TITAN MINING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Titan Mining Corporation have been prepared by management in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate consolidated financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Ernst & Young LLP, an independent firm of chartered professional accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

/s/ Donald R. Taylor
Chief Executive Officer

/s/ Michael McClelland
Chief Financial Officer

March 21, 2019

Independent auditor's report

To the Shareholders of
Titan Mining Corporation

Opinion

We have audited the consolidated financial statements of **Titan Mining Corporation** [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $15,857 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its total assets by $7,653. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

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

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report and we have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
March 21, 2019

TITAN MINING CORPORATION
Consolidated Statements of Financial Position
(Expressed in thousands of United States dollars)

	Note		December 31, 2018		December 31, 2017
Assets					
Current assets					
Cash and cash equivalents		$	2,290	$	25,168
Trade and other receivables	7		1,123		187
Inventories	8		2,702		311
Other current assets	9		989		218
			7,104		25,884
Non-current assets					
Mineral properties, plant and equipment	10		64,254		33,122
Restricted cash	11		1,732		1,729
Other assets	14b		111		100
Total assets		$	73,201	$	60,835
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	7,956	$	3,631
Debt	12		4,241		-
Deferred rental contribution	13		436		-
Warrant derivative liability	14a		1,099		-
Acquisition obligations	18b		1,025		1,025
			14,757		4,656
Non-current liabilities					
Deferred rental contribution	13		916		-
Debt	12b		721		-
Other payables	14d		367		-
Loan from related party	14a		14,809		-
Reclamation and remediation provision	15		14,392		14,698
Total liabilities		$	45,962		19,354
Shareholders' equity					
Equity attributable to shareholders of the Company					
Share capital	16a	$	51,859		51,834
Reserves			2,335		745
Deficit			(26,955)		(11,098)
Total equity		$	27,239		41,481
Total liabilities and shareholders' equity		$	73,201	$	60,835

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

TITAN MINING CORPORATION
Consolidated Statements of Comprehensive Loss
(Expressed in thousands of United States dollars unless otherwise stated)

	Note	Year ended December 31, 2018	2017
Revenue			
Provisional pricing adjustment	5	$ (1,552)	$ -
Other operating expenses	6		
General and administration expenses		6,099	3,163
Exploration and evaluation expenses		7,341	1,748
Care and maintenance costs		-	4,987
		13,440	9,898
Other expenses (income)			
Interest and other finance expenses		476	357
Accretion expense	15	391	341
Interest income		(111)	(78)
Acquisition obligation amendment fee		-	525
Foreign exchange loss (income)		67	(1)
Other expenses (income)		42	(11)
		865	1,133
Net loss for the year		$ 15,857	$ 11,031
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Unrealized loss on translation to reporting currency		195	133
Total comprehensive loss for the year		$ 16,052	$ 11,164
Basic and diluted loss per share (in $US)		$ 0.16	$ 0.16
Weighted average number of shares outstanding (in thousands)		101,971	70,205

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

TITAN MINING CORPORATION
Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)

	Note	Year ended December 31, 2018	2017
Operating activities			
Net loss for the year		$ (15,857)	$ (11,031)
Share-based compensation	6a	1,785	956
Accretion	15	391	341
Amortization of deferred rental contribution	13	(236)	-
Amortization of borrowing and transaction costs		158	-
Interest expense accruals		318	357
Interest income accrual on restricted cash		(3)	-
Unrealized foreign exchange income		-	(38)
Acquisition obligation amendment fee		-	525
Depreciation		-	979
		(13,444)	(7,911)
Changes in non-cash working capital:			
Trade and other receivables		(936)	(186)
Inventories		(2,115)	-
Other current assets		(553)	(53)
Accounts payable and accrued liabilities		1,856	88
Net cash used in operating activities		(15,192)	(8,062)
Financing activities			
Proceeds from bank indebtedness	12a	4,000	-
Proceeds from related party loan	14a	15,695	800
Payment of borrowing and transaction costs	12a	(302)	-
Payment of interest		(49)	(357)
Proceeds from issuance of shares on Initial Public Offering, net of share issuance costs	16b	-	38,465
Deferred rental contributions received	13	1,588	-
Share issuance costs refunded		25	-
Payment of acquisition obligations and related party loan	14a	-	(11,171)
Net cash provided by financing activities		20,957	27,737
Investing activities			
Additions to mineral properties, plant and equipment	10	(28,437)	(2,401)
Restricted cash		-	(66)
Acquisition of other assets		(11)	(100)
Net cash used in investing activities		(28,448)	(2,567)
Effect of foreign exchange on cash and cash equivalents		(195)	(97)
Increase (decrease) in cash and cash equivalents		(22,878)	17,011
Cash and cash equivalents, beginning of year		25,168	8,157
Cash and cash equivalents, end of year		$ 2,290	$ 25,168

Supplementary cash flow information (note 21)

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

TITAN MINING CORPORATION
Consolidated Statements of Changes in Equity
(Expressed in thousands of United States dollars)

	Share capital		Reserves				
	Number ('000s)	Amount	Share option reserve	Currency translation adjustment	Total	Deficit	Total equity
Balance, January 1, 2017	62,347	$ 10,369	$ -	$ (78)	$ (78)	$ (67)	$ 10,224
Shares issued in Initial Public Offering, net of issuance cost	36,950	38,465	-	-	-	-	38,465
Common shares issued for settlement of acquisition obligations	2,674	3,000	-	-	-	-	3,000
Share-based compensation			956	-	956	-	956
Total comprehensive loss for the year	-	-	-	(133)	(133)	(11,031)	(11,164)
Balance, December 31, 2017	101,971	$ 51,834	$ 956	$ (211)	$ 745	$ (11,098)	$ 41,481
Balance, January 1, 2018	101,971	$ 51,834	$ 956	$ (211)	$ 745	$ (11,098)	$ 41,481
Refund of share issue costs	-	25	-	-	-	-	25
Share-based compensation	-	-	1,785	-	1,785	-	1,785
Total comprehensive loss for the year	-	-	-	(195)	(195)	(15,857)	(16,052)
Balance, December 31, 2018	101,971	$ 51,859	$ 2,741	$ (406)	$ 2,335	$ (26,955)	$ 27,239

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Titan Mining Corporation ("Titan" or the "Company") was incorporated on October 15, 2012 under the laws of British Columbia and is a natural resources company engaged in the acquisition, exploration, development and production of mineral properties. The Company holds a 100% indirect ownership interest in the Empire State Mine in Northern New York State, United States.

The Company's common shares are listed on the Toronto Stock Exchange and trade under the symbol "TI". The Company's head office is located at 555–999 Canada Place, Vancouver, BC, Canada V6C 3E1.

These consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. These consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

At December 31, 2018 the Company had cash and cash equivalents of $2,290, negative working capital of $7,653, a net loss for the year ended December 31, 2018 of $15,857, and a deficit of $26,955. During the year, the Company had cash outflows from operating activities of $15,192 and cash outflows from investing activities of $28,448. The Company received net proceeds of $3,698 under its credit arrangement and loan proceeds of $15,695 from a company controlled by Titan's Executive Chairman. As at December 31, 2018, the Company was in breach of certain financial covenants required under the credit arrangement with the Bank of Nova Scotia (note 12a). Subsequent to December 31, 2018, the Company received an additional $6,000 of proceeds under its credit arrangement (note 23c) and $1,900 from a company controlled by Titan's Executive Chairman.

Based on the Company's plan for Empire State Mine's operations and continued exploration drilling programs, and its current level of corporate overheads, the Company will require additional funding in 2019. The Company has historically raised funds principally through the sale of securities and most recently, through the credit arrangement and advances from a related party. The Company expects that it will continue to obtain funding through similar or other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. This material uncertainty casts significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

a) Overview

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). On March 21, 2019, the Company's Board of Directors approved these consolidated financial statements for issuance.

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

c) Basis of consolidation

These consolidated financial statements include the accounts of the parent company, Titan Mining Corporation, and its subsidiaries. All material intercompany transactions, balances, revenues, and expenses have been eliminated upon consolidation.

Subsidiaries are included in the consolidated financial results from the effective date of acquisition or control through to the effective date of disposition or loss of control. Control is achieved when the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with an investee, and has the ability to affect those returns through its power over the investee.

(Expressed in thousands of United States dollars, unless otherwise indicated)

Subsidiary	Incorporation jurisdiction	Ownership %	
		2018	2017
1100951 BC Ltd.	British Columbia	100%	100%
Titan Mining (US) Corp.	Delaware	100%	100%
Balmat Holdings Corp.	Delaware	100%	100%
Empire State Mines, LLC (formerly, St. Lawrence Zinc. Co. LLC)	Delaware	100%	100%
1077615 US LLC	Nevada	100%	100%

d) Functional and presentation currency

The financial statements of each company within the consolidated group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the Canadian dollar and the functional currency of all the subsidiaries is the US dollar. These consolidated financial statements are presented in US dollars, which is the Company's presentation currency.

e) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to enhance comparability with the current year's consolidated financial statements as Empire State Mine is transitioning from the development stage into the production stage. As a result, certain line items have been amended in the statement of loss and comprehensive loss and the related notes to the consolidated financial statements to reflect the presentation of income and expenses according to their function. Comparative figures have been adjusted to conform to the current year's presentation.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions in the process of applying the Company's accounting policies that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and reported amounts of expenses during the reporting period. Estimates and assumptions are continually evaluated. However, actual outcomes could materially differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are as follows:

- *Estimated mineral resources* – Mineral resources are estimates of the amount of metal that can be extracted from the Company's properties, considering both economic and legal factors. Estimating the quantity and/or grade of mineral resources requires the analysis of drilling samples and other geological data. Calculating mineral resource estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity prices and foreign exchange rates. Estimates of mineral resources may change from period to period as the economic assumptions used to estimate mineral resources change and as a result of additional geological data generated during the course of operations. Changes in reported mineral resources may affect the Company's financial position in a number of ways, including the following:
    i. asset carrying values may be affected due to changes in estimated future cash flows;

ii. prospective depreciation charges in the Company's consolidated statement of comprehensive income may change when such charges are determined by the unit-of-production basis, or when the useful lives of assets change; and
iii. provision for reclamation liabilities balances may be affected as the estimated timing of reclamation activities is adjusted for changes in the estimated mine life as determined by the available mineral resources.

- *Revenue recognition* – The revenue standard sets out a five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. Management exercises judgment when taking into consideration the relevant facts and circumstances when applying each step of the model to contracts with customers.

- *Capitalization of costs* - Judgment is required in evaluating whether expenditures meet the criteria to be capitalized, including the probability that future economic benefits will be generated. Determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained, including metallurgical testing, resource and reserve estimates and the economic assessment of whether the ore body can be mined economically.

- *Reclamation and remediation provision* – The Company's accounting policy requires the recognition of a provision for future reclamation and other closure activities when the obligation arises. The present value of future obligations is estimated by the Company using mine closure plans and other studies based on current environmental laws and regulations and Company policy. The estimates include assumptions as to the future estimated costs, timing of the cash flows to discharge the obligations, inflation rates, and the prevalent market discount rates. The reclamation and closure estimates are more uncertain the further into the future the activities are to be performed. Any changes to these assumptions will result in an adjustment to the provision which affects the Company's liabilities and its property, plant and equipment.

- *Impairment* – Management applies significant judgment in its assessment and evaluation of asset or cash generating units at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties, plant and equipment. External sources of information considered are changes in the Company's economic, legal and regulatory environment, which it does not control, but affect the recoverability of its mining assets. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Calculating the fair value less costs of disposal ("FVLCD") of cash generating units for impairment tests requires management to make estimates and assumptions with respect to future production levels, operating, capital and closure costs, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.

- *Fair value measurement* – When the fair values of financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, they are measured using valuation techniques, including the discounted cash flow ("DCF") model and the Black-Scholes model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. In relation to determining the fair value of provisionally priced trade receivables, they are measured based on estimated future zinc prices obtained from a company that provides base metal concentrate trading services (i.e. market participant). When the fair values of non-financial assets need to be determined, e.g., for the purposes of calculating fair value less costs of disposal for impairment testing purposes, they are measured using valuation techniques including the DCF model.

- *Functional currency determination* – The functional currency is the currency of the primary economic environment in which the parent entity and each of its subsidiaries operate. Determination of functional currency may involve certain judgments to identify the primary economic environment. Management determined that the functional currency of the parent company is the Canadian dollar, whereas the functional currency of all the subsidiaries is the US dollar. Management reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

- *Determination of useful life of assets for depreciation purposes* – Significant judgment is involved in the determination of the useful life and residual value of long-lived assets that drive the calculation of depreciation charges. Changes in the estimate of useful lives and residual values may impact the depreciation calculations.

- *Share-based compensation* – The fair value of share-based compensation is calculated using the Black-Scholes model. The main assumptions used in the model include the estimated life of the option, the expected volatility of the Company's share price (using historical volatility of similar publicly-traded companies as a reference), the expected dividends, the expected forfeiture rate, and the risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's-length transaction given that there is no market for the options and they are not transferable.

- *Taxation* – The provision for income taxes and the composition of income tax assets and liabilities requires management's judgment. In determining these amounts, management interprets the applicable income tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future taxable profits, which affect the extent to which potential future tax benefits may be accrued. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows resulting from estimates of future production and sales volumes, commodity prices, mineral resources, operating costs and other capital management transactions. These judgments, estimates and assumptions are subject to risks and uncertainties, which may impact the actual amount of deferred income tax assets recognized in the Company's statement of financial position and the benefit of other tax losses and temporary differences not yet recognized.

- *Determination of technical and commercial feasibility* – The Company determined that its Empire State Mine's #4 mine had achieved technical and commercial feasibility effective November 1, 2017. As a result, costs subsequently incurred on the project are accounted for as development costs and capitalized to mineral property, plant and equipment. The determination that the project had achieved technical and commercial feasibility is a matter of significant judgment particularly in circumstances where a preliminary feasibility or feasibility study has not been completed. In making its determination the Company took into consideration, among other factors: the long operating history of the Empire State Mine prior to its closure in 2008; the existing mineral resources; the results of the preliminary economic assessment completed in 2017; the existing mine permits, leases and infrastructure; and the funding made available to the Company to complete the project.

4. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The Company applied IFRS 15 and IFRS 9 effective January 1, 2018, the nature and effect of which are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 applies to all revenue arising from contracts with its customers. The new revenue standard establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognized when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled. The standard also requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

For 2018, revenue realized during the commissioning phase of Empire State Mine was recorded as a credit to mineral properties, plant and equipment. The Company had no revenue in the comparative period.

IFRS 9 – Financial Instruments

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, in accordance with IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL (but there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income). Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption. However, it was determined that the adoption of IFRS 9 has no impact on the comparative year's consolidated financial statements. There was no impact on hedging as the Company does not apply hedge accounting.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The adoption of IFRS 9 had no quantitative impact on the Company's financial instruments; however, it has an impact on the classification of the Company's financial instruments compared to the old standard IAS 39 as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash equivalents	Loans and receivable	Amortized cost
Other receivables	Loans and receivable	Amortized cost
Restricted cash	Loans and receivable	Amortized cost
Financial liabilities		
Accounts payable	Amortized cost	Amortized cost
Acquisition obligations	Amortized cost	Amortized cost

Summary of significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on-hand, and short-term deposits with an original maturity of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Company and, therefore, is not considered highly liquid.

b) Foreign currencies

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on the settlement of monetary items denominated in currencies other than the functional currency are recognized in profit or loss in the statement of income in the period in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and subsidiary companies

The financial results and position of operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at the average exchange rates for the period.

Exchange differences are transferred directly to the consolidated statement of comprehensive loss and are included in a separate component of equity titled "Currency translation adjustment". These differences are recognized in profit or loss in the period in which the operation is disposed.

c) Inventories

Production inventories

Ore stock, work-in-process and finished metal inventories are measured at the lower of cost and net realizable value. Cost is determined on a weighted-average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value is recognized as a reduction in inventories recognized as an expense in the period in which the reversal occurs. During the pre-commercial start-up period, these expenses are capitalized to construction in progress net of any pre-commercial sales revenue.

Materials and supplies

Materials and supplies inventory is measured at the lower of cost and net realizable value. Costs include acquisition, freight and other directly attributable costs. A periodic review is undertaken to determine the extent of any provision for obsolescence. Major spare parts and standby equipment are included in property, plant, and equipment when they are expected to be used over more than one period, if they can only be used in connection with an item of property, plant and equipment.

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are initially recorded at fair value, adjusted for directly attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

Financial assets

Financial assets are classified and measured at: FVTPL, FVOCI and amortized cost. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset i.e. whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI"). This is referred to as the SPPI test.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include:

- cash equivalents;
- restricted cash; and
- other receivables.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at FVTPL in its entirety. This is applicable to the Company's trade receivables which are subject to provisional pricing. These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price stipulated in the contract and causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at FVTPL from the date of sale, with subsequent movements being recognized in revenue in the statement of comprehensive income.

Impairment

An expected credit loss ("ECL") impairment model applies which requires a loss allowance to be recognized based on ECLs. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original EIR, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments, such as the Company's warrant derivative liability.

Gains or losses on financial liabilities at FVTPL are recognized in profit or loss.

Loans and borrowings and payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income. Gains and losses are recognized when the financial liability is derecognized.

The Company's financial liabilities at amortized cost include:

- trade and other payables;
- loans and borrowings; and
- acquisition obligations.

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

e) Fair value measurement

The Company measures financial instruments, such as provisionally priced trade receivables, at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or CGU at FVLCD. Fair values of financial instruments measured at amortized cost are disclosed in note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

f) Mineral properties, plant and equipment

Mineral properties

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges and include:

- The fair value of exploration properties acquired;
- Development costs on an area of interest once management has determined the property has achieved technical feasibility and commercial viability. Development expenditure includes operating and site administration costs, net of the proceeds of metal sales during the development phase;
- Development costs on a property after commercial production is achieved when it is probable that additional economic benefit will be derived from future operations.

Mining properties are depleted over the economic life of the property on a units-of-production basis based on mineral reserves and, where included in the mine plan, mineral resources.

Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment includes its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated shutdown and restoration costs associated with dismantling and removing the asset.

Depreciation is provided at rates calculated to write off the cost of plant and equipment, less their estimated residual value, using the straight-line method or unit-of-production method over their expected useful lives.

An item of plant and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal, determined as the difference between the net disposal proceeds and the carrying value of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date when the asset is available for use.

g) Reclamation and remediation provision

Reclamation and remediation provisions arise due to legal or constructive obligations as a result of the Company's exploration, development and operating activities, and are recorded in the period in which the activity generating the liability is incurred. The estimated present value of such reclamation and remediation costs, calculated using a risk-free, pre-tax discount rate, are capitalized to the corresponding asset along with the recording of a corresponding liability as soon as the obligation to incur such cost arises. The liability is adjusted each year for the unwinding of the discount rate, changes to the current market-based discount rate and for the amount or timing of the underlying cash flows needed to settle the obligation. Changes in reclamation and remediation estimates are accounted for prospectively as changes in the corresponding capitalized cost.

h) Revenue

Revenue is generated from the sale of zinc concentrate. The Company has no revenue in the comparative periods.

The Company does not sell on commercial terms that requires it to provide freight services after the date at which control of the product passes to the customer. As such, the Company's sole performance obligation relates to the delivery of zinc concentrates to its customer with each separate shipment representing a separate performance obligation. Revenue is recognized at the point in time when the customer obtains control of the product. Control is achieved when the product is delivered to the customer; the Company has a present right to payment for the product; significant risks and rewards of ownership have transferred to the customer according to contract terms; and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

The amount of revenue recorded is based on the expected final pricing of the shipment, as specified in the pricing terms with the customer; and the net amount of metal for which the Company will receive payment. Adjustments are made in subsequent periods based on fluctuations in expected final pricing until the date of final settlement ("provisional pricing adjustments"). These provisional pricing adjustments (both gains and losses) are recorded in revenue in the Statements of Comprehensive Loss and in trade receivables on the consolidated statements of financial position.

i) Exploration and evaluation expenses

Exploration and evaluation expenses comprise costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

All exploration and evaluation expenditures are expensed. When technical feasibility and commercial viability have been determined and the subsequent costs incurred for the development of that project are capitalized as mining properties, plant and equipment, as appropriate.

j) Impairment of non-financial assets

At each reporting period the Company assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, or when the decision to proceed with the development of a particular project is taken based on its technical and commercial viability, the Company estimates the recoverable amount of the asset or group of assets and compares it against the carrying amount. The recoverable amount is the higher of the FVLCD and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of comprehensive loss for the period.

In calculating the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset.

k) Income taxes

Income tax is recognized in net income (loss) for the period except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or equity, respectively. Deferred tax is provided using the balance sheet method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Loss per share

Basic loss per share calculations are based on the net loss for the period divided by the weighted average number of common shares issued and outstanding during the respective periods.

Diluted loss per share calculations are based on the net loss attributable to common shareholders for the period divided by the weighted average number of common shares outstanding during the period plus the effects of dilutive common share equivalents. The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the in-the-money options and other dilutive instruments are used to repurchase common shares at the prevailing market rate.

New accounting standards, not yet effective

The standards and interpretations that are issued, but not yet effective that the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Company intends to adopt these standards when they become effective.

<u>IFRS 16 – Leases</u>

IFRS 16 was issued by the IASB in January 2016 and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of 'low-value' assets (e.g., personal computers); and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

In transitioning to IFRS 16, a lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company plans to adopt IFRS 16 using the modified retrospective approach, which means the cumulative impact of adoption will be recognized as at January 1, 2019 and comparatives will not be restated. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

(Expressed in thousands of United States dollars, unless otherwise indicated)

In 2018, the Company initiated a detailed impact assessment and implementation project which included reviewing contracts, aggregating data to support the evaluation of the accounting impacts and identifying where key accounting policy decisions were required. Work completed by the Company to date indicates the new leases standard is expected to have a material effect on the consolidated financial statements as it will significantly increase the Company's recognized assets and liabilities. The Company's existing operating leases will be the main source of leases under the new standard. Information on the Company's operating lease commitments under IAS 17 Leases (undiscounted) is disclosed in note 18a.

Compared with the existing accounting for operating leases, interest expense is expected to increase.

The classification between cash flow from operating activities and cash flow from financing activities will change.

5. REVENUE – PROVISIONAL PRICING ADJUSTMENT

Revenue comprises negative provisional pricing adjustments. Revenue realized during the commissioning phase of Empire State Mine is recorded as a credit to mineral properties, plant and equipment (note 10).

6. OTHER OPERATING EXPENSES

a) General and administration expenses

	Year ended December 31, 2018	2017
Salaries and benefits	$ 2,586	$ 883
Share-based compensation	1,785	956
Office and administration	807	456
Professional fees	578	756
Investor relations	343	112
	$ 6,099	$ 3,163

b) Exploration and evaluation expenses

	Year ended December 31, 2018	2017
Drilling	$ 6,371	$ 1,431
Salaries and benefits	682	92
Other	288	225
	$ 7,341	$ 1,748

c) Care and maintenance expenses

	Year ended December 31, 2018	2017
Site expenditures	$ -	$ 4,008
Depreciation	-	979
	$ -	$ 4,987

(Expressed in thousands of United States dollars, unless otherwise indicated)

7. TRADE AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables	$ 879	$ -
GST receivable	43	137
Advances to related party (note 14b)	105	38
Other receivables	96	12
	$ 1,123	$ 187

8. INVENTORIES

	December 31, 2018	December 31, 2017
Ore in stockpiles	$ 32	$ -
Concentrate stockpiles	905	-
Materials and supplies	1,765	311
	$ 2,702	$ 311

9. OTHER CURRENT ASSETS

	December 31, 2018	December 31, 2017
Prepaid insurance	$ 426	$ 35
Prepaid employee benefits	278	51
Prepaid expenses	164	-
Prepaid property taxes	121	132
	$ 989	$ 218

(Expressed in thousands of United States dollars, unless otherwise indicated)

10. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral properties	Plant and equipment	Land	Construction in progress	Total
Cost					
As at January 1, 2017	$ 3,695	$ 23,938	$ 1,081	$ -	$ 28,714
Additions	-	1,047	-	4,537	5,584
As at December 31, 2017	$ 3,695	$ 24,985	$ 1,081	$ 4,537	$ 34,298
Additions	-	258	-	58,956	59,214
Transfers between categories	-	785	-	(785)	-
Transfer to production inventories	-	-	-	(937)	(937)
Transfer from materials and supplies inventories	-	311	-	-	311
Change of reclamation and remediation provision	-	(697)	-	-	(697)
Capitalized revenue	-	-	-	(23,653)	(23,653)
As at December 31, 2018	$ 3,695	$ 25,642	$ 1,081	$ 38,118	$ 68,536
Accumulated depreciation					
As at January 1, 2017	$ -	$ -	$ -	$ -	$ -
Depreciation expensed		979			979
Depreciation capitalized to construction in progress		197	-	-	197
As at December 31, 2017	-	1,176	-	-	1,176
Depreciation capitalized to construction in progress	127	2,979	-	-	3,106
As at December 31, 2018	$ 127	$ 4,155	$ -	$ -	$ 4,282
Net book value at December 31, 2017	$ 3,695	$ 23,809	$ 1,081	$ 4,537	$ 33,122
Net book value at December 31, 2018	$ 3,568	$ 21,487	$ 1,081	$ 38,118	$ 64,254

On November 1, 2017 the Company determined the technical and commercial feasibility of Empire State Mine's #4 mine. Following an assessment that no impairment existed at that time, the Company transferred its mineral properties from being classified as exploration and evaluation assets accounted for under IFRS 6 to development assets accounted for under IAS 38 and IAS 16.

Effective April 1, 2018, the Company determined that certain mineral property, plant and equipment were operating as management intended and, as such, the Company began to depreciate these assets over their estimated useful lives. These assets were used in the commissioning of the #4 mine and, as such, the depreciation expense associated with these assets was capitalized to construction in progress.

11. RESTRICTED CASH

Restricted cash comprises funds held in escrow for the New York State Department of Environmental Conservation as assurance for the funding of future reclamation costs associated with the Company's reclamation and remediation obligations (note 15). The funds are invested in a certificate of deposit which renews automatically for additional terms of one year or more.

(Expressed in thousands of United States dollars, unless otherwise indicated)

12. DEBT

a) Bank indebtedness

In April 2018, the Company entered into a $15,000 secured credit agreement (the "Credit Facility") with the Bank of Nova Scotia ("Lender"). The Credit Facility is available to the Company on a revolving basis, up to maximum amounts as follows: $5,000 on closing until first shipment (completed); $10,000 from first shipment until commercial production (as defined in the credit agreement); and $15,000 on and after commercial production. The Company can choose to pay interest equal to either LIBOR plus 4.0% to 4.5% or the Lender's base rate plus 3.0% to 3.5%. The Company is also required to pay a standby fee ranging from 0.6% to 1.2% on the unadvanced portion of the Credit Facility. The maturity date is April 3, 2020.

The Credit Facility is subject to covenants that require the Company to maintain interest coverage ratio of not less than 4.0 to 1.0; total leverage ratio of not more than 2.5 to 1; and tangible net worth of an amount greater than or equal to $30 million plus 50% of consolidated net income. Effective August 7, 2018, the Credit Facility agreement was amended to reflect that the financial covenants related to interest coverage and leverage ratios under the original agreement are not applicable for periods prior to September 30, 2018.

On September 30, 2018, the Company was in default of its interest coverage ratio and total leverage ratio. From October 2, 2018 to November 10, 2018, production and operations ceased at the Empire State Mine causing an event of default of the Credit Facility. In December 2018, the Lender waived the aforesaid events of default, and consented to the loan from related party (note 14a) provided it is subordinate to the Credit Facility. On December 31, 2018, the Company was in default of the tangible net worth covenant.

As at December 31, 2018, the carrying value was as follows:

Proceeds received	$	4,000
Borrowing costs		(302)
		3,698
Accrued interest and standby fees		102
Amortization of borrowing costs		112
Carrying value – current	$	3,912

On January 23, 2019, the Company further amended the Credit Facility (note 23c).

b) Equipment loans

In December 2018, the Company financed the purchase of certain pieces of equipment. The equipment loans have a term of 36 months and bear interest at 5.95%.

As at December 31, 2018, the principal balance of these loans was as follows:

Current	$	329
Non-current		721
	$	1,050

(Expressed in thousands of United States dollars, unless otherwise indicated)

13. DEFERRED RENTAL CONTRIBUTION

The Company shares office space with other companies related to it by virtue of certain directors and management in common, and this service has been provided through a management company which is equally owned by these related companies. Deferred rental contribution represents the unamortized balance of an amount received from the management company with respect to the provisions of agreements governing certain shared operating leases. The amount is being amortized to office and administrative expense over the remaining term of the leases. The following is a summary of changes in deferred rental contribution:

	Year ended December 31, 2018		2017
Balance, start of period	$	-	$	-
Deferred rental contribution received		1,588		-
Amortization of deferred rental contribution		(236)		-
Balance, end of period	$	1,352	$	-
Current	$	436		-
Non-current		916		-
	$	1,352		-

14. RELATED PARTY TRANSACTIONS

a) Loan from related party

On November 30, 2018, the Company entered a credit agreement with a company controlled by Titan's Executive Chairman, to establish a $18,710 subordinate general security credit facility ("Loan"). The initial advance of $3,710 bears interest at 8% per annum and advances on the subsequent $15,000 bear interest at a floating rate equal to 7% plus the greater of (i) LIBOR and (ii) 1%, per annum. Interest is payable in cash or shares of the Company. The availability period for advances ends November 30, 2019. The Loan matures on November 30, 2020, but is subject to mandatory prepayment if the Company closes one or more financings that exceeds $30,000 in the aggregate or upon the occurrence of a change of control of the Company. The Loan is a non-revolving facility, and any repayment under the Loan shall not be re-borrowed. The Company is subject to certain general covenants with respect to the Loan.

Pursuant to the Loan, the Company shall issue the related party 2,500,000 warrants (note 23a). Each warrant entitles the holder to acquire one common share at a price of C$1.40 per share. The fair value of the warrants as at the loan agreement date of November 30, 2018 has been recorded as borrowing costs. As at December 31, 2018, there was $3,015 available to be drawn under the Loan, and the carrying value was as follows:

Proceeds received	$	15,695
Borrowing costs (warrants)		(1,099)
		14,596
Accrued interest		167
Amortization of borrowing costs		46
Carrying value	$	14,809

As part of the acquisition of the Empire State Mine, the Company assumed $3,319 in debts from Star Mountain owing to a company controlled by Titan's Executive Chairman. Concurrent with the closing of the acquisition, the Company entered into a debenture agreement (the "Original Debenture") with this related party whereby the amounts owed were to be paid by on demand or December 31, 2017, whichever was earlier. The Original

(Expressed in thousands of United States dollars, unless otherwise indicated)

Debenture bore interest at 12% per annum. In August 2017 and September 2017, the Company entered into additional debenture agreements (the "Additional Debentures") to borrow an additional $800 from this related party. The Additional Debentures had an upfront fee of 2% due upon funding and the same terms and conditions as the Original Debenture. On October 20, 2017, the Company repaid the principal plus all interest and fees owing.

b) Management company

The Company shares office space, equipment, personnel and various administrative services with other companies related to it by virtue of certain directors and management in common. These related parties comprise Arizona Mining Inc. ("Arizona Mining") until August 10, 2018, NewCastle Gold Ltd. ("NewCastle") until December 22, 2017, and Armor Minerals Inc. These services have been mainly provided through a management company ("Manco"), which is equally owned by the related companies. Advances are made to Manco to fund these services. Costs incurred by Manco are allocated between the companies at cost based on time incurred and services used, and are deducted from the advances made to Manco.

Provisions of agreements governing certain shared operating leases required both NewCastle and Arizona Mining to make a payment to Manco upon each company's change of control to cover its share of the outstanding operating lease commitment. Both these payments were redistributed to the remaining shareholders of Manco in 2018. The Company recognized its share as a deferred rental contribution on the balance sheet (note 13).

	Year ended December 31, 2018	2017
Reimburse Manco for the following services:		
Salaries and benefits	$ 1,684	$ 868
Office and administration expenses	243	184
Rent	354	120
Investor relations	85	57
Other expenses	42	22
	$ 2,408	$ 1,251
Deferred rental contributions received from Manco	$ 1,588	$ -

	December 31, 2018	December 31, 2017
Advances to Manco	$ 105	$ 41

Other assets of $111 (December 31, 2017 – $100) relate to the Company's share of jointly-owned assets (primarily leasehold improvements and furniture and equipment) held by Manco.

c) Other related party transactions

Accounts receivable included an amount payable to Arizona Mining of nil (December 31, 2017 - $3) related to the reimbursement of expenses incurred on the Company's behalf.

The Company began prospecting for base metals in an area of New Mexico in 2017 after being introduced to the area pursuant to an agreement with Arizona Mining and/or its wholly owned subsidiary Arizona Minerals Inc., companies previously related by virtue of certain common directors and management. The agreement enables the Company to explore the area and take title to any claims subject to a back-in right whereby Arizona Mining can acquire a 60% interest in the claims on payment of two times the exploration expenditures at that time. In accordance with the agreement, the agreement terminates and is of no further effect with Titan retaining interest in the claims on the earlier of (i) a written termination notice by Arizona Mining, (ii) a change of control of Arizona Mining or (iii) expiry of three years. On August 10, 2018, as a result of a change of control of Arizona Mining, the agreement terminated with Titan retaining interest in the claims.

(Expressed in thousands of United States dollars, unless otherwise indicated)

d) Key management personnel compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, and comprise the Company's Executive Chairman, Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer and Directors.

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and benefits	$ 832	$ 668
Termination benefits	606	-
Share-based compensation	1,159	800
Directors' fees	261	-
	$ 2,858	$ 1,468

	December 31, 2018	December 31, 2017
Termination benefits payable – current	$ 220	$ -
Termination benefits payable – non-current	367	-
	$ 587	$ -

15. RECLAMATION AND REMEDIATION PROVISION

	Year ended December 31, 2018	Year ended December 31, 2017
Balance, beginning of year	$ 14,698	$ 14,112
Accretion	391	341
Change in estimates	(697)	245
Balance, end of year	$ 14,392	$ 14,698

Although the ultimate amounts for future site reclamation and remediation are uncertain, the best estimate of these obligations was based on information available, including current legislation, third-party estimates and management estimates. The amounts and timing of the mine closure obligations will vary depending on several factors including future operations and the ultimate life of the Empire State Mine, future economic conditions, and changes in applicable environmental regulations.

At December 31, 2018, the estimated future cash flows have been adjusted using an inflation rate of 2.0% (December 31, 2017 – 2.0%) and have been discounted using a discount rate of 2.69% (December 31, 2017 – 2.4%). The estimated life of mine also has been extended by one year as the result of lower than estimated ore production during the year ended December 31, 2018.

At December 31, 2018, the total undiscounted amount for the estimated future cash flows is $19,503 (December 31, 2017 – $19,495).

16. SHARE CAPITAL AND RESERVES

a) Authorized capital

The Company's authorized share capital consists of an unlimited number of Class A common shares without par value. At December 31, 2018 and 2017, the Company had 101,970,757 common shares issued and outstanding.

b) Financings

In connection with the Company's Initial Public Offering ("IPO") in 2017, 36,950,000 common shares were issued at C$1.40 per share for gross proceeds of $41,429. The Company incurred $3,568 in underwriting, professional and other costs in connection with the IPO, of which $2,964 has been deducted from share capital and $604 expensed to the consolidated statements of comprehensive income.

On October 20, 2017, the Company issued 2,673,857 common shares at C$1.40 per share with a value of $3,000 to Hudbay Minerals Inc. ("Hudbay") for payment of the remaining purchase price obligation owed to Hudbay under the 2015 purchase agreement between Hudbay and Star Mountain Resources Inc. ("Star Mountain") and assumed by the Company in its 2016 acquisition of the Empire State Mine from Star Mountain.

c) Stock options

The Company's stock option plan provides for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company. The exercise price of each option is determined by the Board of Directors but cannot be lower than the previous day's closing market price of the Company's shares on the date of grant. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Unless determined otherwise by the Board of Directors, the options expire within five years from the date of grant.

For the year ended December 31, 2018, the Company recognized share-based compensation expense of $1,785 (2017 – $956). The following table shows the change in the Company's stock options during the years ended December 31, 2018 and 2017:

	2018		2017	
	Number of options (000s)	Weighted-average exercise price (in C$)	Number of options (000s)	Weighted-average exercise price (in C$)
Outstanding, start of period	5,965	$1.40	-	-
Granted	4,855	$1.40	6,000	$1.40
Forfeited	(1,650)	$1.40	(35)	$1.40
Outstanding, end of period	9,170	$1.40	5,965	$1.40
Exercisable, end of period	2,873	$1.40	650	$1.40

For the options granted during the year ended December 31, 2018, the weighted average fair value was estimated at C$0.74 (2017 - C$0.60) per option based on the Black-Scholes model using the following assumptions:

Assumptions	2018	2017
Risk-free interest rate	2.20%	1.02%
Expected life	5 years	5 years
Expected volatility (1)	71.66%	71.59%
Grant date weighted-average share price (2)	C$1.28	C$1.02
Expected dividend yield	-	-

(1) The expected volatility was based on comparable companies.

(2) The exercise price on 5,675,000 options originally granted in 2017 at C$1.00 was subsequently adjusted to C$1.40 following the IPO.

The following table provides information on outstanding and exercisable stock options at December 31, 2018.

Grant Date	Exercise price (in C$)	Options outstanding (000s)	Weighted-average remaining contractual life (years)	Options exercisable (000s)
June 1, 2017	$1.40	3,605	3.4	1,802
June 29, 2017	$1.40	400	3.5	400
October 11, 2017	$1.40	150	3.8	50
November 13, 2017	$1.40	175	3.9	58
January 18, 2018	$1.40	750	4.1	-
February 23, 2018	$1.40	500	4.2	-
March 22, 2018	$1.40	400	4.2	-
August 13, 2018	$1.40	1,865	4.6	150
September 17, 2018	$1.40	500	4.7	-
October 9, 2018	$1.40	825	4.8	413
	$1.40	9,170	4.0	2,873

17. INCOME TAXES

The provision for income taxes reported differs from the amount computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before the tax provision due to the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Net loss for the year	$ (15,857)	$ (11,031)
Statutory income tax rate	27%	26%
Expected income tax recovery	(4,281)	(2,868)
Difference in tax rates	118	(1,024)
Impact of tax reform in United States	-	918
Permanent differences	659	269
Temporary differences not recognized	3,504	2,705
	$ -	$ -

On December 22, 2017, the United States government enacted the US Tax Cuts and Jobs Act ("Act"). The Act includes a range of legislative changes including a reduction of the US federal corporate income tax rate from 35% to 21% effective January 1, 2018. The British Columbia September 2017 Budget Update increased the general corporate income tax rate from 11% to 12%, effective January 1, 2018.

(Expressed in thousands of United States dollars, unless otherwise indicated)

No deferred tax asset has been recognized in respect of the following losses and deductible temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered. The components of unrecognized deferred tax assets are as follows:

	Year ended December 31, 2018	2017
Deferred tax assets:		
Non-capital losses available	$ 4,106	$ 1,865
Reclamation and remediation	73	156
Resource tax pools in excess of net book value	1,629	764
Share issue costs and others	1,115	639
	6,923	3,424
Deferred tax assets not recognized	(6,923)	(3,424)
Deferred tax asset	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. At December 31, 2018, the Company has unrecognized Canadian tax loss carryforwards of approximately $5,073 (2017 – $3,011) which expire between 2036 to 2038, and unrecognized US tax loss carryforwards of approximately $10,473 (2017 - $3,950) of which the 2017 tax losses expire in 2037 and the 2018 tax losses carry forward indefinitely.

18. COMMITMENTS AND CONTINGENCIES

a) Commitments

The Company's unrecognized commitments as at December 31, 2018 and their approximate timing of payment are as follows:

	2019	2020	2021	2022	thereafter	Total
Operating leases [1]	$ 800	$ 695	$ 497	$ 114	-	$ 2,106
Capital expenditures	420	105	105	-	-	630
	$1,220	$ 800	$ 602	$ 114	-	$ 2,736

1. Included in the operating lease commitments are the Company's obligations for certain shared operating leases of $1,671 (note 14b).

b) Contingencies

i. On December 30, 2016, pursuant to the agreement between the Company and Star Mountain (the "Purchase Agreement"), the Company acquired 100% of the issued and outstanding shares of Balmat Holdings Corp. and its wholly owned subsidiary, St. Lawrence Zinc Company, LLC, which own the Empire State Mine.

   On or about March 12, 2018, the Company received a letter from legal counsel to SGS Acquisition Company Limited ("SGS") dated March 9, 2018. The letter states that in 2016 SGS filed an action in the US District Court for the District of Colorado against certain parties and Star Mountain. The Company is not a named party in that case. SGS alleges the Company (a) has obligations to SGS under mutual indemnification provisions to Star Mountain for the breach of any representations, warranties or breaches of covenants under the Purchase Agreement and (b) failed to conduct its due diligence in connection with the Purchase Agreement, which interfered with SGS's ability to recover from Star Mountain. SGS is not a party to the Purchase Agreement. SGS states that "the net economic benefits lost to SGS resulting from Star Mountain's acts, and by extension, the Company, amount to approximately $28,300." The Company believes these claims are wholly without merit.

ii. The acquisition obligation owing to Star Mountain remains outstanding pending the outcome of a claim brought against Star Mountain by Aviano Financial Group LLC ("Aviano"). The Company received notice on October 10, 2017 that Aviano, a creditor of Star Mountain, intended to amend a pre-existing action initially filed in February 2017 in Colorado against Star Mountain to collect debts owing by Star Mountain to Aviano aggregating approximately $800. The amended action of Aviano against Star Mountain was filed in the state of Colorado on October 12, 2017, adding claims for damages and a claim to set aside the conveyance of Empire State Mine by Star Mountain to the Company alleging that it was a fraudulent conveyance. In addition, the Aviano notice stated that it intends to file an analogous action in New York alleging fraudulent conveyance, naming Star Mountain and the Company as defendants. As at the date hereof, no litigation has been commenced by Aviano against the Company. Pursuant to the Purchase Agreement, Star Mountain has agreed to indemnify the Company against certain claims including the proposed action by Aviano against the Company.

    On or about February 21, 2018, Star Mountain filed a Voluntary Petition for Non-Individuals Filing Bankruptcy in the United States Bankruptcy Court for the District of Arizona. The filing of the bankruptcy case stayed the SGS and Aviano litigation against Star Mountain. On September 23, 2018, the bankruptcy court entered an Order: (1) Directing the Appointment of an Examiner; and (2) Approving the Payment of Costs Under Insurance Policy. The Order ordered the appointment of an Examiner "to investigate and pursue the Causes of Action (defined as "certain cause of action that might be compensable" under Star Mountain's D&O Insurance Policy), including the ability to negotiate the tolling of any expiration of deadlines imposed by or related to the D&O Policy." The Order further stated that the "Examiner shall also be provided all necessary powers and standing to investigate and pursue any fraudulent conveyance claim and preference claim related to such Causes of Action." On September 25, 2018, the bankruptcy court appointed the Examiner. As part of this investigation, the Examiner has been and will investigate whether the bankruptcy estate of Star Mountain has claims against the Company and others arising out of the Purchase Agreement. The Examiner has not yet filed a report with respect to the results of his investigation.

    The Company believes that claim of fraudulent conveyance is wholly without merit and Star Mountain has informed the Company that Star Mountain believes that the claim of fraudulent conveyance is wholly without merit and that it intends to defend against the amended action and assert counterclaims against Aviano. Irrespective of the merits of the claim, if the fraudulent conveyance claim is resolved adversely against the Company or Star Mountain, this could materially adversely affect the Company by terminating its interest in Empire State Mine. Such a result would have a significant negative impact on the Company and could have a material effect on these consolidated financial statements.

iii. As at December 31, 2018, disputes have arisen between Dumas Contracting USA Inc. and related parties (collectively, "Dumas") and the Company in relation to various matters concerning or relating to the Amended and Restated Empire State Mine Rehabilitation and Contract Mining Project Contract dated August 16, 2018 ("Contract"), certain equipment and equipment leases and performance guarantees provided by Dumas and the Company, including: claims by the Company against Dumas that, based on Dumas's failure to perform work in accordance with the Contract, it was entitled to terminate the Contract and the Company has sustained loss and damage as a result; claims by the Company against Dumas that it is liable for the loss and damage; claims by Dumas against the Company that the termination of the Contract was an early and wrongful termination in respect of which Dumas has claimed $5,553, of which $2,830 is alleged to be on account of unpaid invoices; and claims by Dumas that certain equipment leases were breached and Dumas was entitled to immediate possession of all items of equipment.

    Dumas, as claimant, has served a Claimant's Notice of Arbitration/Notice of Request to Arbitrate on the Company ("Arbitral Proceedings"); and has filed with the Clerk of St. Lawrence County, New York a Notice of Mechanic's Lien dated November 20, 2018 against the premises ("Lien Proceedings"). Dumas, as plaintiff, has commenced legal proceedings against the Company ("Legal Proceedings"); and Dumas, as lienor, filed with the Clerk of St. Lawrence County, New York a Notice of Mechanic's Lien dated November 20, 2018 against the premises ("Dumas Lien Proceedings").

(Expressed in thousands of United States dollars, unless otherwise indicated)

A settlement agreement was subsequently reached between all parties (note 23b).

19. FINANCIAL INSTRUMENTS

a) Carrying amount versus fair value

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value:

	December 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Bank indebtedness	3,912	4,087	-	-
Equipment loans	1,050	1,050	-	-
Loan from related party	14,809	15,715	-	-

Management assessed that the fair values of cash and cash equivalents, other receivables, and accounts payable approximate their carrying amounts due to the short-term maturities of these instruments, and the fair value of acquisition obligations approximate their carrying value as they are non-interest bearing. Trade receivables subject to provisional pricing and warrant derivative liability are already carried at fair value.

Fair values of the Company's bank indebtedness, equipment loans and loan from related party are determined by using DCF models that use discount rates that reflect the issuer's borrowing rate as at the end of the reporting period.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means.

Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

All financial instruments measured at fair value use Level 2 valuation techniques.

There have been no transfers between fair value levels during the reporting period.

b) Risk management objectives and policies

The Company's principal financial liabilities comprise accounts payable, debt and loan from related party. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Company's capital expenditures. The Company's principal financial assets comprise cash and cash equivalents, trade receivables, restricted cash and other receivables that arise directly from its operations.

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk with respect to its cash and cash equivalents, trade receivables and other receivables. The Company's maximum exposure to credit risk is the amount disclosed in the consolidated statements of financial position.

Credit risk associated with cash and cash equivalents is minimized by placing the majority of these instruments with major Canadian financial institutions with strong investment-grade ratings as determined by a primary ratings agency.

Credit risk associated with trade receivables is managed by dealing with a reputable international metals trading company. The Company typically receives provisional payments of up to 90% of the value of each shipment within days after delivery. The Company assesses and monitors risk by performing an aging analysis of its trade receivables.

Liquidity risk

Liquidity risk represents the risk that the Company will be unable to meet its obligations associated with its financial liabilities. The Company manages liquidity risk by preparing an annual budget for approval by the Board of Directors and preparing cash flow and liquidity forecasts on, at minimum, a quarterly basis. The Company maintains credit facilities and endeavours to maintain sufficient cash balances to meet its liquidity requirements at any point in time.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices.

The Company is exposed to the risk of fluctuations in prevailing market commodity prices for zinc which it sells into global markets. The market price of zinc is a key driver of the Company's capacity to generate cash flow. The Company is an unhedged producer to provide its shareholders with exposure to the changes in the market price of zinc.

Management has estimated the impact on profit before tax for changes in zinc prices on the fair value of provisionally priced trade receivables. Based on the December 31, 2018 balance, and assuming all other variables remain constant, a 10% change in zinc prices would increase/decrease provisionally priced trade receivables and revenue by $480.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is considered insignificant due to the low interest rates in the current economic environment and short-term nature of its holdings and as such the Company does not take any actions to manage interest rate risk.

The Company is exposed to interest rate cash flow risk on certain long-term debt amounts as the payments will fluctuate during their term with changes in the interest rate. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Approximately 85% of the Company's portfolio of loans and borrowings bear interest at variable rates. Based on the principal owing at December 31, 2018, and assuming all other variables remain constant, a 1% change in the LIBOR rate would result in an increase/decrease of $160 in the annual interest expense.

Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Company's currency risk primarily arises from financial instruments denominated in US dollars that are held at the parent company level, as the functional currency of the parent company is Canadian dollars. Conversely for the Company's subsidiaries whose functional currency is US dollars, currency risk primarily arises from financial instruments denominated in Canadian dollars that are held at the subsidiary company level. The Company does not consider the currency risk to be material to the future operations of the Company and, as such, does not have a hedging program or any other programs to manage currency risk.

20. SEGMENTED INFORMATION

The Company operates one reportable segment, the Empire State Mine. All the Company's non-current assets are in the United States other than other assets of $111 which are in Canada.

(Expressed in thousands of United States dollars, unless otherwise indicated)

21. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31, 2018	2017
Non-cash investing and financing activities		
Change in accounts payable and accrued liabilities with respect to construction in progress	$ 2,343	$ 2,739
Change in accounts payable and accrued liabilities with respect to inventories	$ 276	-
Equipment purchases financed with debt	$ 1,050	-
Change in reclamation and remediation asset	$ 697	$ 187
Issuance of common shares on settlement of acquisition obligations	$ -	$ 3,000

22. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk.

The capital structure of the Company currently consists of common shares and debt financing. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, its expected funding requirements, and risk characteristics of the underlying assets. The Company's funding requirements are based on cash forecasts. In order to maintain or adjust the capital structure, the Company may issue new debt, new shares and/or consider strategic alliances. Management reviews its capital management approach on a regular basis. The Company is not subject to any externally imposed capital requirements.

23. SUBSEQUENT EVENTS

a) Issue of warrants

On January 21, 2019, the Company issued 2,500,000 warrants to a company controlled by Titan's Executive Chairman pursuant to the credit agreement (note 14a).

b) Settlement with Dumas

On January 11, 2019, the Company entered into a settlement agreement with Dumas whereby the Company must pay Dumas a total of $3,673, comprised of $2,773 on account of outstanding invoices and $900 for the transfer of title in four pieces of equipment. The settlement sum is to be paid in instalments in 2019. The settlement sum bears interest at the base rate for Canadian dollar commercial loans plus 2%.

Upon payment of the first instalment, the Arbitral Proceedings were dismissed and title in the four pieces of equipment were transferred to the Company. Upon payment of the entire settlement sum and accrued interest, the Lien Proceedings and Dumas Lien Proceedings will be dismissed. Upon payment of the entire settlement sum and accrued interest, as well as the demobilization and return of a bolter to Dumas, the Legal Proceedings will be dismissed.

c) Amendment to Credit Facility

On January 21, 2019, the Company and the Lender amended the Credit Facility (note 12) whereby a maximum of $10,000 was available to the Company on a revolving basis. Prior to March 31, 2019, the Lender may reduce the maximum amount available to $6,000, subject to the business and financial plan provided by the Company. The interest rate on the $10,000 Credit Facility is either LIBOR plus 4.25% or the Lender's base rate plus 3.25%, and the standby fee is 0.8% of the unadvanced portion of the Credit Facility. If the amount available is reduced to $6,000, the interest rate changes to LIBOR plus 2.25% or the Lender's base rate plus 1.25%, and the standby fee is 0.5625% of the unadvanced portion of the Credit Facility. A $6,000 guarantee has been provided by a company controlled by Titan's Executive Chairman.

The $10,000 Credit Facility is fully drawn as the Company received an additional $6,000 of proceeds subsequent to year end.

d) Restructuring of Empire State Mine

On February 21, 2019, the Company announced its plans to restructure the Empire State Mine operations. Management intends to lower the operation's throughput while focusing on stope and waste development. The workforce will be reduced in order to optimize cash flow and productivity.