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**FINANCIAL STATEMENTS OF  
CHIBOUGAMAU INDEPENDENT MINES INC.  
FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017  
(EXPRESSED IN CANADIAN DOLLARS)**

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## Independent Auditor's Report

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To the Shareholders of Chibougamau Independent Mines Inc.:

### Opinion

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

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

### Basis for Opinion

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

### Other Information

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

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

COMPTABILITÉ > CONSULTATION > FISCALITÉ  
ACCOUNTING > CONSULTING > TAX

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

Montréal, Québec

March 13, 2019

MNP<sup>1</sup> SENCRL, s.r.l.

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A122514

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**CHIBOUGAMAU INDEPENDENT MINES INC.****Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)**

	Year ended December 31,	
	2018	2017
<b>Revenues</b> (note 10)	\$ -	\$ 150,000
<b>Expenses</b>		
Administration (note 11)	10,995	18,559
Professional fees and outside services (note 11)	26,964	132,955
Transfer agent and filing fees	24,316	24,086
Management services (note 15)	71,970	86,371
Exploration and evaluation expenditures (note 12)	83,743	194,082
	217,988	456,053
<b>Loss from operations</b>	<b>(217,988)</b>	<b>(306,053)</b>
<b>Other income (expenses)</b>		
Interest income	2,966	3,366
Increase in fair value of investments	98,131	54,091
Loss on sale of investments	(81,405)	(117,150)
	19,692	(59,693)
<b>Loss before taxes</b>	<b>(198,296)</b>	<b>(365,746)</b>
<b>Income taxes</b>		
Income tax recovery (note 9)	(3,497)	-
<b>Loss and comprehensive loss for the year</b>	<b>\$ (194,799)</b>	<b>\$ (365,746)</b>
<b>Basic and diluted loss per share</b> (note 13)	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>39,450,324</b>	<b>38,236,219</b>

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

# CHIBOUGAMAU INDEPENDENT MINES INC.

## Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended December 31,	
	2018	2017
<b>Operating activities:</b>		
Loss and comprehensive loss for the year	\$ (194,799)	\$ (365,746)
Adjustments for:		
Increase in fair value of investments	(98,131)	(54,091)
Loss on sale of investments	81,405	117,150
Income tax expense (note 9)	(3,497)	-
	(215,022)	(302,687)
Change in non-cash working capital items (note 16)	61,689	(73,712)
<b>Net cash and cash equivalents used in operating activities</b>	<b>(153,333)</b>	<b>(376,399)</b>
<b>Financing activities:</b>		
Related party payable - Globex Mining Enterprises Inc. (note 15)	(13,033)	(3,075)
Issuance of common shares (note 14)	250,000	-
Proceeds from exercised agents' options (note 14)	19,750	48,995
Proceeds from exercised warrants (note 14)	-	23,000
Share capital issue costs	(4,085)	-
<b>Net cash and cash equivalents provided by financing activities</b>	<b>252,632</b>	<b>68,920</b>
<b>Investing activities:</b>		
Proceeds from sale of investment	46,345	183,341
<b>Net cash and cash equivalents provided by investing activities</b>	<b>46,345</b>	<b>183,341</b>
<b>Net change in cash and cash equivalents</b>	<b>145,644</b>	<b>(124,138)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>264,774</b>	<b>388,912</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 410,418</b>	<b>\$ 264,774</b>
<b>Cash and cash equivalents</b>	<b>\$ 171,608</b>	<b>\$ 264,774</b>
<b>Cash reserved for exploration</b>	<b>238,810</b>	<b>-</b>
	<b>\$ 410,418</b>	<b>\$ 264,774</b>

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

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**CHIBOUGAMAU INDEPENDENT MINES INC.****Statements of Financial Position  
(Expressed in Canadian Dollars)**

	As at December 31, 2018	As December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	\$ 171,608	\$ 264,774
Cash reserved for exploration (note 14(a)(iv))	238,810	-
Investments (note 6)	86,341	115,960
Taxes receivable	20,641	86,266
Prepaid and deposits	15,163	10,419
<b>Total assets</b>	<b>\$ 532,563</b>	<b>\$ 477,419</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Payables and accruals (note 7)	\$ 26,270	\$ 25,462
Related party payable - Globex Mining Enterprises Inc. (note 15(a))	1,443	14,476
Other liabilities (note 8)	74,628	-
<b>Total liabilities</b>	<b>102,341</b>	<b>39,938</b>
<b>Shareholders' equity</b>		
Common shares (note 14(a))	9,333,058	9,119,311
Contributed surplus - equity settled reserve	660,544	686,751
Deficit	(9,563,380)	(9,368,581)
<b>Total equity</b>	<b>430,222</b>	<b>437,481</b>
<b>Total liabilities and equity</b>	<b>\$ 532,563</b>	<b>\$ 477,419</b>

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

**Approved on behalf of the Board:**

"Jack Stoch", Director \_\_\_\_\_

"Dianne Stoch", Director \_\_\_\_\_

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**CHIBOUGAMAU INDEPENDENT MINES INC.****Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)**

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**Equity attributable to shareholders**

	<b>Common shares</b>	<b>Warrants</b>	<b>Contributed surplus - equity settled reserve</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2016</b>	<b>\$ 8,975,255</b>	<b>\$ 240,425</b>	<b>\$ 518,387</b>	<b>\$ (9,002,835)</b>	<b>\$ 731,232</b>
Issued on exercised agents' options	114,008	-	(65,013)	-	48,995
Issued on exercised warrants	30,048	(7,048)	-	-	23,000
Expired warrants	-	(233,377)	233,377	-	-
Loss and comprehensive loss	-	-	-	(365,746)	(365,746)
<b>Balance, December 31, 2017</b>	<b>9,119,311</b>	<b>-</b>	<b>686,751</b>	<b>(9,368,581)</b>	<b>437,481</b>
Fair value of flow-through shares issued under private placement	171,875	-	-	-	171,875
Shares issuance costs	(4,085)	-	-	-	(4,085)
Issued on exercised agents' options	45,957	-	(26,207)	-	19,750
Loss and comprehensive loss	-	-	-	(194,799)	(194,799)
<b>Balance, December 31, 2018</b>	<b>\$ 9,333,058</b>	<b>\$ -</b>	<b>\$ 660,544</b>	<b>\$ (9,563,380)</b>	<b>\$ 430,222</b>

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

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 1. General Business Description

Chibougamau Independent Mines Inc. (the "Corporation", "CIM") was incorporated under the Canada Business Corporations Act on December 13, 2010, as a wholly-owned subsidiary of Globex Mining Enterprises Inc. ("Globex") with the intention of acquiring and developing properties located in the Chibougamau Mining District of Québec. It is focused on reviving production in the Chibougamau gold-copper mining camp.

On September 10, 2012, Globex and CIM entered into an Arrangement which resulted in the reorganization of the Corporation's capital and the receipt of cash and cash equivalents, certain investments held by Globex as well as the transfer of ten properties from Globex to CIM. Under a Plan of Arrangement, effective December 29, 2012, ten properties were transferred from Globex to CIM subject to a 3% Gross Metal Royalty ("GMR") in favour of Globex. On October 3, 2016, Globex announced that the 3% Gross Metal Royalty on a number of claims related to the Mont Sorcier project had been reduced to 1%, but extended to claims acquired by CIM in 2016 and therefore applicable to the entire historical mineral deposit.

The Corporation's head office and principal business offices are located at 86, 14th Street, Rouyn-Noranda, Québec, J9X 2J1.

The CIM shares trade on the TSX Venture Exchange ("TSXV") under the symbol CBG, on the Stuttgart and Frankfurt exchanges under the symbol CLL1, as well as on the OTC Markets (USA) under the symbol CMAUF.

### 2. Basis of Presentation

#### Statement of compliance

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

#### Basis of presentation

These financial statements were prepared on a going concern basis, under the historical cost basis, except for certain assets that are measured at fair value through profit and loss ("FVTPL") as indicated in note 3. All financial information is presented in Canadian dollars.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### Approval of financial statements

The Corporation's Board of Directors approved these financial statements on March 13, 2019.



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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies

The principal accounting policies applied in the presentation of these financial statements are set out below.

#### a) Functional and presentation currency

The Corporation's presentation and the functional currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

#### b) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

#### c) Cash reserved for exploration

The cash reserve for exploration consists of cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. These funds are earmarked for funding prescribed resource expenditures.

#### d) Refundable tax credits and mining duties

The Corporation is entitled to a refundable tax credit of 28% on qualified exploration expenditures incurred in the province of Quebec. The Corporation is also entitled to a refund of mining duties of the lesser of 16% on 50% of qualified mining exploration expenses or operating losses during the period, net of the refundable tax credit.

The credit or refunds are recorded based on management's best estimates once the necessary information is available and management believes that the amounts are collectible.

#### e) Financial instruments

Effective January 1, 2018, the Corporation adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9, Financial Instruments ("IFRS 9") standard, which supersedes IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Corporation has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Corporation's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and FVTPL.

The new hedge accounting guidance had no impact on the Corporation's financial statements.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (Continued)

#### e) Financial instruments (continued)

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	FVTPL
Cash reserved for exploration	Loans and receivables	FVTPL
Investments	FVTPL	FVTPL
Payables and accruals	Other financial liabilities (amortized cost)	Amortized cost
Related party payable	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Corporation's December 31, 2017 financial statements has been updated as follows:

Financial assets:

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Corporation determines the classification of its financial assets at initial recognition.

(a) Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Corporation's cash and cash equivalents, cash reserved for exploration and investments are classified as financial assets measured at FVTPL.

(b) Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Corporation's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". There are currently no financial assets measured at amortized cost.

Financial liabilities:

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Corporation determines the classification of its financial liabilities at initial recognition.

(a) Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Corporation's payables and accruals and related party payable do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (Continued)

#### e) Financial instruments (continued)

Financial liabilities (continued):

(b) Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five categories detailed above. There are currently no financial liabilities measured at amortized cost.

Transaction costs:

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement:

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition:

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model:

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Corporation's financial statements.

The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Corporation considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (Continued)

#### f) Mineral properties and exploration expenses

The Corporation expenses all acquisition costs of mineral properties and exploration expenses as incurred.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

#### g) Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle, a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

#### h) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or arising from the use by others of the Corporation's assets yielding option income, royalties, interest and dividends. The Corporation recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Corporation and when the specific criteria have been met for each of the Corporation's activities as described below.

##### (i) Sales of mineral properties

The proceeds from the sale of mineral properties are recorded as option income.

##### (ii) Option income

Option income is recognized on an accrual basis in accordance with the substance of the relevant agreements. Shares received under option agreements are valued at fair value which is determined at quoted market prices if the shares are quoted on an active market. If the market for the shares is not active, fair value is established by using a valuation technique.

##### (iii) Interest and dividend income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably).

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (Continued)

#### i) Current and deferred taxes

Taxes, comprising both income and resource taxes accounted for as income taxes, are recognized in the statement of loss and comprehensive loss, except where they relate to items recognized in other comprehensive loss or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity. Taxes on income are recorded using the tax rate that would be applicable to expected annual income.

The current income tax charge is based on taxable income for the period. Taxable income differs from net income (loss) as reported in the statement of loss and comprehensive loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible.

Deferred tax is recognized, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, CIM reassesses unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profits will enable the deferred tax asset to be recovered. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is adjusted to the extent that it is no longer probable that sufficient taxable income will be available to ensure that all or part of the asset will be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and CIM intends to settle its current tax assets and liabilities on a net basis.

#### j) Share-based compensation

The Corporation uses the fair value method to record stock options. The fair value of all share purchase options is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Corporation uses the Black-Scholes option pricing model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, do not necessarily provide a reliable single measure of the fair value of CIM's share purchase options.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (Continued)

#### k) Flow-through shares

The Corporation raises funds through the issuance of “flow-through” shares which entitle investors to prescribed resource tax benefits and credits once CIM has renounced these benefits to the investors in accordance with applicable tax legislation. The Corporation considers the issuance of flow-through shares in substance: (a) an issue of an ordinary share; and (b) the sale of tax deductions. The sale of tax deductions has been measured based on the residual fair value method.

At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as an Other Liability. When CIM fulfills its obligation, the Other Liability is reduced, the sale of tax deductions is recognized in the statement of loss and comprehensive loss as a reduction of the deferred tax expense, and a deferred tax liability is recognized in accordance with IAS 12, Income Taxes, for the taxable temporary differences between the carrying value of eligible expenditures expensed for accounting purposes.

#### l) Loss per share

Basic Loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants (if dilutive).

The number of additional shares is calculated by assuming that outstanding dilutive stock options were exercised and the proceeds from such exercise were used to acquire common stock at the average market price during the reporting periods.

#### m) Share capital

The Corporation’s common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### n) Warrants

The Corporation engages in equity financing transactions necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve the issuance of common shares or units. A unit may consist of a certain number of common shares and a certain number of share purchase warrants (“Warrants”). Depending upon the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement.

When warrants are issued as part of units, the Corporation uses the residual value method where it first allocates the proceeds received on the units issued to the attached warrants based on their fair value using the Black-Scholes option pricing model and the residual is allocated to the share capital. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

When warrants expire, the ascribed value is transferred to the Contributed surplus of the Corporation.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies (Continued)

#### o) New and revised IFRS issued, but not yet effective

At the date of authorization of these financial statements, the IASB and IFRS Interpretations Committee ("IFRIC") have issued the following new and revised Standards and Interpretations which were not yet effective and which the Corporation has not early adopted. However, the Corporation is currently assessing what impact the application of these standards or amendments will have on the financial statements.

##### IAS 28, Investments in Associates and Joint Ventures ("IAS 28"):

In October 2017, the IASB issued amendments to IAS 28.

The amendments to IAS 28 clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9 and does not anticipate any material impact from applying this amendment due to the immaterial nature and lack of achieving of these investments.

These amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. Management does not anticipate the amendment to have an impact on the accounts of the Corporation.

##### IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 - Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. Management early adopted this Standard in the prior year which resulted in no material impact on the financial statements.

##### IFRIC 23, Uncertainty Over Income Tax Treatments:

Issued by the IASB in June 2017 and provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. Management does not anticipate a significant impact on adoption of this interpretation as there are no outstanding disputes with taxation authorities.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 4. Significant Accounting Assumptions, Judgments and Estimates

The preparation of financial statements under the principles of IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about such judgments and estimates is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarized below. Areas of judgment and estimates that have the most significant effect on the amounts recognized in the financial statements are:

#### Judgments

##### a) Collectability of option agreements

Collectability of consideration to be received on option agreements entered into third parties on the Corporation's properties, involves judgment regarding the probability that the optionees will be able to meet their spending commitments and pay the consideration specified in the agreement.

Since there is significant uncertainty as to whether the optionee will be able to make all the required payments in the contract, the Corporation only recognizes revenue as the option payments are due. The optionee can avoid payments prior to them becoming due, but not after.

#### Estimates

##### a) Option Income

Under Option arrangements, CIM is entitled to cash payments and/or shares in the optionee company, and as a result at each period end, the Corporation must determine the amounts receivable under the agreement as well as consider the collectability of the amounts.

##### b) Fair value of equity investments

CIM determines the fair value of the shares on receipt based on published price quotations in an active market. However, in some cases, when received, the shares may not be traded in an active market and as a result CIM must use a valuation technique to determine the fair market value. In some cases, as a result of the strategic nature or volume of trading in the market, the quoted price may also not be representative of the price that these shares could be sold to a willing arm's length party. These valuation issues could also impact the fair value measurement of financial assets at each period end.

##### c) Share-based compensation and warrants

The estimate of share-based compensation and warrants require the selection of an appropriate valuation model and consideration of the inputs necessary for the model chosen.

The Corporation has made estimates of the volatility of its own shares, the probable life of options and warrants granted, interest rates, and the time of exercise of those options and warrants. The Corporation uses the Black-Scholes option pricing model to calculate the fair value of the share-based compensation and warrants.



# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

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### 4. Significant Accounting Assumptions, Judgments and Estimates (Continued)

#### d) Deferred income tax balances

The Corporation uses the asset and liability method in accounting for deferred income taxes. Under this method, deferred income taxes are recognized for the future income tax. In preparing these estimates, management is required to interpret, substantially enacted legislation as well as economic and business conditions along with management's tax and corporate plans which may impact taxable income in future periods.

#### e) Refundable tax credits and mining duties

The estimates are based on an interpretation of legislation substantially enacted and management's application of their interpretation of the treatment of various items which could impact the valuation.

### 5. Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Bank balances	\$ 171,608	\$ 13,883
Short-term deposit	-	250,891
	<b>\$ 171,608</b>	<b>\$ 264,774</b>

### 6. Investments

#### December 31, 2018

	Number of shares	Cost	Unrealized loss	Fair value
Vanadium One Energy Corp. (i)	719,500	\$ 125,912	\$ (39,571)	\$ 86,341

#### December 31, 2017

	Number of shares	Cost	Unrealized loss	Fair value
Vanadium One Energy Corp. (i)	1,449,500	\$ 253,662	\$ (137,702)	\$ 115,960

(i) On January 16, 2017, Vendome Resources Corp. announced that it had changed its name to Vanadium One Energy Corp. ("Vanadium"). During the year ended December 31, 2017, 1,300,500 shares were sold for gross proceeds of \$163,895. These investments represent less than 10% of the outstanding shares of the Issuer.

On January 30, 2017, CIM sold 174,000 Mag Copper Limited ("Mag Copper") shares. Following a five for one share consolidation on February 2, 2017, CIM held 159,608 shares which were sold during the year ended December 31, 2017. On August 25, 2017, Mag Copper changed its name for Integra Resources Corp. During the year ended December 31, 2017, all shares were sold for gross proceeds of \$19,446.

During the year ended December 31, 2018, CIM sold 730,000 Vanadium shares for gross proceeds of \$46,345.

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### 7. Payables and Accruals

	December 31, 2018	December 31, 2017
Payables and accruals	\$ 26,270	\$ 25,462

### 8. Other Liabilities

	December 31, 2018	December 31, 2017
Balance, beginning of year	\$ -	\$ -
Additions during the year (i)	78,125	-
Reduction related to qualified exploration expenditures	(3,497)	-
	\$ 74,628	\$ -

(i) The other liabilities represent the excess of the proceeds received from flow-through shares over the fair value of the shares issued. Further details are provided in note 14(a)(iv).

This liability is not settled through cash payments. Instead, this balance is amortized against qualifying flow-through expenditures which are required to be incurred before December 31, 2019.

### 9. Income Taxes

#### Income tax recovery

	December 31, 2018	December 31, 2017
Recovery of income and mining duties as a result of the sale of tax benefits (flow-through shares)	\$ (3,497)	\$ -
Recovery of income taxes	\$ (3,497)	\$ -

#### Tax expense reconciliation

The recovery of income and mining taxes attributable to the loss before taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.7% (2017 - 27.8%) as a result of the following:

	December 31, 2018	December 31, 2017
Loss before taxes	\$ (198,296)	\$ (365,746)
Combined tax rate	26.7%	26.8%
Recovery of income and mining tax provision calculated at combined rate	(52,945)	(98,020)
Deferred tax expense related to flow-through shares	2,988	-
Non-deductible expenses and other	(3,095)	15,554
Change in tax estimates	22,689	-
Tax benefits not recognized	30,363	82,466
Income and mining tax provision	-	-
Other liabilities (sale of tax benefits (flow-through shares))	(3,497)	-
Income and mining tax provision related to continuing operations	\$ (3,497)	\$ -

# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

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(Expressed in Canadian Dollars)

### 9. Deferred Taxes (Continued)

At December 31, 2018, the Corporation had non-capital loss carry forwards available to reduce future years' income tax purposes. The non-capital losses will expire as follows:

	Federal	Provincial
2031	\$ 547	\$ 547
2032	175,459	175,459
2033	653,814	653,814
2034	255,113	393,676
2035	208,211	208,211
2036	208,788	78,347
2037	138,144	138,144
2038	154,678	154,678
	<b>\$ 1,794,754</b>	<b>\$ 1,802,876</b>

#### Deferred tax balances

	December 31, 2017	Recognized in income or loss	December 31, 2018
Deferred tax assets			
Non-capital losses	\$ 435,554	\$ 40,990	\$ 476,544
Capital losses	15,522	10,787	26,309
Share issuance costs	17,953	(5,119)	12,834
Resource related deductions	81,040	(3,293)	77,747
Financial asset at FVTPL	18,246	(13,003)	5,243
	568,315	30,362	598,677
Deferred tax assets not recognized	(568,315)	(30,362)	(598,677)
Deferred tax assets	\$ -	\$ -	\$ -

	December 31, 2016	Recognized in income or loss	December 31, 2017
Deferred tax assets			
Non-capital losses	\$ 398,199	\$ 37,355	\$ 435,554
Capital losses	-	15,522	15,522
Share issuance costs	23,937	(5,984)	17,953
Resource related deductions	38,300	42,740	81,040
Financial asset at FVTPL	25,413	(7,167)	18,246
	485,849	82,466	568,315
Deferred tax assets not recognized	(485,849)	(82,466)	(568,315)
Deferred tax assets	\$ -	\$ -	\$ -

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

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### 10. Revenues

Based on IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), management has concluded that its typical sale/option agreements with a customer (optionee/purchaser) clearly identifies; (a) the rights and obligations of both parties, (b) CIM performance obligations and (c) the overall transaction price.

Under the option arrangements, the control over the mineral properties occurs at the outset of the agreement while the transfer of title may not occur until after all of the option/sale terms have been satisfied.

Within the option agreements, CIM's performance obligations are:

- (i) provide access to the mineral property to allow the customer the right to explore and assess a mineral property during an option period,
- (ii) transfer the title to the mineral property after all of the option/sale terms have been completed.

As a result of the challenges of estimating future payments, CIM believes that it is appropriate to recognize option revenues as received. As a result of the limited number of contracts in place on an ongoing basis, CIM applies the five step model at the individual contract level.

Payment terms are also clearly identified in the agreement, and usually include the following:

- (i) cash (upfront and pre-determined amounts at milestone dates);
- (ii) shares (upfront and a fixed number of shares at milestone dates). The shares are valued at the stock price on the date of the share certificate.

Once the option term is completed, and all commitments are met, CIM is also entitled to payments (in cash) relating to the GMR. Under our current accounting policies, net metal royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements. The Corporation will continue to apply the same methods and processes in recording this revenue, as the Corporation believe it is appropriate under the new standard.

In summary, the cash, shares, and royalty payments should all be recorded, as they are due from the customer. There are significant disclosure requirements under IFRS 15, particularly regarding judgments made when applying the requirements of the standard. The revenue recognition policy clearly indicates that the revenue is only recorded as earned.

A summary of the revenues for the respective year-ends follows.

	Year ended December 31,	
	2018	2017
Option income - Mont Sorcier property	\$ -	\$ 150,000

On March 1, 2017, a cash payment of \$150,000 from Vanadium related to the Mont Sorcier property was received.

# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

### 11. Expenses by Nature

	Year ended December 31,	
	2018	2017
Administration		
Office supplies and maintenance	\$ 188	\$ -
Shareholder information	267	2,397
Information technology	-	3,800
Advertising and promotion	735	693
Insurance	9,211	9,211
Other	594	2,458
	<b>\$ 10,995</b>	<b>\$ 18,559</b>

	Year ended December 31,	
	2018	2017
Professional fees and outside services		
Investor relations	\$ -	\$ 72,500
Legal fees	10,201	7,764
Audit and accounting fees	10,000	33,550
Other professional fees	6,763	19,141
	<b>\$ 26,964</b>	<b>\$ 132,955</b>

### 12. Exploration and Evaluation Expenditures

	Year ended December 31,	
	2018	2017
<b>Exploration and evaluation expenses by project</b>		
Bateman Bay	\$ 22,313	\$ 87,480
Berrigan South and Berrigan Mine	18,755	108,369
Copper Cliff Extension	4,069	2,295
Grandroy	8,759	21,170
Kokko Creek	2,269	8,917
Lac Antoinette	636	642
Lac Chibougamau	16,356	13,662
Lac Élane	2,246	76
Lac Simon	10,146	499
Malouf	1,465	5,586
Mont Sorcier (Sulphur Converting Property and Magnetite Bay)	297	3,000
Nepton	6,444	14,772
Obalski West	-	1,146
Quebec Chibougamau Goldfields	1,480	-
Virginia Option	325	-
General exploration	2,750	1,945
Quebec refundable tax credit	(14,567)	(75,477)
<b>Exploration and evaluation expenditures</b>	<b>\$ 83,743</b>	<b>\$ 194,082</b>

# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

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(Expressed in Canadian Dollars)

### 12. Exploration and Evaluation Expenditures (Continued)

Exploration expenses by expenditure type	Year ended December 31,	
	2018	2017
Core shack, storage and equipment rental	\$ 8,760	\$ 14,455
Drilling	-	5,490
Geology	550	14,364
Geophysics	700	16,527
Laboratory analysis and sampling	33	2,831
Labour	66,329	191,193
Line cutting	-	3,345
Mineral claims acquisition	897	1,146
Mining property tax and permits	17,064	6,058
Prospecting and surveying	-	1,515
Reports, maps and supplies	929	1,789
Transport and road access	3,048	10,846
Quebec refundable tax credit	(14,567)	(75,477)
	<b>\$ 83,743</b>	<b>\$ 194,082</b>

### 13. Loss Per Common Share

Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding during the period, plus the effects of dilutive common share equivalents such as warrants and stock options.

Diluted net loss per share is calculated using the treasury method, where the exercise of warrants and options is assumed to be at the beginning of the period and the proceeds from the exercise of warrants and options and the amount of compensation expense measured, but not yet recognized in loss are assumed to be used to purchase common shares of the Corporation at the average market price during the period.

#### Basic and diluted loss per common share

The following table sets forth the computation of basic and diluted loss per share:

	Year ended December 31,	
	2018	2017
Numerator		
Loss for the year	\$ (194,799)	\$ (365,746)
Denominator		
Weighted average number of common shares - basic and diluted (i)	39,450,324	38,236,219
Loss per share - basic and diluted	\$ (0.00)	\$ (0.01)

(i) At December 31, 2018 and at December 31, 2017, no stock options and warrants were included in the diluted loss per share as they were anti-dilutive.

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### 14. Share Capital

#### Authorized:

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

Common shares: Voting

Preferred: Issuable in series, non-voting, conditions to be determined by the Board of Directors.

#### a) Changes in capital stock

	December 31, 2018		December 31, 2017	
Fully paid common shares	Number of shares	Capital stock	Number of shares	Capital stock
Balance, beginning of year	38,438,442	\$ 9,119,311	37,228,542	\$ 8,975,255
Issued on exercise of agents' options (i)(iii)	395,000	45,957	979,900	114,008
Issued on exercise of warrants (ii)	-	-	230,000	30,048
Private placements - Flow-through shares (iv)	3,125,000	171,875	-	-
Share issuance costs	-	(4,085)	-	-
Balance, end of year	41,958,442	\$ 9,333,058	38,438,442	\$ 9,119,311

(i) On March 2, 2017, 979,900 agent's options were exercised at an exercise price of \$0.05 per share. The value of the exercised options totalled \$65,013.

(ii) On March 2, 2017, 230,000 warrants with a fair value per share of \$0.030647 were exercised at an exercise price of \$0.10 per share.

(iii) On June 22, 2018, 395,000 agents' options were exercised at an exercise price of \$0.05 per share. The value of the exercised options totalled \$26,207.

(iv) On September 28, 2018, the Corporation issued 3,125,000 Flow-through common shares ("FT") at a price of \$0.08 per FT share. The fair market value of the FT shares was based on the closing price of the Corporation's common shares which resulted in an ascribed value of \$0.055 per share. The excess of the issue price of the FT shares and the fair value which totalled \$78,125 (\$0.025 per share) has been reflected in other liabilities.

#### b) Warrants

	December 31, 2018		December 31, 2017	
	Number of warrants	Fair value	Number of warrants	Fair value
Balance, beginning of year	-	\$ -	7,845,000	\$ 240,425
Exercised, March 2, 2017 (i)	-	-	(230,000)	(7,048)
Expired (ii)	-	-	(7,615,000)	(233,377)
Balance, end of year	-	\$ -	-	\$ -

# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

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(Expressed in Canadian Dollars)

### 14. Share Capital (Continued)

#### b) Warrants (Continued)

(i) On March 2, 2017, 230,000 warrants with a fair value per share of \$0.030647 were exercised at an exercise price of \$0.10 per share.

(ii) On December 24, 2017, 7,615,000 warrants issued in connection with June 24, 2016 private placement expired.

#### c) Stock options

On September 7, 2012, the CIM directors approved the adoption of the 2012 stock option plan (the "Plan") for directors, officers, employees and consultants who share primary responsibility for the management, growth and protection of the business of the Corporation.

The key terms of the plan are as follows:

(i) The original maximum number of shares that could be issued pursuant to the plan was a fixed number of 1,603,235 after reflecting the impact of the share consolidation in June 2016. On October 11, 2016, the TSXV approved an amendment which increased the number of shares issuable to 3,722,850 which resulted in 2,120,750 options available for future grant.

(ii) The maximum number of shares that can be reserved for issuance during any 12-month period is limited to a certain percentage, as follows, of issued and outstanding shares:

- a) 5% for any one optionee,
- b) 2% for any one consultant,
- c) 2% for persons conducting investor-relations.

(iii) The option exercise price shall be fixed by the Board of Directors at the time of granting the options and shall not be less than the market price of the shares, less the maximum discount permitted under the policies of the TSXV. The options are not transferable and the term cannot exceed ten years.

At December 31, 2018, 1,212,500 (December 31, 2017 – 1,525,000) stock options were outstanding and exercisable with a weighted average exercise price of \$0.09 per share and a weighted average remaining contractual life of 2.19 years.

In addition to the 1,212,500 (December 31, 2017 – 1,525,000) options outstanding, 1,993,970 (December 31, 2017 – 2,197,850) options were available to be granted at December 31, 2018.

The following is a summary of the share purchase option transactions under the Plan for the relevant years:

	December 31, 2018		December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	1,525,000	\$ 0.12	1,587,500	\$ 0.12
Expired	(312,500)	0.20	(62,500)	0.25
Balance, end of year	1,212,500	\$ 0.09	1,525,000	\$ 0.12
Options exercisable	1,212,500	\$ 0.09	1,525,000	\$ 0.12



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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

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### 14. Share Capital (Continued)

#### c) Stock options (continued)

The following table summarizes information regarding the stock options outstanding and exercisable as at December 31, 2018:

Range of prices	Number of options outstanding	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price
\$0.05 - \$0.08	700,000	700,000	2.49	\$ 0.07
\$0.09 - \$0.15	512,500	512,500	1.79	0.13
	1,212,500	1,212,500	2.09	\$ 0.09

#### Stock-based compensation

The Corporation uses the Black-Scholes option pricing model to estimate the fair value for stock options granted to directors, officers, employees and non-employees. Accordingly, the fair value of the options at the date of grant is charged to operations, with an offsetting credit to contributed surplus, over vesting periods (which can vary from immediate vesting to 5 years). If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to capital stock.

During the year ended December 31, 2018 and 2017, no share-based compensation costs were incurred.

### 15. Related Party Information

#### a) Related party payables

	December 31, 2018	December 31, 2017
Globex	\$ 1,443	\$ 14,476

The Corporation is considered a related party with Globex as management consisting of the President and Director, who hold the same positions with both entities. In addition, the President and Chief Executive Officer ("CEO") holds a large number of common shares of both organizations through Jack Stoch Geoconsultant Services Limited and therefore can significantly influence the operations of both entities. The amount payable bears no interest, is without specific terms of repayment and is unsecured.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

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### 15. Related Party Information (Continued)

#### b) Management services

On December 29, 2012, CIM entered into a Management Services Agreement with Globex under which the Corporation would receive management services including administrative, compliance, corporate secretarial, risk management support and advisory services.

	Year ended December 31,	
	2018	2017
Globex Management Services (i)	\$ 12,335	\$ 53,028
Management compensation (ii)	59,635	33,343
	<b>\$ 71,970</b>	<b>\$ 86,371</b>

(i) Globex management services for the respective years represents Globex's estimate of the specific costs related to performing these services in accordance with the Management Services Agreement. It included the management compensation as well as a proportional departure allowance of the former Chief Financial Officer ("CFO") who resigned from the organization effective September 20, 2017.

(ii) Management compensation represents salaries and other benefits of the President and CEO as well as external services provided by the new CFO and the new Corporate Secretary. As at December 31, 2018, the balance due to CFO and Corporate Secretary is \$4,447 (December 31, 2017 - \$nil) which is included in payables and accruals due under normal credit terms.

No other related party transactions had been incurred during the year ended December 31, 2018 and 2017.

#### c) Management compensation

The total compensation for the respective periods paid to directors and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Corporation (management personnel includes President and CEO, Vice-President Operations as well as current and former CFO, Treasurer and Corporate Secretary) are as follows:

	Year ended December 31,	
	2018	2017
Management compensation		
Management services (i)	\$ 59,635	\$ 65,791

(i) It included the salaries and other benefits of the President and CEO as well as the external services provided by the new CFO and the new Corporate Secretary.

All related party transactions disclosed above were at the agreed amounts that approximate fair value.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

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### 16. Supplementary Cash Flows Information

#### Changes in non-cash working capital items

	December 31, 2018	December 31, 2017
Taxes receivable	\$ 65,625	\$ (49,478)
Prepaid and deposits	(4,744)	176
Payables and accruals	808	(24,410)
	<u>\$ 61,689</u>	<u>\$ (73,712)</u>

### 17. Financial Instruments

#### Capital risk management

The Corporation manages its common shares, warrants, contributed surplus - equity settled reserve and deficit capital. Its principal source of cash is from the issuance of common shares. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern while it pursues its objective of evaluating, enhancing the value and acquiring additional properties or business assets. The Corporation manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, CIM may attempt to issue new shares. The Corporation's overall strategy remains unchanged from 2017.

The Corporation's investment policy is to invest its short-term excess cash in low risk, highly-liquid short-term interest-bearing investments with maturities, selected to match the expected timing of expenditures related to continuing operations.

In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets that are updated as necessary. The annual and updated budgets are approved by the Board of Directors. For capital management purposes, the Corporation has developed two objectives which are as follows:

- Retain cash and cash equivalents as well as accounts receivable which are equal to or greater than the committed exploration expenditures,
- Retain equity investments and debt instruments with a combined fair market value which are greater than twelve months of projected operating and administrative expenditures.

Based on the current cash position and exploration strategy, the Corporation will likely not need additional capital resources to complete or carry out its exploration and development plans for the next twelve months.

The Corporation is not subject to any externally imposed capital requirements.

The fair value of the Corporation's cash and cash equivalents, cash reserved for exploration, payables and accruals and related party payable approximate their carrying value due to the short-term nature. The equity investments have been adjusted to reflect their fair market value at the period end based on market quotes.

The Corporation's financial instruments are exposed to certain financial risks including credit risk, liquidity risk, equity market risk and fair value measurements recognized in the statement of financial position.

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

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### 17. Financial Instruments (Continued)

#### (a) Credit risk

The Corporation had cash and cash equivalents as well as cash reserved for exploration which totalled \$410,418 as at December 31, 2018, (December 31, 2017 - \$264,774). These funds are subject to a combination of the \$100,000 maximum guarantee per individual institution as provided by the Canadian Deposit Insurance Corporation, a federal Crown Corporation. The Corporation does not believe that it is subject to any significant concentration of credit risk. Cash and cash equivalents and cash reserved for exploration are in place with major Canadian financial institutions.

The maximum exposure to credit risk was:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 171,608	\$ 264,774
Cash reserved for exploration	238,810	-
Investments	86,341	115,960
	<u>\$ 496,759</u>	<u>\$ 380,734</u>

#### (b) Liquidity risk

Liquidity risk represents the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through its capital structure and by continuously monitoring actual and projected cash flows. The Corporation finances its exploration activities through flow-through shares, operating cash flows and the utilization of its liquidity reserves.

The Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

Contractual maturities of financial liabilities are as follows; payables and accruals, less than ninety days, and related party liabilities, from future free cash flow.

#### (c) Equity market risk

Equity market risk is defined as the potential impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market.

The Corporation closely monitors the general trends in the stock markets and individual equity movements, and determines the appropriate course of action to be taken.

The Corporation currently holds equity investments with a fair market value of \$86,341 (December 31, 2017 - \$115,960) and as result of 10% increase or decrease would impact income and loss by \$8,634 (December 31, 2017 - \$11,596).

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# CHIBOUGAMAU INDEPENDENT MINES INC.

## Notes to the Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 17. Financial Instruments (Continued)

#### (d) Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

December 31, 2018	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets				
Investments	\$ 86,341	\$ -	\$ -	\$ 86,341

December 31, 2017	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets				
Investments	\$ 115,960	\$ -	\$ -	\$ 115,960

There were no transfers between level 1, level 2 and level 3 during the year.

### 18. Risk Management

The Corporation is engaged primarily in mineral exploration and manages related industry risk issues directly. The Corporation may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

### 19. Commitments and Contingencies

At period-end, the Corporation had no outstanding commitments other than in the normal course of the business.

The Corporation's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are difficult to identify and it is also a challenge to anticipate the impacts of deadlines.

At the period-end, management believes to the best of its knowledge that CIM is in conformity with all applicable laws and regulations. Restoration costs, if any, will be accrued in the financial statements and reflected in the statement of loss and comprehensive loss, if and when they can be reasonably estimated.