TALISKER RESOURCES LTD.

(formerly Eurocontrol Technics Group Inc.)

CONDENSED INTERIM FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2019 and 2018

(In Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

TALISKER RESOURCES LTD.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

As at,	Notes		September 30, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents	5	$	7,587,154	$	946,611
Marketable securities	4		-		2,526,633
Amounts receivable	7		72,624		24,217
Current portion of long term receivable	15		-		1,300,000
Prepaid expenses			121,560		-
Total current assets			7,781,338		4,797,461
Reclamation deposits	18		50,437		-
TOTAL ASSETS		$	7,831,775	$	4,797,461
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	8, 13	$	339,020	$	631,626
Total current liabilities			339,020		631,626
Provision for site reclamation and closure	18		316,266		-
Flow through premium liability	9		507,000		-
Total liabilities			1,162,286		631,626
Shareholders' equity					
Issued capital	9		25,914,592		15,001,591
Share-based payment reserve	11		560,044		298,895
Warrant reserve	10		737,000		-
Accumulated deficit			(20,542,147)		(11,134,651)
Total shareholders' equity			6,669,489		4,165,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	7,831,775	$	4,797,461

Nature of operations and going concern (note 1)
Events after the reporting period (note 20)

APPROVED ON BEHALF OF THE BOARD:

Signed *"Thomas Obradovich"*, Director

Signed *"Blair Zaritsky"*, Director

The accompanying notes are an integral part of these condensed interim financial statements

TALISKER RESOURCES LTD.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Expenses					
Consulting and management	13	$ 120,033	$ 648,148	$ 353,440	$ 1,165,250
Exploration and evaluation expenditures	17	845,479	-	8,464,083	-
Administration		36,148	154,785	152,579	265,687
Travel and other		10,223	348	15,815	28,071
Share-based expense		-	78,500	346,000	78,500
Public company costs		48,431	24,351	166,214	44,301
Total expenses		1,060,314	906,132	9,498,131	1,581,809
Loss before the undernoted		(1,060,314)	(906,132)	(9,498,131)	(1,581,809)
Other income and expense					
Finance income	4	2,875	4,208	19,395	20,860
Foreign currency translation gain (loss)		(7,267)	5,425	(13,611)	8,260
Interest accretion on long term receivable	15	-	72,000	-	314,370
Write down of long term receivable	17	-	(1,761,780)	-	(1,761,780)
		(4,392)	(1,680,147)	5,784	(1,418,290)
Loss from continuing operations		(1,064,706)	(2,586,279)	(9,492,347)	(3,000,099)
Loss from discontinued operations	19	-	(2,416,817)	-	(5,416,854)
Net loss		$ (1,064,706)	$ (5,003,096)	$ (9,492,347)	$ (8,416,953)
Loss per share - basic and diluted					
From continuing operations		$ (0.01)	$ (0.11)	$ (0.18)	$ (0.13)
From discontinued operations		$ -	$ (0.11)	$ -	$ (0.24)
Net loss		$ (0.01)	$ (0.22)	$ (0.18)	$ (0.37)
Weighted average common shares outstanding		74,042,217	22,937,560	51,512,625	22,937,560
Net loss		$ (1,064,706)	$ (5,003,096)	$ (9,492,347)	$ (8,416,953)
Other comprehensive income (loss) - items that may subsequently reclassify into income or loss					
Exchange differences on translation of foreign subsidiaries		-	181,176	-	219,798
Comprehensive loss		$ (1,064,706)	$ (4,821,920)	$ (9,492,347)	$ (8,197,155)

The accompanying notes are an integral part of these condensed interim financial statements

TALISKER RESOURCES LTD.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Shares	Issued Capital	Share-based Payment Reserve	Warrant Reserve	Retained earnings (deficit)	Accumulated Other Comprehensive Income	Total
		(Note 9)	(Note 11)	(Note 10)			
Balance as at December 31, 2017	22,687,554	$ 14,942,091	$ 519,513	$ -	$ (2,502,190)	$ 142,337	$ 13,101,751
Share-based expense - options	-	-	19,000	-	-	-	19,000
Share-based expense - RSU's	-	-	59,500	-	-	-	59,500
Expiry of stock options	-	-	(105,827)	-	105,827	-	-
Exchange gain on translation of foreign subsidiaries	-	-	-	-	-	219,798	219,798
Net loss for the period	-	-	-	-	(8,416,953)	-	(8,416,953)
Balance as at September 30, 2018	22,687,554	$ 14,942,091	$ 492,186	$ -	$ (10,813,316)	$ 362,135	$ 4,983,096
Exercise of RSU's	425,000	59,500	(59,500)	-	-	-	-
Expiry of stock options	-	-	(133,791)	-	133,791	-	-
Exchange loss on translation of foreign subsidiaries	-	-	-	-	-	(362,135)	(362,135)
Net loss for the period	-	-	-	-	(455,126)	-	(455,126)
Balance as at December 31, 2018	23,112,554	$ 15,001,591	$ 298,895	$ -	$ (11,134,651)	$ -	$ 4,165,835
Issue of shares pursuant to private placement, net of issue costs	37,907,520	4,881,101	-	737,000	-	-	5,618,101
Issue of shares for acquisition of mineral properties (Note 17)	30,220,000	6,031,900	-	-	-	-	6,031,900
Share-based expense - options	-	-	332,000	-	-	-	332,000
Share-based expense - RSU's	-	-	14,000	-	-	-	14,000
Expiry of stock options	-	-	(84,851)	-	84,851	-	-
Net loss for the period	-	-	-	-	(9,492,347)	-	(9,492,347)
Balance as at September 30, 2019	91,240,074	$ 25,914,592	$ 560,044	$ 737,000	$ (20,542,147)	$ -	$ 6,669,489

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

The accompanying notes are an integral part of these condensed interim financial statements

TALISKER RESOURCES LTD.
(formerly Eurocontrol Technics Group Inc.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)

For the nine month periods ended September 30,	Notes	2019	2018
Cash provided by (used in):			
Operating activities			
Net loss for the period		$ (9,492,347)	$ (8,416,953)
Items not involving cash:			
Write down of long term receivable		-	1,761,780
Share based payments		346,000	78,500
Interest accretion on long term receivable	15	-	(314,370)
Unrealized foreign exchange loss		-	181,852
Shares issued for acquisition of mineral properties		6,297,729	-
Working capital changes			
Change in amounts receivable		(48,407)	(6,678)
Funds from long term receivable	15	1,300,000	1,550,000
Change in prepaid expenses		(121,560)	12,520
Change in accounts payable and accrued liabilities		(292,606)	618,743
Net change in working capital of discontinued operations		-	1,149,102
Cash flows from (used in) operating activities		(2,011,191)	(3,385,504)
Investing activities			
Cash held in relation to assets held for sale		-	(460,955)
(Purchase) Sales of marketable securities, net		2,526,633	(2,514,385)
Cash flows used by discontinued operations		-	(103,564)
Cash flows from (used in) investing activities		2,526,633	(3,078,904)
Financing activities			
Issue of shares pursuant to private placement, net of issue costs		6,125,101	-
Cash flows used in financing activities		6,125,101	-
Net increase (decrease) in cash and cash equivalents for the period		6,640,543	(6,464,408)
Effect of exchange rate changes on cash and cash equivalents		-	37,946
Cash and cash equivalents, beginning of the period		946,611	6,500,080
Cash and cash equivalents, end of the period		$ 7,587,154	$ 73,618

Supplementary cash flow information

Interest received		$ 26,376	$ 16,901

The accompanying notes are an integral part of these condensed interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) ("Talisker" or the "Company") is a publicly listed company incorporated in British Columbia and continued in the Province of Ontario. The Company is engaged in exploration and evaluation of mineral properties in British Columbia. The Company's shares are listed on the Canadian Securities Exchange (the "CSE") under the symbol "TSK" and the OTCQB Venture Market under the symbol "TSKFF". The head office and registered address of the Company is located at 100 King Street West, Suite 7010, Toronto, Ontario, M5X 1A0.

Disposal of Israel Operations

On September 14, 2018, the Company entered into a share purchase agreement (the "Agreement") with DYG Holdings Ltd. ("DYG") pursuant to which the Company agreed to sell all of the shares of its Israeli subsidiaries to DYG representing a sale of all of the Company's former operating business (the "Sale Transaction"). The Company entered into the Agreement in order to complete its process of winding up its operations in Israel. Under the terms of the Agreement, the Company agreed to sell all of the issued and outstanding shares of Xenemetrix Ltd., Croptimal Ltd., and Xwinsys Technology Development Ltd. (the "Discontinued Subsidiaries") for nominal consideration and the possibility of receiving post-closing earn-out payments, only if DYG succeeds in re-establishing the business of the Discontinued Subsidiaries and realizing profits during the earn out period ending December 31, 2025. Any such earn-out payments would represent 20% of the net profit of the purchased companies, after various adjustments up to a maximum of $4,000,000. The Agreement contained only basic representations and warranties and the sale was completed substantially on an "as is where is" basis. Due to the uncertainty of the earn-out payments, the fair value of this contingent consideration was assessed as $nil.

On October 31, 2018, the Sale Transaction was approved by shareholders at the Company's special meeting of shareholders and the Sale Transaction was finalized.

In its news release issued on July 31, 2018, the Company first announced its plans to discontinue its Israeli operations and that it had entered into a comprehensive agreement with SICPA Finance ("SICPA Finance"), SICPA SA, and SICPA Global Fluids Integrity SA ("GFI") that terminated the long term supply, maintenance and support agreement between Xenemetrix and GFI and settled the outstanding amount owing to the Company by SICPA Finance (the "SICPA Termination Agreement"). Under the terms of the SICPA Termination Agreement, SICPA Finance agreed to pay the Company a total of $3,400,000 in full satisfaction of all of the remaining net revenue based earn-out obligations owed by it to the Company in connection with its sale of GFI to SICPA, payable in installments of $800,000, $1,300,000 and $1,300,000 on August 2, 2018, October 1, 2018 and January 3, 2019, respectively. The SICPA Termination Agreement was entered into by the Company to help facilitate an orderly transition of its business, eliminate risk and to strengthen its short-term cash position.

Agreement with Sable Resources Ltd.

On January 24, 2019, Eurocontrol entered into an asset purchase agreement (the "Purchase Agreement") to acquire Sable Resources Ltd.'s ("Sable") mineral resource properties located in the Province of British Columbia and certain related assets (the "B.C. Properties") in exchange for paying Sable $500,000 in cash and issuing Sable 30,000,000 post-consolidation shares at the time of closing and granting Sable, on the closing date, a 1.0% net smelter return royalty on each of the B.C. Properties and assuming certain liabilities relating to the B.C. Properties (the "Sable Transaction").

On March 29, 2019, shareholders approved the Sable Transaction resolution and other related items of business and on April 17, 2019, the Company filed Articles of Amendment to change its name to Talisker Resources Ltd. and to consolidate its shares on a 1 for 4 basis.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Going concern

The condensed interim financial statements have been prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has a net loss in the nine month period ended September 30, 2019 of $9,492,347 and an accumulated deficit of $20,542,147.

The Company's ability to continue as a going concern is dependent upon attaining profitable operations, and, if required, the ability to raise public equity financing to meet expenditure commitments. There is no assurance that these activities will be successful. The combination of these circumstances set out above represents a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. However, the Company is confident that it will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the annual report and financial statements. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumptions were not appropriate.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 20, 2019.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2018 annual financial statements.

Adoption New Accounting Standards

The adoption of the following new standards, interpretations and amendments where included in the financial statements for the year beginning January 1, 2019.

IFRS 16 Leases ("IFRS 16"), was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019.

The Company did not have any leases in place as at January 1, 2019, as such, there was no impact on adoption of the standard.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- ***Assets' carrying values and impairment charges*** - In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- ***Collection of amounts receivable and provision for doubtful accounts*** – Management continually assesses the status of collections of its amounts receivable. If an amount is deemed to not be collectable, a provision for doubtful accounts is recorded. The determination of the allowance for doubtful accounts is based on current information available and historical collections. The Company has historically had very low (nominal) to $nil bad debts.
- ***Share-based payments*** – The Company determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- ***Income taxes*** – The Company must make significant estimates in respect of the provision for income taxes and the composition of its deferred income tax assets and deferred income tax liabilities. 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 which may, on resolution in the future, result in adjustments to the amount of deferred income tax assets and deferred income tax liabilities, and those adjustments may be material to the Company's financial position and results of operations.
- ***Functional currency determination*** - The functional currency for the Company is the currency of the primary economic environment in which the entity operates. Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21. The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.
- ***Provision for site reclamation and closure*** - Provisions for site reclamation and closure have been created based on management estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability as shown in Note 18. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management and are based on current regulatory requirements. Significant changes in estimates of discount rate, contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual reclamation and closure costs will ultimately depend on future market prices for the costs which will reflect the market condition at the time the costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

(Expressed in Canadian dollars)

4. MARKETABLE SECURITIES

As at September 30, 2019, the balance consists of various short term corporate bonds with a fair market value of $nil (December 31, 2018 - $2,526,633). As at September 30, 2019, these fair value through profit or loss investments have been measured at their fair value of $nil (December 31, 2018 - $2,526,633).

During the nine month period ended September 30, 2019, the Company recognized interest income related to the bonds of $26,376 (2018 - $16,901).

5. CASH AND CASH EQUIVALENTS

The balance at September 30, 2019 consists of cash on deposit with major Canadian in interest bearing accounts totaling $7,577,154 (December 31, 2018 - $936,611) and cashable guaranteed investment certificates with major Canadian banks of $10,000 (December 31, 2018 - $10,000) for total cash and cash equivalents of $7,587,154 (December 31, 2018 - $946,611).

6. SEGMENT INFORMATION

Operating Segments

At September 30, 2019, the Company's operations comprise a single operating segment engaged in mineral exploration and evaluating in British Columbia.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

7. AMOUNTS RECEIVABLE

As at,	September 30, 2019	December 31, 2018
HST receivable	$ 72,624	$ 24,217
	$ 72,624	$ 24,217

At September 30, 2019, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 16. The Company holds no collateral for any receivable amounts outstanding as at September 30, 2019 and December 31, 2018.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at,	September 30, 2019	December 31, 2018
Accounts payable	$ 277,020	$ 77,126
Accrued liabilities	62,000	554,500
	$ 339,020	$ 631,626

(Expressed in Canadian dollars)

9. ISSUED CAPITAL

Authorized: Unlimited common shares without par value

	September 30, 2019	December 31, 2018
Issued capital	$ 25,914,592	$ 15,001,591
Fully paid common shares (1)	91,240,074	23,112,554

(1) As at September 30, 2019 and December 31, 2018, there are 250,000 shares awaiting issuance, the proceeds for which were received in 2008 and are included in share capital.

Common shares issued:

	Number of Shares		Value of shares
Balance as at December 31, 2017	22,687,554	$	14,942,091
Exercise of RSU's	425,000		59,500
Balance as at December 31, 2018	23,112,554	$	15,001,591
Issue of shares pursuant to private placement, net of issue costs	37,907,520		6,125,101
Issue of shares for acquisition of mineral properties (Note 17)	30,220,000		6,031,900
Warrants issued	-		(696,000)
Broker warrants issued	-		(41,000)
Flow through premium liability	-		(507,000)
Balance as at September 30, 2019	91,240,074	$	25,914,592

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

Financings:

On April 17, 2019, the Company completed an offering of 11,730,000 subscription receipts (each, a “Subscription Receipt”), at a price of $0.20 per Subscription Receipt, for gross proceeds of $2,346,000 (the “Private Placement”). Following completion of the Sable Transaction on April 18, 2019, the gross proceeds from the Private Placement were released to Talisker, and all of the Subscription Receipts were automatically exchanged for units (each, a “Unit”) of Talisker. Each “Unit” was comprised of one common share of Talisker, and one common share purchase warrant of Talisker (each, a “Warrant”). Each “Warrant” entitles the holder to acquire a further common share of the Company at a price of $0.30 for a period of 24 months, subject to accelerated expiry in the event the closing price of the shares of the Company is greater than $0.50 for ten consecutive trading days. The Units were ascribed a fair value of $696,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.62%; volatility 75% and an expected life of 24 months.

On August 29, 2019 through September 6, 2019, the Company undertook a brokered and non-brokered private placement financing in three tranches issuing 11,642,770 common shares at $0.14 per common share for gross proceeds of $1,629,988, 10,463,750 flow-through shares (the “FT Shares”) at $0.16 per FT Share for gross proceeds of $1,674,200 and 4,071,000 charity flow-through shares (the “Charity FT Shares”) at $0.21 per Charity FT Share for gross proceeds of $854,910, respectively, for aggregate gross proceeds of $4,159,098.

(Expressed in Canadian dollars)

9. ISSUED CAPITAL

In consideration for their services, the Company paid cash commissions of $185,286, and issued 475,709 broker warrants on the brokered portion of the private placement and paid finder's fees of $14,250 in cash and issued 42,857 broker warrants on the non-brokered portion of the private placement. Each broker warrant entitles the holder to acquire one common share of the Company at a price of $0.14 for a period of 24 months.

Flow through premium liability

For the purposes of calculating the tax effect of any premium related to the issuances of the flow-through shares, the Company reviewed the share price of the Company's common shares and compared it to determine if there was a premium paid on the shares.

During the nine month period ended September 30, 2019:

For the nine month period ended September 30, 2019, the Company recognized a $507,000 as a flow-through premium liability on issuance in connection with the brokered and non-brokered private placement described above. The amount will be reduced upon filing of renunciation documents with the Canada Revenue Agency.

Diluted weighted average number of shares outstanding

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2019	2018	**2019**	2018
Basic weighted average shares outstanding:	**74,042,217**	22,937,560	**51,512,625**	22,937,560
Effect of outstanding stock options	**-**	-	**-**	-
Diluted weighted average shares outstanding	**74,042,217**	22,937,560	**51,512,625**	22,937,560

During the three and nine month periods ended September 30, 2019 and 2018, the Company had a net loss, as such, the diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

10. WARRANTS RESERVE

The following is a summary of changes in warrants from January 1, 2018 to September 30, 2019:

	Number of Warrants	Weighted average exercise price per warrant	Amount
Balance, January 1, 2018 and December 31, 2018	-	$ -	$ -
Issue of warrants (Note 9)	11,730,000	0.30	696,000
Issue of broker warrants (Note 9)	518,566	0.14	41,000
Balance, September 30, 2019	12,248,566	$ 0.29	$ 737,000

As at September 30, 2019, the Company had outstanding warrants as follows:

Expiry Date	Exercise Price	Outstanding and exercisable
April 18, 2021	$0.30	11,730,000
August 29, 2021	$0.14	518,566
Balance, September 30, 2019		**12,248,566**

(Expressed in Canadian dollars)

11. SHARE-BASED PAYMENT RESERVE

Stock option plan

The Board of Directors of the Company adopted a stock option plan (the “Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with regulatory policies.

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of five years. The exercise price of the options granted under the Plan is set at the last closing price of the Company’s common shares before the date of grant or in accordance with regulatory requirements.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following options were outstanding as at September 30, 2019:

Number of options outstanding	Number of exercisable options	Grant date	Expiry date	Exercise price	Fair value at grant date
93,750	93,750	June 30, 2015	June 30, 2020	$ 0.52	31,000
362,500	362,500	February 19, 2016	February 19, 2021	$ 0.60	164,044
175,000	175,000	August 22, 2018	August 22, 2023	$ 0.24	19,000
3,400,000	3,400,000	June 18, 2019	June 18, 2024	$ 0.20	332,000
4,031,250	4,031,250				$ 546,044

The share options outstanding as at September 30, 2019 had a weighted exercise price of $0.25 (December 31, 2018: $0.52) and a weighted average remaining contractual life of 4.29 years (December 31, 2018: 2.49 years).

All options vested on their date of issue and expire within five years of their issue, or 90 days after the resignation of the director, officer, employee or consultant.

Fair value of share options granted in the nine month period ended September 30, 2019

On June 18, 2019, 3,400,000 share options were granted to directors, officers and consultants of the Company to acquire the Company’s shares at an exercise price of $0.20 until June 18, 2024. These share options had an estimated fair value of $332,000 at grant date.

(Expressed in Canadian dollars)

11. SHARE-BASED PAYMENT RESERVE (continued)

The fair value of share options granted in the nine month period ended September 30, 2019 was calculated using the following assumptions:

		Number of Options Granted
		18-Jun-19
		3,400,000
Grant date share price	$	0.140
Exercise price	$	0.20
Expected volatility		100%
Expected option life		5 years
Expected dividend yield		0%
Risk-free interest rate		1.32%

The share options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on comparable companies, an expected dividend yield, and a risk free interest rate, as noted in the table below. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Fair value of share options granted in the year ended December 31, 2018

On August 22, 2018, 700,000 share options were granted to directors and officers of the Company to acquire the Company's shares at an exercise price of $0.06 until August 22, 2023. These share options had an estimated fair value of $19,000 at grant date.

The fair value of share options granted in the year ended December 31, 2018 was calculated using the following assumptions:

		Number of Options Granted
		22-Aug-18
		700,000
Grant date share price	$	0.035
Exercise price	$	0.06
Expected volatility		119%
Expected option life		5 years
Expected dividend yield		0%
Risk-free interest rate		2.18%

(Expressed in Canadian dollars)

11. SHARE-BASED PAYMENT RESERVE (continued)

The share options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on historical prices of the Company, an expected dividend yield, and a risk free interest rate, as noted in the table below. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Movements in share options during the year:

The following reconciles the share options outstanding for the nine month period ended September 30, 2019 and year ended December 31, 2018:

Balance as at December 31, 2017	1,756,250	$	0.52
Granted	175,000	$	0.24
Expired	(1,043,750)	$	0.40
Forfeited	(68,750)	$	0.60
Balance as at December 31, 2018	818,750	$	0.52
Granted	3,400,000	$	0.20
Forfeited	(187,500)	$	0.60
Balance as at September 30, 2019	4,031,250	$	0.25

Restricted Share Units

The Restricted Share Unit Plan (RSU Plan) provides for the grant of restricted share units (each, an "**RSU**") convertible into a maximum number of common shares equal to ten percent (10%) of the number of common shares then issued and outstanding, provided, however, the number of common shares reserved for issuance from treasury under the RSU Plan and pursuant to all other security-based compensation arrangements of the Company shall, in the aggregate, not exceed ten percent (10%) of the number of common shares then issued and outstanding. Any common shares subject to a RSU which has been cancelled or terminated in accordance with the terms of the RSU Plan without settlement will again be available under the RSU Plan. When vested, each RSU entitles the holder to receive, subject to adjustments as provided for in the RSU Plan, one common share or payment in cash for the equivalent thereof based on the volume weighted average trading price of the common shares on the five trading days immediately preceding the redemption date. The terms and conditions of vesting (if applicable) of each grant are determined by the Board at the time of the grant, subject to the terms of the RSU Plan. RSU awards may, but need not, be subject to performance incentives to reward attainment of annual or long-term performance goals. Any such performance incentives or long term performance goals are subject to determination by the Board and specified in the award agreement.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon redemption of the RSU the carrying amount is recorded as an increase in common share capital and a reduction in the share based payment reserve.

(Expressed in Canadian dollars)

11. SHARE-BASED PAYMENT RESERVE (continued)

The following table summarizes changes in the number of RSUs outstanding:

	Number of RSU's	Weighted average fair value
Balance, December 31, 2017	-	$ -
Granted	1,700,000	$ 0.035
Exercised	(1,700,000)	$ 0.035
Balance, December 31, 2018	-	$ -
Granted	100,000	$ 0.14
Balance, September 30, 2019	100,000	$ 0.14

The following table summarizes information about share-based payment reserve:

Balance as at December 31, 2017	$	519,513
Share-based expense - options		19,000
Share-based expense - RSU's		59,500
Exercise of RSU's		(59,500)
Expiry of stock options		(239,618)
Balance as at December 31, 2018	$	298,895
Share-based expense - options		332,000
Share-based expense - RSU's		14,000
Expiry of stock options		(84,851)
Balance as at September 30, 2019	$	560,044

12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at September 30, 2019 and December 31, 2018 were as follows:

	Assets at fair value through profit or loss	Amortized cost	Other financial liabilities	Total
As at September 30, 2019				
Cash and cash equivalents	$ -	$ 7,587,154	$ -	$ 7,587,154
Current portion of long term receivable	-	-	-	-
Marketable securities	-	-	-	-
Amounts receivable	-	72,624	-	72,624
Accounts payable and accrued liabilities	-	-	339,020	339,020

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
As at December 31, 2018				
Cash and cash equivalents	$ -	$ 946,611.00	$ -	$ 946,611
Current portion of long term receivable	-	1,300,000	-	1,300,000
Marketable securities	2,526,633	-	-	2,526,633
Amounts receivable	-	24,217	-	24,217
Accounts payable and accrued liabilities	-	-	631,626	631,626

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS (continued)

The Company classifies its financial instruments carried at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data

As at September 30, 2019 and December 31, 2018, cash and cash equivalents were recorded at fair value under level 1 within the fair value hierarchy.

The carrying value of cash and cash equivalents, marketable securities, amounts receivable, current portion of long term receivable, reclamation deposits, accounts payable and accrued liabilities approximate fair value because of the limited terms of these instruments.

13. RELATED PARTY DISCLOSURES

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the three and nine month periods ended September 30, 2019 and 2018 were as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
Short term employee benefits, director fees	**$ 194,225**	$ 600,971	**$ 507,933**	$ 1,308,977
Share based payments	**-**	78,500	**303,000**	78,500
	$ 194,225	$ 679,471	**$ 810,933**	$ 1,387,477

As at September 30, 2019, an amount of $48,951 (December 31, 2018 - $434,418) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

(Expressed in Canadian dollars)

14. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support its operations. The capital of the Company consists of issued capital, warrant reserve and share-based payment reserve. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management in the nine month period ended September 30, 2019. The Company is not subject to externally imposed capital requirements.

15. LONG TERM RECEIVABLE

As part of the sale of GFI in 2016 to SICPA, the Company was entitled to post-closing earn-out payments equal to 5% of the net revenues earned by GFI from contracts, inclusive of both marker and logistics, entered into by it following the execution of the purchase agreement and during the period ending six years from the closing of the transaction, with a minimum guaranteed payment of $1.5 million per year for the six year minimum earn-out period (total payment of at least $9,000,000).

The Company had estimated cash flows receivable to amount to the minimum earn-out amount of $9,000,000. Due to the difficulty in estimating the contingent portions of the earn-out payments the Company did not recognize any additional amount above the minimum guaranteed portion. The estimated cash flows were discounted using a discount rate of 10%.

During the year ended December 31, 2018, the Company entered into a comprehensive agreement with SICPA, pursuant to which the parties terminated the surviving material agreements entered into between them in connection with the purchase and sale transaction of GFI in which SICPA acquired GFI from the Company in January 2016. Under the terms of the agreement, SICPA agreed to pay the Company a total of $3,400,000 in full satisfaction of all of the remaining net revenue based earn-out obligations owed by it to the Company, payable in installments of $800,000, $1,300,000 and $1,300,000 on August 2, 2018, October 1, 2018 and January 3, 2019, respectively.

The movement in the amount receivable under the earn out agreement during the nine month period ended September 30, 2019 and year ended December 31, 2018 is as follows:

	September 30, 2019	December 31, 2018
Opening balance	**$ 1,300,000**	$ 5,597,410
Interest accretion	**-**	314,370
Instalment payments received	**(1,300,000)**	(2,850,000)
Write down on termination of agreement	**-**	(1,761,780)
Total receivable under earn out agreement	**$ -**	$ 1,300,000
Less: Current portion	**-**	1,300,000
Long term portion	**$ -**	$ -

16. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no material changes in the risks, objectives, policies and procedures from the previous period.

Credit risk:

The Company's credit risk is primarily attributable to cash and cash equivalents and marketable securities. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. As at September 30, 2019, the Company had a cash and cash equivalents balance of $7,587,154 (December 31, 2018 - $946,611) as well as marketable securities of $nil (December 31, 2018 - $2,526,633) to settle current liabilities of $339,020 (December 31, 2018 - $631,626). Working capital for the Company as at September 30, 2019 was $7,442,318 (December 31, 2018 - $4,165,835).

Substantively all of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

Market risk:

(a) Foreign currency risk

The Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar.

Based on the foreign currency balances at September 30, 2019, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net income by approximately $1,000 (2018 - $201,000). This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

16. FINANCIAL RISK FACTORS (continued)

The exposure of the Company's financial assets, including marketable securities as at September 30, 2019 is as follows:

	CDN Dollar	US Dollar	Total (in CDN dollars)
Financial assets			
Cash and cash equivalents	$ 7,577,141	10,013	$ 7,587,154
Amounts receivable	72,624	-	72,624
Reclamation deposits	50,437	-	50,437
	$ 7,700,202	$ 10,013	$ 7,710,215
Financial liabilities			
Accounts payable and accrued liabilities	$ 339,020	$ -	$ 339,020
	$ 339,020	$ -	$ 339,020

(b) Commodities price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

17. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenses for the Company are summarized as follows:

Nine month period ended September 30,	**2019**	2018
Spences Bridge Regional Program	**$ 4,605,350**	$ -
Baker-Shasta Project	**691,553**	-
Mets Lease	**1,110,990**	-
Bot Property	**611,170**	-
Tulox Property	**551,871**	-
WCGG Properties	**893,149**	-
Exploration and evaluation expenditures	**$ 8,464,083**	$ -

17. EXPLORATION AND EVALUATION EXPENDITURES (continued)

On January 24, 2019, Eurocontrol entered into an asset purchase agreement (the "Purchase Agreement") to acquire Sable Resources Ltd.'s ("Sable") mineral resource properties located in the Province of British Columbia and certain related assets (the "B.C. Properties") in exchange for paying Sable $500,000 in cash and issuing Sable 30,000,000 post-consolidation shares at the time of closing and granting Sable, on the closing date, a 1.0% net smelter return royalty on each of the B.C. Properties and assuming certain liabilities relating to the B.C. Properties (the "Transaction"). Below is a description of the Company's B.C. Properties acquired pursuant to the Transaction and through staking and acquisition post the Transaction.

The B.C. Properties

The Company's B.C. Properties consist of several early to advanced stage projects encompassing 264,014 hectares over 253 claims and three leases. In south central BC, the Spences Bridge Regional Program, a 231,413 hectare land package comprises the Company's Spences Bridge, Blustry Mountain, Lola and Remington properties, that together cover ~85% of the Spences Bridge Gold Belt as well as the Tulox Property and the WCGC Properties. The Toodoggone projects are located in the prolific Golden Triangle and include the past producing Baker Gold/Silver Project, the Shasta Mine and Baker mill infrastructure and equipment, the Chappelle (Baker and Multinational Mines) Property, the Mets Lease and the Bot Property.

Spences Bridge Regional Program

The Spences Bridge Regional Program consists of a 230,640 hectare (153 claims) land package located in the Spences Bridge Gold Belt in southern British Columbia and comprises the Company's Spences Bridge, Blustry Mountain, Lola and Remington properties. In connection with the staking of Spences Bridge claims, the Company formed a strategic alliance with Westhaven Ventures Inc. ("Westhaven") which owns the Shovelnose Project contiguous the Company's claims and entered into an agreement whereby any ground staked by the Company within 5 km of Westhaven's existing projects will be subject to a 2.5% net smelter royalty. Additionally, Westhaven has a 30 day right of first refusal for a three-year period for any properties within the same 5 km radius.

On June 18, 2019, the Company entered into purchase agreements for the Blustery Mountain project which encompass four mineral claims, totalling 471.5 hectares, in exchange for cash payments of $30,000 (paid), the issuance of 220,000 common shares of Talisker (issued) and, in the case of three of the minerals claims, a 1% net smelter royalty (NSR). Talisker has the right to purchase 50% of the NSR for $500,000.

Lola Property

The Lola Property is located in southern British Columbia near Lillooet and consists of four mineral claims that encompass an area of 4,949 hectares. The Lola claims cover historical Hg geochemical and surround two historical Hg showings known as Golden Eagle located on the northeast side of the Yalakom River, and Red Eagle located on the southwest side. Most of the historical exploration activity that was conducted at the Golden Eagle where minor amounts of mercury ore were mined in the 1940's decade. Assessment reports show the presence of Ag, As, Sb, and Au trace anomalies associated with the mercury mineralization.

17. EXPLORATION AND EVALUATION EXPENDITURES (continued)

The geology is dominated by sediments including sandstones, limestones and minor siltstones; mafic volcanic rocks are also present interbedded within the sediments. Although ultramafic rocks are reported to be localized slivers within the fault zones, that situation is not easily identifiable in the field; multiple outcrops of olivine and pyroxene bearing rocks, sometimes serpentinized were observed and it is not clear if they are intrusive or extrusive or what their actual geometry or stratigraphic position is. The main alteration around the showings and along structures is ankerite, accompanied by silica, which forms irregular zones of opal at the Golden Eagle and more formal veins and breccias at the Red Eagle and new alteration zones observed west of it. Pyrite was mostly observed at the Golden Eagle, especially associated to small shear zones within shale horizons and it is absent or trace on the west side of the river. Barite and fluorite were observed in several of the new structures found west of Red Eagle. Cr micas are common within the ankerite-silica zones. Calcite is abundant and present within and out of the structures. Lola structures show characteristics of LS-IS epithermal environment outcropping at a high level above “bonanza” level. It shows good structural continuity and strong alteration intensity.

Remington Property

The Remington Property is located in central British Columbia, north of Lillooet and consists of 20 mineral claims that encompass an area of 31,652 hectares. The reported showings within the Remington claims can be subdivided in three groups a group of Hg, Sb, W showings located on the southwest extreme of the block, which include Paul, Bri, MugWump, Noaxe Creek, Tungsten King, and Tungsten Queen. All these showings are associated with a regional north northwest fault zone that controls the Relay and Tyaughton creeks valleys; abundant ankerite, calcite, fuchsite with minor opaline silica and occasional pyrite is common along the valley and more intense close to the showings. A second group of showings is located at the southeast corner of the claim block, around Liza Lake, oriented in west northwest direction. These showings are described as magnesite occurrences with Hg, and Sb. Ankerite, calcite, fuchsite, opaline silica, and minor barite are present in small veinlets and patches. Small and irregular milky quartz veins of orogenic style with local crack and seal textures and minor amounts of pyrite and chalcopyrite are hosted within the same fault zone. The coexistence of low temperature opaline silica and high temperature crystalline quartz shows a clear overprinting of two different hydrothermal events. There are also two isolated showings, Big Sheep located at the central eastern part of the block and ABC at the most northwest extreme of the block. Big Sheep is a large alteration zone easily identifiable in the field and also on satellite images where soil and talus anomalies reach up to 1.7 ppm Au with high values of Ag, As, Te. The property has not been properly mapped and has been never drilled.

Baker-Shasta Project

The Baker-Shasta Project (“Baker”) comprises 53 mineral claims, two mining leases, several environmental, an exploration and a mining permit, along with camp, milling and tailing infrastructure capable of sustaining a mining operation located in north-central British Columbia. The project contains two past producing small gold-silver mines, the “Baker” and “Shasta”, which have produced mill feed for the Baker milling facilities since 1980 and 1989 respectively. Mining activity last occurred in 2012 at the Shasta mine.

Mets Lease

The Mets Lease is located approximately 20 km north of the Baker and Multinational Mines. The mining lease covers two km^2 and is subject to a 1% NSR which can be purchased at any time for Canadian $500,000. Historical work performed on the property dating back to the discovery of mineralization in the mid 1980’s consisted of 8,784m of diamond drilling, geological and geochemical surveys.

17. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Bot Property

The Bot Property consists of 8,685 hectares of mineral tenure over 18 claims in the Toodoggone district and is located approximately 35 km north of Sable's Baker milling facilities in northern British Columbia. Previous work completed in 2004 and 2006 outlined significant mineralization on the property.

Tulox Property

The Tulox Project is located in south-central British Columbia and consists of 23 contiguous mineral claims that encompass an area of 13,721 hectares. Mineralisation occurs along the contact of the intrusive and is interpreted to be of Intrusion Related type (IRGS). A robust soil anomaly defined by numerous multi-line, multi-station values above 80ppb is coincident with the contact of two felsic intrusive bodies, distinguished by differing Thorium-Potassium gamma ray spectrometer signatures.

WCGG Properties

WCGG Properties consist of early stage exploration projects in southern and central British Columbia (Tulameen South (758 hectares), New Bluejay (1,955 hectares over three mineral claims) and Sauchi Creek (1,488 hectares on two mineral claims) projects). The projects were staked directly by WCGG based upon ongoing review of the B.C. Minfile, ARIS, geological, geophysical and land tenure database. Each of the properties contains composite mineral occurrence and geochemical-geophysical anomalies that support potential for the properties to host exploitable mineral resources.

Dora-Merritt Option Agreement

On May 31, 2019, Talisker entered into a purchase agreement for the Dora-Merritt property which encompasses six mineral claims, totalling 374.05 hectares, and provides the Company with an option to acquire 100 per cent of the Dora-Merritt property mineral claims. Under the term of the option agreement, Talisker paid $10,000 in cash and has agreed to pay $10,000 and 50,000 common shares of Talisker on May 31, 2020, and May 31, 2021; $20,000 and 50,000 common shares of Talisker on May 31, 2022; $50,000 and 150,000 common shares of Talisker on May 31, 2023; and to spend a minimum of $50,000 per year over five years. The option agreement is also subject to a share bonus of one common share per ounce of gold equivalent in the inferred or greater category to a maximum of 250,000 common shares and a 2% NSR. Talisker has the right to purchase 50% of the NSR for $1-million.

18. PROVISION FOR SITE RECLAMATION AND CLOSURE

Provincial laws and regulations concerning environmental protection affect the Company's exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its activities and to perform site restoration and other closure activities. The Company's provision for future site closure and reclamation costs is based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

The Company's determination of the environmental rehabilitation provision arising from its activities at the Baker, Bot, and Tulox projects at September 30, 2019 was $316,266 (December 31, 2018: $nil). The Company has estimated that the reclamation costs are current costs and as such considers the present value of the provision at September 30, 2019 to be equal to the total future undiscounted cash flows to settle the provision for reclamation, being $316,266 (December 31, 2018: $nil).

(Expressed in Canadian dollars)

18. PROVISION FOR SITE RECLAMATION AND CLOSURE (continued)

The breakdown of the provision for site reclamation and closure is as per below:

	September 30, 2019	December 31, 2018
Balance	**$ -**	**$ -**
Acquisition of properties	316,266	-
Accretion	-	-
Balance	$ 316,266	$ -

The Company is required to make reclamation deposits in respect of its expected site reclamation and closure obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company.

The Company has deposited funds totaling $50,437 (December 31, 2018 - $nil) with the Province of British Columbia (the “Province”) in relation to disturbance associated with exploration activities at the Baker, Bot, and Tulox projects. This deposit is held until the Province is satisfied that the Company completes certain remediation activities on its British Columbia properties.

19. DISCONTINUED OPERATIONS

On September 14, 2018, the Company entered into a share purchase agreement (the “Agreement”) with DYG Holdings Ltd. (“DYG”), pursuant to which the Company agreed to sell all of the shares of its Israeli subsidiaries to DYG representing a sale of all of the Company’s former operating business (the “Sale Transaction”). The Company entered into the Agreement in order to complete its process of winding up its operations in Israel. Under the terms of the Agreement, the Company agreed to sell all of the issued and outstanding shares of Xenemetrix Ltd., Croptimal Ltd., and Xwinsys Technology Development Ltd. (the “Discontinued Subsidiaries”) for nominal consideration and the possibility of receiving post-closing earn-out payments, only if DYG succeeds in re-establishing the business of the Discontinued Subsidiaries and realizing profits during the earn out period ending December 31, 2025. Any such earn-out payments would represent 20% of the net profit of the purchased companies, after various adjustments up to a maximum of $4,000,000. The Agreement contained only basic representations and warranties and the sale was completed substantially on an “as is where is” basis.

On October 31, 2018, the Sale Transaction was approved by shareholders at the Company’s special meeting of shareholders and the Sale Transaction was finalized.

The operating results for the three and nine month periods ended September 30, 2019 and 2018 related to the Discontinued Subsidiaries have been presented separately as the loss from discontinued operations in the statements of loss and comprehensive loss.

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS (continued)

As a result of the transaction, the Company recognized a loss on disposal of $432,611 during the year ended December 31, 2018, which was determined as follows:

Cash purchase price	$	1
Net assets disposed of:		
Cash	$	256,528
Amounts receivable		538,043
Prepaid expenses		117,003
Trade and other payables		(478,962)
	$	432,612
Loss on disposition	$	(432,611)

The breakdown of the loss for the three and nine month periods ended September 30, 2019 and 2018 from discontinued operations is as follows:

		Three months ended September 30,			Nine months ended September 30,		
		2019			2019		2018
Revenue	$	-	819,397	$	-	$	1,761,005
Cost of sales		-	(642,995)		-		(768,374)
Direct amortization		-	(37,454)		-		(133,045)
Gross profit		-	138,948		-		859,586
Consulting and management		-	-		-		(137,115)
Depreciation		-	(95,320)		-		(57,730)
Administration		-	(1,179,126)		-		(820,870)
Sales and administration		-	(1,013,118)		-		(1,059,405)
Research and development		-	(1,796,142)		-		(2,427,076)
Total expenses		-	(4,083,706)		-		(4,502,196)
Loss before the undernoted		-	(3,944,758)		-		(3,642,610)
Impairment of assets of discontinued operations (a), (b), (c)		-	(1,491,204)		-		-
Foreign exchange		-	19,108		-		(41,332)
Loss from discontinued operations	$	-	(5,416,854)	$	-	$	(3,683,942)

The cash flows used by operating activities for the discontinued operations for the nine month period ended September 30, 2019 were $nil (2018 – cash flows used of $4,267,752).

The cash flows used in investing activities for the discontinued operations for the nine month period ended September 30, 2019 were $nil (2018 – cash used of $103,564).

The cash flows used in financing activities for the discontinued operations for the nine month period ended September 30, 2019 were $nil (2018 – cash used of $nil).

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS (continued)

Details pertaining to various assets listed and liabilities of discontinued operations are contained below:

(a) Intellectual Property

The Company, through its former subsidiary XwinSys, held intellectual property on image processing technology. The intellectual property is licensed until 2020. Intellectual property was amortized over the estimated useful life on a straight-line basis of seven years.

Cost		
Balance as at December 31, 2016	$	349,568
Additions		-
Balance as at December 31, 2017		349,568
Additions		-
Balance as at December 31, 2018	$	349,568
Accumulated amortization		
Balance as at December 31, 2016	$	149,814
Amortization expense		49,938
Balance as at December 31, 2017		199,752
Amortization expense		37,454
Write down		112,362
Balance as at December 31, 2018	$	349,568
Carrying amounts		
Balance as at December 31, 2017	$	149,816
Balance as at December 31, 2018	$	-

As at October 31, 2018, the date of sale, the Company determined the value of the intellectual property to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $112,362, for a resulting carrying value of $nil.

(b) Inventories

As at,		December 31, 2018
Materials	$	228,686
Work in process		474,489
Finished goods		-
	$	703,175
Less: write down		(703,175)
	$	-

For the year ended December 31, 2018, the cost of inventories recognized as an expense and included in cost of sales under discontinued operations was $761,790.

As at October 31, 2018, the date of sale, the Company determined the value of the inventory to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $703,175, for a resulting carrying value of $nil.

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS (continued)

(c) Equipment

		Office furniture, computers and equipment		Vehicles		Total
Cost						
Balance as at December 31, 2016	$	526,218	$	67,264	$	593,482
Additions		340,820		44,313		385,133
Disposals		-		-		-
Foreign exchange		(45,835)		(5,883)		(51,718)
Balance as at December 31, 2017	$	821,203	$	105,694	$	926,897
Additions		111,695		-		111,695
Disposals		(8,447)		(41,007)		(49,454)
Foreign exchange		36,867		1,149		38,016
Balance as at December 31, 2018	$	961,318	$	65,836	$	1,027,154
.						
impairment						
Balance as at December 31, 2016	$	283,619	$	33,149	$	316,768
Depreciation		73,595		13,084		86,679
Disposals		-		-		-
Foreign exchange		(21,064)		(2,609)		(23,673)
Balance as at December 31, 2017		336,150	$	43,624	$	379,774
Depreciation		92,713		10,075		102,788
Disposals		(2,718)		(7,473)		(10,191)
Foreign exchange		17,783		1,920		19,703
Accumulated depreciation		517,390		17,690		535,080
Balance as at December 31, 2018	$	961,318	$	65,836	$	1,027,154
Carrying amounts						
Balance as at December 31, 2017	$	485,053	$	62,070	$	547,123
Balance as at December 31, 2018	$	-	$	-	$	-

As at October 31, 2018, the date of sale, the Company determined the value of the equipment to be impaired, as part of its review and decision to sell the Israel operations and as such, recorded a write down of $535,080, for a resulting carrying value of $nil.

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS (continued)

Geographical information

The discontinued operations' revenue from external customers by geographical location is detailed below.

	Revenue from external customers			
	Three month ended September 30,		Nine month ended September 30,	
	2019	2018	2019	2018
North America	-	2,106 $	- $	282,376
Asia	-	23,553	-	212,522
Europe	-	117,452	-	324,499
	$ - $	143,111 $	- $	819,397

Xenemetrix accounted for $nil (2018 - $676,286) of the revenue generated for the nine month period ended September 30, 2019, representing 100% (2018 – 100%) of revenue and is included under discontinued operations. Xenemetrix revenue was from sales of EDXRF systems.