsburg International Gold Corp. ("**Randsburg**") whereby The Company Resource Corp. had the right to acquire an 80% interest in the Titan property by paying Randsburg an aggregate of $500,000 (paid), and by incurring exploration expenditures of $200,000 by December 31, 2010. Pursuant to the option agreement, Randsburg has the option to sell the remaining 20% interest in the Titan property to the Company for $150,000 cash or 400,000 Shares of the Company.

At December 31, 2014, due to market conditions, the Company impaired the value of the property to $nil. On February 10, 2017, the Company negotiated with Randsburg to acquire the remaining 20% title interest of Randsburg in the Titan project by issuing to Randsburg 20,000 Shares at a value of $4.81 per Share. As there were no benchmark or market changes from January 1, 2015 to December 31, 2019, the impaired value of $nil for Titan property remains unchanged.

Therefore, the Company recorded an impairment loss of $96,200 on the acquisition of the remaining title interest in Titan which was reflected on the consolidated statement of operations and comprehensive loss during the year ended December 31, 2017.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company consist of amounts outstanding for trade and other purchases relating to development and exploration, along with administrative activities. The usual credit period taken for trade purchases is between 30 to 90 days.

	December 31, 2019	December 31, 2018	December 31, 2017
Trade accounts payable	$ 2,420,392	$ 1,536,786	$ 1,644,995
Accrued liabilities	-	100,000	250,988
Lease liability	32,285	-	-
	$ 2,452,677	$ 1,636,786	$ 1,895,983

(Expressed in Canadian Dollars)

16. LEASE LIABILITY

As at December 31, 2019, the Company recorded $52,818 of lease liability. The incremental borrowing rate for lease liability initially recognized as of January 1, 2019 was 10%.

IFRS 16 adoption as at January 1, 2019	$	81,617
Cash flows:		
Lease payments for the year		(36,528)
Non-cash changes:		
Accretion expenses for the year		7,729
Balance at December 31, 2019	$	52,818
Current lease liability	$	32,285
Non-current lease liability		20,533
Balance at December 31, 2019	$	52,818

The Company does not face a significant liquidity risk with regard to its lease liability. Lease liability is monitored within the Company treasury function. The non-current lease liability matures in 2021.

17. PROVISION FOR CLOSURE AND RECLAMATION

The Company's closure and reclamation costs consists of costs accrued based on the current best estimate of mine closure and reclamation activities that will be required at the Ulaan Ovoo site upon completion of mining activity. These activities include costs for earthworks, including land re-contouring and re-vegetation, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third-party specialist.

It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Management used a risk-free interest rate of 1.72% (2018 – 1.98%, 2017 – 2.23%) and a risk premium of 7% (2018 – 7%, 2017– 7%) in preparing the Company's provision for closure and reclamation. Although the ultimate amount of reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $444,000 over the next 6 years. The cash expenditures are expected to occur over a period of time extending several years after the projected mine closure of the mineral properties.

	December 31, 2019	December 31, 2018	December 31, 2017
Balance, beginning of year	$265,239	$244,323	$242,374
Accretion	1,551	20,916	1,949
Balance, end of year	$266,790	$265,239	$244,323

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(Expressed in Canadian Dollars)

18. TAX PROVISION

The Company's operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question that may, upon resolution in the future, result in adjustments to the amount of deferred income tax assets and liabilities, and those adjustments may be material to the Company's financial position and results of operations.

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

	2019	2018	2017
Loss for the year	$ 17,513,854	$ (18,184,468)	$ (18,592,981)
Expected income tax (recovery)	$ 4,729,000	$ (4,910,000)	$ (4,834,000)
Change in statutory, foreign tax, foreign exchange rates and other	(529,000)	389,000	1,885,000
Permanent differences	(4,861,000)	3,833,000	450,000
Share issue cost	(103,000)	(151,000)	(25,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	1,205,000	12,000	(118,000)
Change in unrecognized deductible temporary differences	(441,000)	827,000	2,642,000
Total income tax expense (recovery)	$ -	$ -	$ -

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

The significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	2019	Expiry Date Range	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences						
Exploration and evaluation assets	$ 6,135,000	No expiry date	$ 19,625,000	No expiry date	$19,715,000	No expiry date
Investment tax credit	23,000	2029	23,000	2029	23,000	2029
Property and equipment	1,242,000	No expiry date	1,138,000	No expiry date	1,146,000	No expiry date
Share issue costs	747,000	2040 to 2043	644,000	2039 to 2042	285,000	2038 to 2041
Asset retirement obligation	267,000	No expiry date	265,000	No expiry date	244,000	No expiry date
Allowable capital losses	5,864,000	No expiry date	6,607,000	No expiry date	6,549,000	No expiry date
Non-capital losses available for future periods	27,024,000	2023 to 2039	24,109,000	2030 to 2038	21,402,000	2030 to 2037

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19. SHARE CAPITAL

(a) Authorized

The authorized share capital consists of an unlimited number of common shares without par value (the "**Shares**"). There are no authorized preferred shares.

On August 8, 2018, the Company completed a common share split on the basis of ten (10) new Shares, options and warrants for every one (1) old Share, option and warrant outstanding (the "**Split**"). All information with respect to the number of Shares and issuance prices for the time periods prior to the Split was restated to reflect the Share Consolidation and the Split.

(b) Equity issuances

<u>During the year ended December 31, 2019</u>

Private Placements

On September 6, 2019, the Company closed its non-brokered private placement for $2,600,000 through the issuance of 13,000,0000 Shares at a price of $0.20 per Share. The Company paid $15,209 and issued 525,000 Shares as a finder's fee valued at $105,000. $175,000 of the private placement was for prepaid consulting fees for the Company's executive chairman, of which $35,000 is included in prepaid expenses as at December 31, 2019 and $41,503 for services. Included in accounts receivable as at December 31, 2019 is $30,497 of subscriptions receivable.

On October 18, 2019, the Company closed its non-brokered private placement for gross proceeds of $3,900,000 through the issuance of 9,750,000 Shares at a price of $0.40 per Share. Also, the Company issued 654,500 Shares as a finder's fee valued at $261,800.

Debt Settlement

On October 9, 2019, the Company issued 104,951 Shares with a value of $43,030, to its directors to settle director fees debts owing to them.

Exercise of Stock Options and Warrants

During the year ended December 31, 2019, the Company issued 622,500 and 651,430 Shares on the exercise of stock options and warrants respectively for total proceeds of $424,822.

Share Bonus to Personnel

During the year ended December 31, 2019, the Company issued 500,000 sign-on bonus Shares with a fair value of $0.23 per Share to an officer valued at $115,000.

Share Compensation for Services

On September 26, 2019, the Company issued 175,000 Shares valued at $59,500 for consulting services.

<u>During the year ended December 31, 2018</u>

Private Placements

On August 14, 2018, the Company closed its non-brokered private placement for gross proceeds of $1,137,197 through the issuance of 4,061,417 units of The Company. Each unit is comprised of one Share and one Share purchase warrant. Each warrant entitles the holder to purchase one additional Share of the Company at an exercise price of $0.40 for a period of three years from the closing of the first tranche of the placement.

19. SHARE CAPITAL (cont'd…)

(b) Equity issuances (cont'd…)

<u>During the year ended December 31, 2018</u> (cont'd…)

Short Form Prospectus Offering

On November 22, 2018, the Company closed its bought deal financing for gross proceeds of $5,520,000. The Company entered into an agreement with BMO Nesbitt Burns Inc. ("**BMO**"), under which BMO agreed to buy on a bought deal basis 12,000,000 Shares, at a price of $0.46 per share. The shares were offered by way of a short form prospectus in each of the provinces and territories of Canada, except Québec. The Company incurred $560,576 in cash Share issuance costs.

Exercise of Stock Options and Warrants

During the year ended December 31, 2018, the Company issued 87,500 and 3,445,420 Shares on the exercise of stock options and warrants respectively for total proceeds of $1,362,317.

Share Bonus to Personnel

On October 10, 2018, the Company issued 1,000,000 Shares with a fair value of $0.35 per Share as a bonus to its new CEO included in Salaries and benefits.

<u>During the year ended December 31, 2017</u>

Private Placements

On April 12, 2017, the Company closed a non-brokered private placement involving the issuance of 1,032,500 units (at a price of $0.40 per unit) for gross proceeds of $413,000. Each unit consists of one Share and one Share purchase warrant. Each Share purchase warrant entitles the holder to acquire an additional Share at a price of $0.50 per Share for a period of five years from the date of issuance. The Company paid in cash, finder's fees totaling $1,280.

On September 20, 2017, the Company closed the first tranche of a non-brokered private placement involving the issuance of 6,679,680 units and 6,290,000 special warrants (the "**Special Warrants**") at a price of $0.35 per each unit and Special Warrant and raised gross proceeds of $4,539,390. Each unit consisted of one Share and one half of one Share purchase warrant. Each first tranche warrant entitles the holder to purchase one additional Share at an exercise price of $0.40 for a period of three years from the date of closing of the first tranche of the placement. Each Special Warrant was exercisable for one unit at no additional cost to the holder. In connection with the first tranche of the placement, the Company paid finder's fees of $30,606 and issued 870,130 finder's Special Warrants, which were exercisable on identical terms as those Special Warrants issued to subscribers through the first tranche of the placement.

On October 16, 2017, the Company closed the second and final tranche of the placement involving the issuance of 1,165,780 units and 4,143,710 Special Warrants at a price of $0.35 per each unit and Special Warrant and raised gross proceeds of $1,858,325. Each unit consists of one Share and one half of one warrant. Each second tranche warrant entitles the holder to purchase one additional Share of the Company at an exercise price of $0.40 for a period of three years from the date of closing of the second tranche of the placement. In connection with the second tranche of the placement, the Company paid finder's fees of $56,020 and issued 93,270 finder's Special Warrants, which were exercisable on identical terms as those Special Warrants issued to subscribers through the second tranche of the placement.

The total subscription proceeds of $3,651,800, which were raised from the sale of the Special Warrants under the placement, were held in an escrow account with the Company's Transfer Agent pending shareholder approval for the issuance of the Units underlying the Special Warrants. TSX and shareholder approval for the issuance of the

19. SHARE CAPITAL (cont'd…)

(b) Equity issuances (cont'd…)

During the year ended December 31, 2017 (cont'd…)

Private Placements (cont'd…)

Units underlying the Special Warrants was obtained on December 15, 2017. On December 18, 2017, the Company issued 11,397,110 units underlying an equivalent number of Special Warrants previously issued under the placement. On December 18, 2017, the Special Warrants subscription proceeds, previously held in escrow, were released to the Company.

The finder's Special Warrants have been valued at $0.35 each based upon the concurrent financing price of the placement to which they relate. The Company has recorded the fair value of the finder's warrants as share issuance costs.

Debt Settlements

On January 12, 2017, the Company issued 3,000,000 Shares with a value of $1,599,000 to Mr. Lee pursuant a Debt Settlement Agreement with Linx to settle $900,000 of the outstanding balance owing by the Company to Linx under the Credit Facility. The Company recorded a loss of $699,000 to account for the difference in the fair value of the Company's shares on the settlement date and the debt settled.

On June 13, 2017, the Company issued 596,590 units ("**Debt Settlement Units1**") with a value of $267,869, to certain of its directors and officers to settle various debts owing to them totalling $238,636 pursuant to the terms of debt settlement agreements entered with those directors and officers. Each Debt Settlement Unit1 is comprised of one Share and one Share purchase warrant of the Company entitling the holder thereof to purchase, upon exercise of a warrant, one additional Share at a price of $0.50 per Share for a period of five years from the date of issuance of the Debt Settlement Units1. The Company recorded a loss of $29,233 to account for the difference in the fair value of the Company's shares on the settlement date and the debt settled.

On December 18, 2017, the Company issued 422,540 units ("**Debt Settlement Units2**") with a value of $172,400, to certain of its directors and officers to settle various debts owing to them totalling $147,891 pursuant to the terms of debt settlement agreements entered with those directors and officers. Each Debt Settlement Unit2 is comprised of one Share and one Share purchase warrant of the Company entitling the holder thereof to purchase, upon exercise of a warrant, one additional Share at a price of $0.40 per Share for a period of three years from the date of issuance of the Debt Settlement Units2. The Company recorded a loss of $24,509 to account for the difference in the fair value of the Company's shares on the settlement date and the implied value from the debt settled.

Shares Issued for Mineral Properties

On February 10, 2017, the Company acquired the remaining 20% title interest of Randsburg (Note 13) in the patented claims that comprise the Titan project by issuing to Randsburg 200,000 Shares at a value of $0.48 per Share.

Share Bonus to Personnel

On January 12, 2017, the Company issued 390,000 Shares with a fair value of $0.49 per Share as a bonus to its directors, officers and consultants.

Share Compensation for Services

On December 18, 2017, the Company issued 984,200 units with a fair value of $0.35 per unit, to Skanderbeg Capital Advisors Inc. ("**Skanderbeg** (the "**Skanderbeg Units**"). The Company entered into a consulting agreement with Skanderbeg to explore and evaluate strategic alternatives to maximize value for The Company's non-core assets.

19. SHARE CAPITAL (cont'd…)

(b) Equity issuances (cont'd…)

<u>During the year ended December 31, 2017</u> *(*cont'd…)

Share Compensation for Services (cont'd…)

Each Skanderbeg Unit consists of one Share and one half of one Share purchase warrant. Each warrant entitles the holder to acquire an additional Share at a price of $0.40 per Share for a period of three years from the date of issuance.

Exercise of Stock Options and Warrants

During the year ended December 31, 2017, the Company issued 126,870 and 150,000 Shares on the exercise of stock options and warrants respectively for total proceeds of $110,685.

(c) Share-based compensation plan

The Company has a 20% fixed equity-based compensation plan in place, as approved by the Company's shareholders on June 2, 2016 (the "**2016 Plan**"), amended on June 13, 2017 and subsequently amended at the Company's annual general meeting of shareholders held on September 12, 2019 (the "**Amended 2016 Plan**"). Under the Amended 2016 Plan the Company may grant stock options, bonus shares or stock appreciation rights to acquire the equivalent of a maximum of 14,372,419 of the Company's Common Shares. All stock options and other share-based awards granted by the Company, or to be granted by the Company, since the implementation of the Amended 2016 Plan will be issued under, and governed by, the terms and conditions of the Amended 2016 Plan. The stock option vesting terms are determined by the Board of Directors on the date of grant with a maximum term of 10 years.

During the year ended December 31, 2019, the Company granted 3,965,000 incentive stock options to its directors, officers, employees and consultants. The options are exercisable at an exercise prices ranging from $0.20 to $0.44 per Share and expiry dates ranging from April 1, 2024 to November 15, 2024 and vest at 12.5% per quarter for the first two years following the date of grant.

During the year ended December 31, 2018, the Company granted 4,040,000 incentive stock options to its directors, officers, employees and consultants. The options are exercisable at an exercise prices ranging from $0.22 to $0.65 per Share and expiry dates ranging from February 20, 2023 to November 14, 2023 and vest at 12.5% per quarter for the first two years following the date of grant.

During the year ended December 31, 2017, the Company granted 4,080,000 incentive stock options to its directors, officers, employees and consultants. The options are exercisable at an exercise prices ranging from $0.33 to $0.49 per Share and expiry dates ranging from January 12, 2022 to November 6, 2022 and vest at 12.5% per quarter for the first two years following the date of grant.

The following is a summary of the changes in the Company's stock options from December 31, 2016 to December 31, 2019:

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(Expressed in Canadian Dollars)

19. SHARE CAPITAL (cont'd…)

(c) Share-based compensation plan (cont'd…)

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2016	4,608,140	$0.64
Granted	4,080,000	$0.38
Expired	(312,930)	$2.08
Exercised	(126,870)	$0.40
Outstanding, December 31, 2017	8,248,340	$0.46
Granted	4,040,000	$0.31
Expired	(349,720)	$1.21
Cancelled	(1,815,120)	$0.45
Forfeited	(445,000)	$1.04
Exercised	(87,500)	$0.28
Outstanding, December 31, 2018	9,591,000	$0.34
Granted	3,965,000	$0.31
Expired	(315,000)	$0.65
Cancelled	(2,247,000)	$0.32
Forfeited	(794,000)	$0.54
Exercised	(622,500)	$0.28
Outstanding, September 30, 2019	9,577,500	$0.31

As of December 31, 2019, the following the Company stock options were outstanding:

Exercise Price	Expiry Date	Options Outstanding December 31 2019	Options Outstanding December 31, 2018	Exercisable December 31 2019	Unvested December 31 2019
$0.33	November 15, 2024	100,000	-	12,500	87,500
$0.44	November 1, 2024	1,610,000	-	201,250	1,408,750
$0.20	July 29, 2024	1,565,000	-	391,250	1,173,750
$0.21	April 1, 2024	500,000	-	187,500	312,500
$0.65	November 14, 2023	-	200,000	-	-
$0.33	October 17, 2023	705,000	940,000	352,500	352,500
$0.26	October 10, 2023	-	550,000	-	-
$0.22	July 23, 2023	400,000	400,000	250,000	150,000
$0.31	May 1, 2023	150,000	200,000	112,500	37,500
$0.28	April 6, 2023	862,500	1,225,000	646,875	215,625
$0.31	February 20, 2023	200,000	200,000	175,000	25,000
$0.35	September 1, 2022	980,000	1,250,000	980,000	-
$0.33	June 12, 2022	805,000	1,225,000	805,000	-
$0.49	January 12, 2022	620,000	820,000	620,000	-
$0.20	June 2, 2021	990,000	1,420,000	990,000	-
$0.50	June 22, 2020	30,000	311,000	30,000	-
$0.50	April 7, 2020	60,000	535,000	60,000	-
$0.65	May 1, 2019	-	315,000	-	-
		9,577,500	9,591,000	5,814,375	3,763,125

(Expressed in Canadian Dollars)

19. SHARE CAPITAL (cont'd...)

(c) Share-based compensation plan (cont'd…)

Share-based payment expenses resulting from stock options are amortized over the corresponding vesting periods. During the year ended December 31, 2019, 2018 and 2017, the share-based payment expenses were calculated using the following weighted average assumptions:

	Year ended December 31,		
	2019	2018	2017
Risk-free interest rate	1.54%	1.77%	1.25%
Expected life of options in years	4.45	4.40	4.4
Expected volatility	132.75%	135.71%	133.55%
Expected dividend yield	Nil	Nil	Nil
Expected forfeiture rate	12%	12%	12%
Weighted average fair value of options granted during the period	$ 0.31	$ 0.32	$ 0.32

The expected volatility used in the Black-Scholes option pricing model is based on the historical volatility of the Company's shares. The expected forfeiture rate is based on the historical forfeitures of options issued.

Share-based payments charged to operations and assets were allocated between deferred mineral properties, and general and administrative expenses. Share-based payments are allocated between being either capitalized to deferred exploration costs where related to mineral properties or expensed as general and administrative expenses where otherwise related to the general operations of the Company.

For the year ended December 31, 2019, 2018, and 2017, share-based payments were recorded as follows:

	Year Ended December 31,		
	2019	2018	2017
Consolidated Statement of Operations			
Share based payments	707,802	553,430	599,117
	$ 707,802	$ 553,430	$ 599,117
Consolidated Statement of Financial Position			
Chandgana Tal and power plant application	-	-	69,515
Gibellini exploration	79,888	87,186	-
Pulacayo exploration	39,139	117,871	158,464
	119,027	205,057	227,979
Total share-based payments	$ 826,829	$ 758,487	$ 827,096

On July 29, 2019, further to the voluntary forfeiture of share options held by certain directors, officers, and employees with expiry dates on April 7, 2020, June 22, 2020, and November 14, 2023, at exercise prices ranging from $0.50 to $0.65, the Company granted 1,275,000 new stock options to such individuals with an expiry date of July 29, 2024 at an exercise price of $0.20 per Share subject to a two-year vesting schedule whereby 12.5% per quarter following the date of grant. As at December 31, 2019, the re-issuing of these options had been approved by the TSX, but they had not been approved by the shareholders; consequently, these options were not valued. See Note 27.

(d) Share purchase warrants

The following is a summary of the changes in The Company's share purchase warrants from December 31, 2016 to December 31, 2019:

(Expressed in Canadian Dollars)

19. SHARE CAPITAL (cont'd...)

(d) Share purchase warrants (cont'd...)

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2016	13,480,600	$0.47
Issued	12,453,680	$0.41
Exercised	(150,000)	$0.40
Expired	(26,250)	$0.70
Outstanding, December 31, 2017	25,758,030	$0.44
Issued	5,061,417	$0.40
Exercised	(3,445,420)	$0.39
Expired	(56,000)	$0.40
Outstanding, December 31, 2018	27,318,027	$0.44
Exercised	(651,430)	$0.38
Outstanding, December 31, 2019	26,666,597	$0.44

On February 15, 2018, the Company issued 500,000 Share purchase warrants as a part of consideration for mining claims acquisition (Note 13). The fair value of $89,944 of the issued warrants determined using the Black-Scholes option pricing model using the following assumptions: (1) a risk-free interest rate of 1.9%; (2) warrant expected life of three years; (3) expected volatility of 116%, and (4) dividend yield of nil.

On April 23, 2018, the Company issued 500,000 Share purchase warrants as a part of consideration for services related to the Gibellini Project. The fair value of $92,000 of the issued warrants determined using the Black-Scholes option pricing model using the following assumptions: (1) a risk-free interest rate of 2%; (2) warrant expected life of three years; (3) expected volatility of 97.4%, and (4) dividend yield of nil.

As of December 31, 2019, the following The Company share purchase warrants were outstanding:

		Number of warrants	
Exercise Price	Expiry Date	at December 31, 2019	at December 31, 2018
$0.50	June 13, 2022	596,590	596,590
$0.50	April 12, 2022	1,032,500	1,032,500
$0.40	January 13, 2022	499,990	499,990
$0.44	August 29, 2021	1,013,670	1,013,670
$0.40	August 13, 2021	198,237	198,237
$0.40	July 6, 2021	3,863,180	3,863,180
$0.40	June 2, 2021	7,500,000	7,500,000
$0.30	April 23, 2021	-	100,000
$0.50	February 15, 2021	500,000	500,000
$0.40	January 25, 2021	650,000	650,000
$0.40	December 18, 2020	211,250	211,250
$0.70	November 13, 2020	625,000	625,000
$0.40	October 16, 2020	2,533,020	2,533,020
$0.70	September 30, 2020	1,112,000	1,112,000
$0.40	September 20, 2020	3,983,490	4,534,920
$0.60	June 24, 2020	1,147,670	1,147,670
$0.50	May 22, 2020	1,200,000	1,200,000
		26,666,597	27,318,027

(Expressed in Canadian Dollars)

20. CAPITAL RISK MANAGEMENT

Management considers its capital structure to consist of share capital, share purchase options and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to, and required by the Company in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management. In order to facilitate the management of its capital requirement, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors. The annual and updated budgets are approved by the Board of Directors.

The properties, to which the Company currently has an interest in, are in the exploration stage; as such, The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, The Company will spend its existing working capital and raise additional amounts as needed. There were no changes in managements approach to capital management during the year ended December 31, 2019. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

21. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

Fair Value Measurements

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The following table sets forth The Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents, December 31, 2019	$ 3,017,704	$ -	$ -	$ 3,017,704
Cash and cash equivalents, December 31, 2018	$ 5,304,097	$ -	$ -	$ 5,304,097
Cash and cash equivalents, December 31, 2017	$ 4,100,608	$ -	$ -	$ 4,100,608

Categories of financial instruments

The Company considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value due to their short term nature. Restricted cash equivalents approximate fair value due to the nature of the instrument. The Company does not offset financial assets with financial liabilities. There were no transfers between Level 1, 2 and 3 for the year ended December 31, 2019.

The Company's financial assets and financial liabilities are categorized as follows:

(Expressed in Canadian Dollars)

21. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS (cont'd...)

Categories of financial instruments (cont'd...)

	December 31, 2019	December 31, 2018	December 31, 2017
Fair value through profit or loss			
Cash	$ 3,017,704	$ 5,304,097	$ 4,100,608
Fair value through other comprehensive income			
Marketable securities	$ -	$ -	$ 205,600
Amortized cost			
Receivables	$ 246,671	$ 36,399	$ 34,653
Restricted cash equivalents	$ 34,500	$ 34,500	$ 34,500
	$ 3,298,875	$ 5,374,996	$ 4,375,361
Amortized cost			
Accounts payable and accrued liabilities	$ 2,420,392	$ 1,636,786	$ 1,895,983
Lease liability	$ 52,818	$ -	$ -
	$ 2,473,210	$ 1,636,786	$ 1,895,983

22. FINANCIAL RISK MANAGEMENT DISCLOSURES

(a) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk by preparing cash flow forecasts of upcoming cash requirements. As at December 31, 2019, the Company had a cash and cash equivalents balance of $3,017,704 (December 31, 2018 – $5,304,097, December 31, 2017 – $4,100,608). As at December 31, 2019 the Company had accounts payable and accrued liabilities of $2,452,677 (December 31, 2018 - $1,636,786, December 31, 2017 - $1,895,983), which have contractual maturities of 90 days or less.

The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process in normal circumstances.

The following table details the Company's current and expected remaining contractual maturities for its financial liabilities with agreed repayment periods. The table is based on the undiscounted cash flows of financial liabilities.

	0 to 6 months	6 to 12 months	Total
Accounts payable and accrued liabilities			
As at December 31, 2019	$ 2,452,677	$ -	$ 2,452,677
As at December 31, 2018	$ 1,636,786	$ -	$ 1,636,786
As at December 31, 2017	$ 1,895,983	$ -	$ 1,895,983
Lease liability as at December 31,2019	$ 16,143	$ 16,143	$ 32,285

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk primarily associated to cash and cash equivalents, restricted cash equivalents and receivables, net of allowances. The carrying amount of financial assets included on the statements of financial position represents the maximum credit exposure.

22. FINANCIAL RISK MANAGEMENT DISCLOSURES (cont'd...)

(c) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash and cash equivalents and restricted cash equivalents primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. Due to the short- term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of December 31, 2019. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company has exploration and development projects in Mongolia and Bolivia and undertakes transactions in various foreign currencies. The Company is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency and the translation of financial instruments denominated in US dollars, Mongolian tugrik, and Bolivian boliviano into its functional and reporting currency, the Canadian dollar.

Based on the above, net exposures as at December 31, 2019, with other variables unchanged, a 10% (December 31, 2018 – 10%, December 31, 2017 – 10%) strengthening (weakening) of the Canadian dollar against the Mongolian tugrik would impact net loss with other variables unchanged by $144,000. A 10% strengthening (weakening) of the Canadian dollar against the Bolivian boliviano would impact net loss with other variables unchanged by $2,000. A 10% strengthening (weakening) of the US dollar against the Canadian dollar would impact net loss with other variables unchanged by $60,000. The Company currently does not use any foreign exchange contracts to hedge this currency risk.

(ii) Commodity and equity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The Company is also exposed to price risk with regards to equity prices. 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 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. Fluctuations in value may be significant.

23. RELATED PARTY DISCLOSURES

During the year ended December 31, 2019, the Company had related party transactions with the following companies, related by way of directors and key management personnel:

- Linx Partners Ltd., a private company controlled by John Lee, Director, CEO and Executive Chairman of Prophecy, provides management and consulting services to the Company.
- MaKevCo Consulting Inc., a private company 50% owned by Greg Hall, Director of The Company, provides consulting services to the Company.

(Expressed in Canadian Dollars)

23. RELATED PARTY DISCLOSURES (cont'd...)

- Sophir Asia Ltd., a private company controlled by Masa Igata, Director of The Company, provides consulting services to the Company.

A summary of related party transactions by related party is as follows:

				Year Ended December 31,		
Related parties		2019		2018		2017
Directors and officers	$	1,685,242	$	1,265,152	$	307,425
Linx Partners Ltd.		371,000		401,044		363,781
MaKevCo Consulting Inc.		21,400		21,200		23,600
Sophir Asia Ltd.		19,600		19,100		19,700
	$	2,097,242	$	1,706,496	$	714,506

A summary of the transactions by nature among the related parties is as follows:

				Year Ended December 31,		
Related parties		2019		2018		2017
Consulting and management fees	$	218,500	$	268,456	$	247,525
Directors' fees		103,805		70,378		60,600
Mineral properties		1,171,585		631,610		201,875
Salaries		603,352		736,052		204,506
	$	2,097,242	$	1,706,496	$	714,506

As at December 31, 2019, amounts due to related parties were $30,533 (December 31, 2018 - $4,634), (December 31, 2017 - $160,503) and included in accounts payable and accrued liabilities.

During the years ended December 31, 2012 and 2013, the Company shared administrative assistance, office space, and management with Nickel Creek Platinum Corp. ("**Nickel**") pursuant to a Service Agreement dated January 1, 2012, consisting of fixed monthly fees of $40,000. During the year ended December 31, 2018, the Company received $50,000 as a debt settlement in satisfaction of an amount owing from Nickel for services rendered to Nickel and expenses incurred on behalf of Nickel, which was reflected on the consolidated statement of operations.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company.

				Year Ended December 31,		
Key Management Personnel		2019		2018		2017
Salaries and short term benefits	$	696,751	$	775,064	$	204,506
Directors' fees		103,805		70,378		60,600
Share-based payments		431,037		621,339		596,232
	$	1,231,593	$	1,466,781	$	861,338

(Expressed in Canadian Dollars)

25. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31		
	2019	2018	2017
Supplementary information			
Interest paid	$ -	$ -	$ 21,066
Non-Cash Financing and Investing Activities			
Shares issued to pay credit facility	$ -	$ -	$ 900,000
Shares issued on acquisition of mineral property	$ -	$ -	$ 96,200
Bonus shares and shares	$ 115,000	$ -	$ 190,320
Shares for services	$ 241,003	$ -	$ -
Shares issued to settle debt	$ 43,030	$ -	$ 386,527
Shares issued recorded as prepaid expenses	$ 35,000	$ -	$ -
Subscriptions receivable	$ 30,497	$ -	$ -
Warrants issued for mineral property	$ -	$ 181,944	$ -
Depreciation included in mineral property	$ 3,487	$ 27,387	$ 216,653
Equipment expenditures included in accounts payable	$ 472,213	$ 489,890	$ 580,634
Fair value loss/gain on marketable securities	$ -	$ 12,160	$ 12,160
Mineral property expenditures included in accounts payable	$ 1,252,796	$ 1,067,747	$ 753,248
Share-based payments capitalized in mineral properties	$ 119,028	$ 205,057	$ 227,979
Reclassification of contributed surplus on exercise of options	$ 153,845	$ 15,350	$ 14,567
Reclassification of contributed surplus on exercise of warrants	$ 28,478	$ 132,453	$ 10,650

26. COMMITMENTS

Except as disclosed elsewhere in these financial statements, the Company has the following financial obligations in the ordinary course of business:

	2020	2021	2022	Total
Office Lease Obligations	$ 45,489	$ 24,574	$ 9,540	$ 79,603
	$ 45,489	$ 24,574	$ 9,540	$ 79,603

27. CONTINGENCIES

ASC tax claim

On January 2, 2015, the Company acquired ASC Holdings Limited and ASC Bolivia LDC (which together, hold ASC Bolivia LDC Sucursal Bolivia, which in turn, held Apogee Silver Ltd.'s ("**Apogee**") joint venture interest in the Pulacayo Project) and Apogee Minerals Bolivia S.A. Pursuant to the terms of the Agreement, the Company agreed to assume all liabilities of these former Apogee subsidiaries, including legal and tax liabilities associated with the Pulacayo Project. During Apogee's financial year ended June 30, 2014, it received notice from the Servicio de Impuestos Nacionales, the national tax authority in Bolivia, that ASC Bolivia LDC Sucursal Bolivia, now the Company's wholly-owned subsidiary, owed approximately Bs42,000,000 in taxes, interest and penalties relating to a historical tax liability in an amount originally assessed at approximately $760,000 in 2004, prior to Apogee acquiring the subsidiary in 2011.

Apogee disputed the assessment and disclosed to the Company that it believed the notice was improperly issued. The Company continued to dispute the assessment and hired local legal counsel to pursue an appeal of the tax authority's assessment on both substantive and procedural grounds. The Company received a positive Resolution issued by the Bolivian Constitutional Court that among other things, declared null and void the previous Resolution of the Bolivian Supreme Court issued in 2011 (that imposed the tax liability on ASC Bolivia LDC Sucursal Bolivia) and sent the matter back to the Supreme court to consider and issue a new resolution.

27. CONTINGENCIES (cont'd...)

ASC tax claim (cont'd...)

On November 18, 2019 the Company received Resolution No. 195/2018 issued by the Supreme Court of Bolivia which declared the tax claim brought by Bolivia's General Revenue Authority against the Company's Bolivian subsidiary as not proven.

The Resolution is final and binding. Hence neither the Company nor the Company's Bolivian subsidiaries owe any outstanding back taxes to the Bolivian General Revenue Authority.

During the year ended December 31, 2019, the Company and legal counsel reassessed the status of tax rulings and determined that the probability of a re-issuance of a tax claim against the Company in connection with the above was remote. As a result, the Company has written off the tax liability and recorded a debt settlement gain in the amount of $7,952,700 on its consolidated statements of operations and comprehensive loss.

Red Hill tax claim

During the year ended December 31, 2014, the Company's wholly-owned subsidiary, Red Hill Mongolia LLC ("**Red Hill**") was issued a letter from the Sukhbaatar District Tax Division notifying it of the results of the Sukhbaatar District Tax Division's VAT inspection of Red Hill's 2009-2013 tax imposition and payments that resulted in validating VAT credits of only MNT235,718,533 from Red Hill's claimed VAT credit of MNT2,654,175,507. Red Hill disagreed with the Sukhbaatar District Tax Division's findings as the tax assessment appeared to the Company to be unfounded. The Company disputed the Sukhbaatar District Tax Division's assessment and submitted a complaint to the Capital City Tax Tribunal. On March 24, 2015, the Capital City Tax Tribunal resolved to refer the matter back to the Sukhbaatar District Tax Division for revision and separation of the action between confirmation of Red Hill's VAT credit, and the imposition of the penalty/deduction for the tax assessment. Due to the uncertainty of realizing the VAT balance, the Company has recorded an impairment charge for the full VAT balance in the year ended December 31, 2015.

In June 2019, the Company received a positive resolution issued from the City tax tribunal regarding the Company's VAT dispute with the Mongolia tax office. The resolution, which is binding and final, affirmed Red Hill's outstanding VAT credit of 1.169 billion MNT resulted from past mining equipment purchases.

The VAT credit can be used to offset Red Hill's taxes and royalty payments; or be refunded in cash by Mongolia's Ministry of Finance within 12 to 24 months processing time. Due to the credit risk associated with the VAT credit, the Company has provided a full valuation provision against the balance.

28. EVENTS AFTER THE REPORTING DATE

The following events occurred subsequent to December 31, 2019:

- Effective January 6, 2020, the Company engaged Mr. Ken Cotiamco to provide investor relations and shareholder communications services by entering into a consulting agreement whereby Ken Cotiamco would receive from the Company renumeration of $4,000 per month for a term of three months, which could be extended and also pursuant to the consulting agreement the Company granted 100,000 incentive stock options at a price of $0.41 Share for a term of five years expiring on January 6, 2025;

- Pursuant to the Company's Share-Based Compensation Plan, on January 6, 2020, the Company issued an aggregate of 1,601,000 Shares as bonus payments to certain directors, officers, employees and consultants of the Company;

- On March 16, 2020, the Company held its Special Meeting of Shareholders. The Company received shareholder approval of the following:

  - changing its name to Silver Elephant Mining Corp.;

28. EVENTS AFTER THE REPORTING DATE (cont'd...)

- consolidation of the Company's issued and outstanding shares at a ratio between one (1) new Common Share for every five (5) to ten (10) old Common Shares (the "2020 Consolidation"). The effective date of the Name Change and the 2020 Consolidation would be determined at a later date by the Board of the Company; and

- ratification of 1,275,000 stock options previously granted to certain directors, officers, employees and consultants of the Company on July 29, 2019 pursuant to the terms of the Company's Share-Based Compensation Plan.

- On March 16, 2020, the Company amended its Articles and changed its name to "Silver Elephant Mining Corp."
- On March 19, 2020, the Company changed its' symbol on the TSX from PCY to "ELEF".
- On March 23, 2020, the Company changed its' symbol on the OTCQX from PRPCF to "SILEF".

- In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.