Consolidated Annual Financial Statements

(Expressed in thousands of Canadian dollars)

For the years ended December 31, 2018 and 2017

Independent auditor's report

To the Shareholders of Havilah Mining Corporation

Our opinion

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

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

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss and other comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 25, 2019

Havilah Mining Corporation
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Note	December 31 2018	December 31 2017
		$	$
Assets			
Current			
Cash and cash equivalents		5,971	5,683
Short-term investments	**5**	3,000	-
Inventories	**6**	3,050	12,112
Prepaid expenses and other	**7**	651	2,223
		12,672	20,018
Non-current			
Mineral properties, plant and equipment, net	**8**	39,612	54,394
Total assets		**52,284**	**74,412**
Liabilities			
Current			
Accounts payable and accrued liabilities	**9**	1,034	9,859
Accrued compensation and benefits		448	821
Flow-through share premium liability	**11**	12	-
		1,494	10,680
Non-current			
Reclamation obligations	**12**	2,462	2,306
Total liabilities		3,956	12,986
Shareholders' equity			
Share capital	**13**	18,915	-
Share-based payment reserve	**13**	335	-
Other capital reserves		-	129,346
Contributed surplus		130,106	
Deficit		(101,028)	(67,920)
		48,328	61,426
Total liabilities and shareholders' equity		**52,284**	**74,412**

Nature of operations– Note 1
Commitments and Contingencies – Note 18
Subsequent Events – Note 19

On behalf of the Board:

/s/ Blair Schultz
Chairman

/s/ James Haggarty
Director

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

Havilah Mining Corporation

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2018 and 2017

(Expressed in thousands of Canadian dollars)

	Note	2018	2017
		$	$
Revenues		17,993	42,174
Cost of sales			
Production costs		24,500	41,427
Depreciation and depletion		4,855	5,449
Write-down of inventories		4,025	8,306
		(15,387)	(13,008)
Other operating expenses			
General and administrative		1,426	5,201
Exploration expense		526	-
Impairment of mineral properties	8	9,674	28,230
Loss from operations		(27,013)	(46,439)
Finance charges, net		(4,521)	(6,108)
Flow-through premium recovery		39	-
Foreign currency (loss) gain, net		(1,057)	1,187
(Loss) gain on equipment disposal		(339)	32
Other (expenses) income		(217)	135
Net loss and comprehensive loss for the year		(33,108)	(51,193)
Loss per share			
Basic and diluted		(1.19)	(2.25)
Weighted average number of shares outstanding			
Basic and diluted		27,795,432	22,755,979

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

Havilah Mining Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in thousands of Canadian dollars)

	Note	2018	2017
		$	$
Cash (used in) provided by:			
Operating activities			
Net loss and comprehensive loss for the year		(33,108)	(51,193)
Depreciation and depletion		4,911	5,384
Write-down of production inventories, non-cash portion		372	1,087
Foreign currency loss (gain), net		1,057	(1,187)
Share-based payments		335	1,084
Loss (gain) on equipment disposal		339	(32)
Corporate charges from Klondex	**10**	240	3,030
Financing charges		4,521	6,108
Flow-through premium recovery		(39)	-
Accretion on reclamation obligation		156	-
Impairment on mineral properties, plant and equipment		9,674	28,230
Changes in non-cash working capital items			
Inventories		8,690	(7,083)
Prepaid expenses and other		1,572	(625)
Accounts payable		(8,597)	5,003
Accrued compensation and benefits		(373)	(70)
		(10,250)	(10,264)
Investing activities			
Expenditures on mineral property, plant and equipment		(609)	(19,068)
Purchase of short-term investments		(3,000)	-
Proceeds on disposal of equipment		239	-
		(3,370)	(19,068)
Financing activities			
Proceeds from private placement, net of share issuance costs		10,203	-
Funding and expenses paid by Klondex	**10**	3,705	26,865
		13,908	26,865
Effect of foreign exchange on cash balances		-	(11)
Increase (decrease) in cash		288	(2,478)
Cash and cash equivalents - beginning of year		5,683	8,161
Cash and cash equivalents - end of year		5,971	5,683
Components of cash:			
Cash		2,971	5,683
Cash equivalents		3,000	-

Supplemental cash flow information – Note 17

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

Havilah Mining Corporation

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)

	Note	Number of common shares	Share capital	Share-based payment reserve	Other capital reserves	Contributed Surplus	Deficit	Total
			$	$	$	$	$	$
Balance, December 31, 2016		-	-	-	84,730	-	(16,727)	68,003
Funding and expenses paid by Klondex Mines Ltd. ("Klondex")		-	-	-	44,616	-	-	44,616
Net loss for the year		-	-	-	-	-	(51,193)	(51,193)
Balance, December 31, 2017		-	-	-	129,346	-	(67,920)	61,426
Funding and expenses paid by Klondex		-	-	-	9,523	-	-	9,523
Shares issued pursuant to Klondex Arrangement Agreement	**2**	22,755,979	8,763	-	(8,763)	-	-	-
Adjustment to Shares issued in connection with Klondex Arrangement Agreement	**2**	-	-	-	(130,106)	130,106	-	-
Shares Issued by private placement		3,539,332	9,243	-	-	-	-	9,243
Shares Issued by private placement		2,380,000	960	-	-	-	-	960
Flow-through share premium	**11**	-	(51)	-	-	-	-	(51)
Share based payments		-	-	335	-	-	-	335
Loss for the year		-	-	-	-	-	(33,108)	(33,108)
Balance, December 31, 2018		28,675,311	18,915	335	-	130,106	(101,028)	48,328

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

1. Nature of operations

Havilah Mining Corporation (“Havilah” or the “Company”) is engaged in the acquisition, exploration, development and extraction of precious metals. The Company owns and operates the Rice Lake property which holds the True North gold mine and mill ("True North"), as well as the Ogama-Rockland properties ("Ogama"), both located in Manitoba, Canada. The Company was incorporated under the British Columbia Business Corporations Act on May 3, 2018. Havilah’s registered office is located at suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

Havilah Mining Corporation is a public company which is listed on the TSX-V under the symbol “HMC”.

2. Basis of presentation

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla acquired all the outstanding common shares of Klondex, and Klondex shareholders received consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, Havilah Mining Corporation, formed to hold Klondex’s Canadian assets comprised of Klondex Canada Ltd. (“Klondex Canada”) and Bison Gold Resources, Inc. (“Bison”).

After the Arrangement Agreement was completed on July 20, 2018, Havilah holds Klondex's former Canadian assets, comprised of Klondex Canada Ltd., which holds the True North assets as well as various early-stage properties located in Manitoba and Ontario, Canada, and Bison Gold Resources Inc., which holds the Ogama-Rockland property and the 10% buy-back rights on the Snow Lake Property. Klondex previously placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when the True North underground mining operations were placed on care and maintenance.

As the shareholders of Klondex continued to hold their respective interests in Havilah, there was no resultant change in control of Havilah. The Arrangement Agreement has thus been determined to be a capital reorganization (the “Reorganization”), and is excluded from the scope of IFRS 3, Business Combinations. Under the continuity of interest basis of accounting, the assets and liabilities transferred are recorded at their pre-arrangement carrying values. The statements of loss and comprehensive loss include the historical income and expenses related to Klondex Canada and Bison. Up to the date of the Reorganization, amounts advanced by Klondex to Havilah have been reflected as other capital reserves in the consolidated statements of changes in equity. The carve-out entity did not operate as a separate legal entity and as such, the financial statements may not be indicative of the financial performance of the carve-out entity on a standalone basis and do not necessarily reflect what its results of operations, financial position and cash flows would have been had the carve-out entity operated as an independent entity during the periods presented.

The carrying value of the net assets received pursuant to the Arrangement Agreement, as at July 20, 2018 are as follows:

Assets:	
Cash and cash equivalents	5
Inventories	6,142
Prepaid expenses and other assets	744
Mineral properties, plant and equipment, net	52,171
Total Assets	59,062
Liabilities:	
Accounts payable	111
Accrued compensation and benefits	181
Reclamation obligations	2,384
Carrying value of net assets	**56,386**
Accumulated losses	82,483
Subtotal	138,869
Shares issued pursuant to the Arrangement Agreement	8,763
Adjustment for shares issued in connection with the Arrangement Agreement	**(130,106)**

An adjustment of $130,106 was made through contributed surplus to reconcile: i) the carrying values of the net assets contributed and recorded under the continuity of interest basis of accounting, to the fair value of the common shares issued upon closing of the Arrangement Agreement; and ii) the allocated accumulated losses which amounted to $82,483 up to the close of the Arrangement Agreement.

Statement of compliance and functional currency

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2018.

These consolidated financial statements have been prepared on a historical cost basis.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated. The Company's principal subsidiaries are as follows:

Name	Place of Incorporation	Ownership Percentage
Klondex Canada Ltd.	Canada	100%
Bison Gold Resources Inc.	Canada	100%

These consolidated financial statements were approved by the Board of Directors on April 24, 2019.

3. Accounting policies

These consolidated financial statements have been prepared using the following accounting policies:

Changes in accounting policies

Effective January 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") and IFRS 9 *Financial Instruments* ("IFRS 9").

IFRS 9

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	amortized cost	amortized cost
Accounts payable and accrued liabilities	amortized cost	amortized cost

The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

b) Measurement

Financial assets at FVTOCI
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

d) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

IFRS 15

The Company adopted IFRS 15 using the modified retrospective method, which required it to apply the new revenue standard to (i) all new revenue contracts entered into after January 1, 2018, and (ii) revenue contracts which were not completed as of January 1, 2018. In accordance with this approach, the

consolidated revenues for periods prior to January 1, 2018 were not revised and there was no cumulative effect of the adoption of IFRS 15 as of January 1, 2018.

The following is the Company's new accounting policy for revenue from contracts with customers under IFRS 15:

The Company recognizes revenue from contracts with customers for the sale of gold at the point in time when it transfers control over to the customers, which occurs upon delivery. Revenue is measured based on the market metal prices at the time of settlement.

The Company produces doré and derives revenue from the sale of doré. The Company's performance obligations relate primarily to the delivery of these products to customers, with each shipment representing a separate performance obligation. Revenue from the sale of bullion is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the purchaser, the product is physically delivered to the customer, the customer controls the risks and rewards of ownership and the Company has a present right to payment for the product.

The refiner who receives doré from the Company, refines the material on the Company's behalf and arranges for sale of the refined metal to counterparties. Control over the refined gold or silver produced from doré is transferred to the customer and revenue recognized upon delivery to the customer's bullion account. Refined metals are sold at spot prices on the London Bullion Market and proceeds are collected within two business days of the completion of the sale transaction.

The Company has concluded that there were no significant changes in the accounting for the sale of gold bullion as a result of the transition to IFRS 15 as the timing of control of the gold bullion passing to the customer are unchanged from policies applied prior to the adoption of IFRS 15.

The Company did not restate prior periods as the adoption of IFRS 15 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

Foreign currency
The functional currency of Havilah is the Canadian dollar. Gains or losses resulting from measuring foreign currency transactions and balances into an entity's functional currency are recorded to profit or loss.

Cash and cash equivalents
Cash and cash equivalents are unrestricted as to use and consist of deposits and short-term interest-bearing accounts with original maturities of 90 days or less.

Inventories
Havilah's inventories include supplies inventory and the following production-related inventories: stockpiles, in-process, and doré finished goods, all of which are measured and carried at the lower of average cost or net realizable value. For production-related inventories, cost includes all mining, processing, and refining costs incurred during production stages, including allocations for mine site overhead, depreciation and depletion, and ore transport costs. Net realizable value is calculated as the estimated future sales price in the ordinary course of business using period-end metal prices less the estimated costs to convert the production-related inventories into a saleable product (less estimated selling costs).

- ***Supplies inventory*** consists of supplies and commodity consumables used in the mining, milling, and refining processes.
- ***Stockpiles*** represent ore that has been mined which requires further processing through a mill. Costs are transferred from Stockpiles to In-process at an average cost per unit.
- ***In-process inventory*** consists of ore being processed through the milling circuit in preparation for refining. Costs are transferred from In-process to Doré finished goods at an average cost per unit.

- ***Doré finished goods inventory*** consists of gold bullion held at the refiner as well as Doré bars awaiting shipment to the refiner. Refined bullion meets the required market standards of 99.95% pure gold. Costs are transferred from Doré finished goods to Cost of sales at an average cost per unit as gold is sold to customers.

Mineral properties, plant and equipment
Mineral properties, plant and equipment are carried at cost, less accumulated depletion, depreciation, and accumulated impairment losses (if any). Cost includes the fair value of consideration given to acquire or construct an asset and includes all charges associated with bringing an asset to the location and condition necessary for its intended use. Estimated costs of decommissioning, dismantling, and removing assets are capitalized to the cost of the asset to which they relate.

Mineral properties consist of the fair value attributable to resources acquired in a business combination or asset acquisition, mine development costs, tailings facilities, and environmental compliance and permitting costs. Mine development costs include costs to build or construct shafts, drifts, and ramps which enable the Company to physically access ore and costs to delineate or expand an existing mineral resource ore bodies, including, costs for drilling, assaying, and engineering work. Additionally, mine development costs include amounts reclassified from capitalized exploration and evaluation costs (as discussed below).

Mineral properties are depleted using the units-of-production method. Depletion is determined each period using a factor of gold ounces mined over the estimated recoverable gold ounces at each mineral property, the totals of which are prospectively adjusted to correspond to changes in such recoverable gold ounces. To the extent capitalized mineral property costs benefit an entire ore body, they are amortized over the estimated recoverable gold ounces of that ore body. Capitalized costs that benefit specific ore veins or areas are amortized over the estimated recoverable gold ounces of that specific ore vein or area.

Plant and equipment includes acquisition and purchase costs and the costs of major overhauls of parts of property and equipment if such part extends the productive capacity or useful economic life of the asset to which it relates. Upon such occurrence, the carrying amount of the replaced part is derecognized as a current period charge. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation on property and equipment is calculated using either the straight-line method based on the asset's expected useful life or the units-of-production method at rates sufficient to depreciate such costs over the total estimated recoverable ounces. When components of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation on assets under construction commences when such assets are substantially complete and placed in service for their intended use. The major categories of plant and equipment are depreciated at the following annual rates:

- Vehicles – 3 – 5 years
- Buildings – 5 – 37 years
- Computer Software and Hardware – 3 – 12 years
- Field Equipment – 3 – 8 years
- Mill – 3 – 14 years
- Tailings Equipment – 3 – 5 years

Exploration and evaluation assets include the capitalized costs of acquiring mineral property rights and licenses. All exploration and evaluation expenditures are expensed until properties are determined to have economically recoverable resources. These direct expenditures include such costs as materials used, surveying costs, geological studies, drilling costs, payments made to contractors and depreciation of plant and equipment during the exploration phase.

Mineral property acquisition costs for each mineral property are carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful exploration and development of the mineral property or alternatively, by sale; or
- Exploration and evaluation activities in the mineral property have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves; however; active and significant operations in relation to the mineral property are continuing or planned for the future.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such a property. If a mineral property does not prove viable, all unrecoverable costs associated with the property are charged to the statement of operations and comprehensive loss at the time the determination is made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined and the Company has made a decision to proceed with development, the property is considered to be a mine under development and is classified as "mining assets", within PP&E. Exploration and evaluation acquisition costs accumulated are also tested for impairment before they are transferred to development properties.

Impairment of long-lived assets

At each reporting period end, Havilah reviews its long-lived assets, which include capitalized costs for the acquisition of mineral properties, plant and equipment, to determine whether any indications of impairment exist. If any such indication exists, the recoverable amount of the relevant cash generating unit ("CGU") is estimated in order to determine the extent of an impairment, if any. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, which for Havilah means its individual mine sites. The recoverable amount is determined as the higher of fair value less direct costs of disposal ("FVLCD") and the asset's value in use (VIU"). FVLCD is the estimated amount that would be obtained from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. For mineral assets, when a binding sale agreement is not readily available, FVLCD is often estimated using a discounted post-tax cash flow approach. In assessing VIU, the estimated future pre-tax cash flows of an asset or CGU are discounted to their present value. Estimated future cash flows are computed using estimated recoverable gold ounces from period end mineral resources, estimates of future gold selling prices, and estimates of future operating, capital, and decommissioning costs. If the carrying amount of an asset or CGU exceeds its estimated recoverable amount, the carrying amount of such asset or CGU is reduced to its estimated recoverable amount and an impairment loss is recognized. Assets or CGUs that have been impaired are tested for possible reversal of the impairment charge whenever events or changes in circumstances indicate that the impairment may have reversed.

Reclamation obligations

Havilah records a liability and corresponding asset for the present value of the estimated costs of legal and constructive obligations for site closure and reclamation activities where the liability is probable and a reasonable estimate can be made of the obligation amount. Provisions for closure and reclamation liabilities are estimated using expected cash flows, based on engineering and environmental reports prepared by internal and third-party industry specialists, which are adjusted for estimates of inflation and discounted at a rate specific to the estimated term of the liability which reflects risks specific to such liability. The capitalized amount is included within Mineral properties, plant and equipment, net and amortized on the same basis as the asset to which it relates. The decommissioning provision liability is accreted over time to reflect the unwinding of the discount with the resultant accretion expense included in Finance charges, net. The provision is reviewed at each period end and adjusted for changes in estimates, circumstances, disturbances, and inputs used to compute the underlying liability.

Share-based compensation

Share-based compensation arises when the Company issues equity instruments as consideration for services received from employees and non-employees. The fair value of the estimated number of share-based awards expected to vest for employees of Havilah is included in the total cost of production-related inventories and general and administrative expense, with a corresponding increase in equity. Share-based compensation awards that are forfeited before vesting result in the reversal of previously recognized costs. The fair value of share awards is determined as the market value of the underlying shares on the date of grant.

Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flowthrough share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. In the event that warrants are issued with the flow-through common shares, the Company will not assigned any of the premium to those warrants. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds in Note 11. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid

Income taxes

Havilah uses an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A valuation allowance has been provided for the portion of Havilah's net deferred tax assets for which it is more likely than not that they will not be realized.

Segments

Havilah's reportable segments are comprised of operating units which 1) have revenues, earnings or losses, or assets exceeding 10% of the respective consolidated totals and 2) are regularly reviewed by Havilah's Chief Executive Officer to make decisions about resource allocation and performance assessment. Prior to the completion of the Arrangement Agreement, these operations were treated as one segment and were reviewed as such by Klondex's Chief Executive Officer to make decisions about resource allocation and performance assessment. Accordingly, amounts shown in the comparative Financial Statements represent the sole segment of Havilah.

Key sources of estimation uncertainty

The preparation of consolidated financial statements requires that the Company's management make estimates based on assumptions of future events to determine the carrying amounts of some of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain, potentially having material future effects on the

Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

These estimates are as follows:

a) Impairment of mineral properties
Acquisition costs for mineral properties are capitalized. The Company makes estimates and applies judgment about future events and circumstances in determining whether the carrying amount of a mineral property exceeds its recoverable amount. The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties. Management reviews the carrying values of its mineral properties on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, acquisition costs related to relinquished property rights are written off in the period of relinquishment. Capitalized acquisition costs in respect of the Company's mineral properties may not be recoverable and there is a risk that these costs may be written down in future periods.

b) Determining amount and timing of rehabilitation costs
Management must determine if estimates of the future costs the Company will incur to complete the rehabilitation work is required to comply with existing laws, regulations and agreements in place at each exploration site. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of rehabilitation work required by the Company. Management determined at the date of the statement of financial position that no material rehabilitation provisions were required under IAS 37, Provisions, Contingent Liabilities, and Contingent Assets.

Accounting standards issued but not yet effective

The following new standard has been issued but not yet applied:

a) IFRS 16 – Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019. This standard will affect the way in which the Company accounts for its operating leases and will increase the related disclosures. The Company does not expect the adoption of this new standard to have a material impact on the financial position and results of the Company, as the Company does not currently have any material leases.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

4. Business combinations and asset acquisitions

Bison Gold Resources, Inc. asset acquisition
During the year ended December 31, 2017, the Company acquired all the issued and outstanding common shares of Bison Gold Resources Inc., which owned, among other things, the Ogama property, by

exchanging shares of Bison for shares of Klondex. As a result of this transaction, the Company recorded an addition to mineral properties of $8,888, which represents substantially all of the consideration transferred to Bison and assets acquired by the Company.

5. Short-term investments

Short-term investments include GIC investments with original maturities of one year or less.

6. Inventories

	December 31 2018	December 31 2017
	$	$
Production related inventories:		
Supplies	1,374	2,900
Stockpiles	-	1,817
In-process	1,566	6,815
Doré finished goods	110	580
	3,050	12,112

As at December 31, 2018 the in-process, and doré finished goods inventories included approximately $452 (2017 - $991) of capitalized non-cash depreciation and depletion costs.

Write-down of production inventories

The period-end market value of the Company's production-related inventories is determined in part by using the period-end prices of gold and is sensitive to this input. Due to increases in production costs, the Company's application of its lower of average cost or net realizable value accounting policy resulted in write-downs of production inventories. Write-downs have resulted solely from the Company's application of its lower of average cost or net realizable value accounting policy.

The following table provides information about the Company's write-downs (in thousands, except per ounce amounts):

	December 31 2018	December 31 2017
	$	$
Type of previously incurred cost		
Cash production costs	3,653	7,219
Allocated depreciation and depletion	372	1,087
Write-down of production inventories	4,025	8,306
Prices used in write-down calculation		
Price per gold ounce - US$	1,282	1,297

7. Prepaid expenses and other

	December 31 2018	December 31 2017
	$	$
Sales tax receivable	113	1,878
Deposits	208	-
Other	330	345
	651	2,223

8. Mining properties, plant and equipment

	Note	Plant and equipment	Mineral properties	Total
		$	$	$
Cost				
Balance at December 31, 2016		28,571	37,039	65,610
Bison acquisition	**4**	-	8,888	8,888
Additions		2,137	16,995	19,132
Transfers		-	-	-
Dispositions		(307)	-	(307)
Balance at December 31, 2017		30,401	62,922	93,323
Additions		359	22	381
Transfer		-	(1,222)	(1,222)
Disposals		(832)	-	(832)
Balance at December 31, 2018		29,928	61,722	91,650
Accumulated depreciation and depletion				
Balance at December 31, 2016		(3,789)	(584)	(4,373)
Additions		(4,688)	(1,703)	(6,391)
Dispositions		65	-	65
Impairments		(8,403)	(19,827)	(28,230)
Balance at December 31, 2017		(16,815)	(22,114)	(38,929)
Additions		(4,678)	(233)	(4,911)
Disposals		254	-	254
Transfer		-	1,222	1,222
Impairment		-	(9,674)	(9,674)
Balance at December 31, 2018		(21,239)	(30,799)	(52,038)
Net – December 31, 2017		**13,586**	**40,808**	**54,394**
Net – December 31, 2018		**8,689**	**30,923**	**39,612**

At December 31, 2018 the Company recorded approximately $142 (2017 - $208) of construction in process within Plant and equipment. During the year ended December 31, 2018, the Company completed an evaluation of existing mine plans related to the True North underground mine as well as future development plans for the Company's properties. The Company determined that the existing mine plans would not be economic at the current commodity price levels and the net development costs ($9,674) associated with these mine plans were written off during the period (2017 - $28,230).

As a result of the shutdown of mining operations and the focus on exploration activity for the foreseeable future, all the Company's mineral properties are considered to be in the exploration phase.

9. Accounts payable and accrued liabilities

	December 31	December 31
	$	$
Accounts payable	1,034	3,086
Accrued liabilities	-	6,773
	1,034	9,859

10. Advances from Klondex

As at December 31, 2018 and December 31, 2017, the Company had no outstanding Debt.

Corporate Charges from Klondex
Prior to the completion of the Amalgamation Agreement, the corporate activities for the Company were performed by Klondex. These activities were charged to Havilah during that period and included in general and administrative expense.

Interest on Advances from Klondex Mines Ltd.
Interest charges to Havilah are from Klondex for previously advanced funds through various debt obligations existing prior to the Arrangement Agreement and reflect an estimated cost of operating Havilah's business on a standalone basis during that period. Interest was charged at a rate per annum equal to the sum of a LIBOR rate and 7.0% on the unpaid principal balance. All debt obligations arising from these advances were settled on completion of the Arrangement Agreement.

Finance charges, net
The following table summarizes the components of Finance charges:

	December 31,	Year ended December 31,
	$	$
Debt expense on Advances from Klondex	4,368	5,944
Reclamation obligation accretion	156	158
Bank changes	4	7
Interest income	(7)	(1)
	4,521	6,108

11. Flow-through share premium liability

The flow-through share premium liability balance as at December 31, 2018 of $12 (December 31, 2017 - $nil) arose in connection with the flow-through share offering the Company completed on September 19, 2018 (Note 13(b)). The reported amount is the unamortized balance of the premium received from issuing the flow-through shares. This balance does not represent a cash liability to the Company. The flow-through premium liability will be amortized to the statement of loss pro-rata with the amount of qualifying flow-through expenditures that are incurred by the Company. The Company is committed to incurring on qualifying Canadian exploration expenses as defined under the Income Act, Canada ("Qualifying CEE") in the amount of $725 with respect to the flow-through share financing completed on September 19, 2018. None of the Qualifying CEE will be available to the Company for future deduction from taxable income. As

at December 31, 2018, the Company had incurred $556 of the Qualifying CEE and accordingly, recognized a flow-through premium recovery of $39 during the year ended December 31, 2018. The remaining $169 of Qualifying CEE must be incurred and renounced by the December 31, 2019.

12. Reclamation obligation

The reclamation obligation is related to True North and is estimated based upon present value techniques of expected cash flows, estimates of inflation, and a credit adjusted risk-free discount rate.

The undiscounted amount of estimated cash flows required to settle the reclamation obligation was estimated at $9,824 as at December 31, 2018 (December 31, 2017 – $9,824).

The key assumptions on which the provision estimates were based for the years ended December 31, 2018 and 2017 are:

- Expected timing of the cash flows is based on the estimated useful life of True North. The expenditures are expected to occur between 2023-2041.
- The inflation rate used for the year ended December 31, 2018 is 2.40% (year ended December 31, 2017 – 2.40%).
- The discount rate used for the year ended December 31, 2018 is 6.80% (year ended December 31, 2017 – 6.80%).

The following table provides a summary of changes in the reclamation obligation:

Balance at December 31, 2016	2,237
Accretion expense	158
Changes in estimates and assumptions	(89)
Balance at December 31, 2017	2,306
Accretion expense	156
Balance at December 31, 2018	2,462

13. Share Capital

a) Authorized: Unlimited common shares without par value.

b) Shares issued

Acquisition of Klondex Mines Ltd.

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. On July 20, 2018, the Arrangement Agreement was completed and 22,755,979 common shares were issued to Klondex shareholders as consideration for Klondex' Canadian operations, Klondex Canada Ltd. and Bison Gold Resources, Inc.

Private Placements

On July 20, 2018, as part of the Arrangement Agreement (Note 2), Hecla subscribed for 3,539,332 common shares of the Company, on a private placement basis at a price of $2.61 per share for a gross purchase price of $9,243 (US$7,000).

On September 19, 2018, the Company issued 655,000 units ("Units") of the Company, with each Unit comprised of one common share of the Company ("Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"), at a price of $0.36 per Unit, and 1,725,000 units ("FT Units") of the Company, with each FT Unit comprised of one Common Share issued on a flow-through basis (within the meaning of the Income Tax Act (Canada), as amended), and one-half of one Warrant, at a price of $0.42 per FT Unit. Each Warrant will entitle the holder thereof to purchase one additional Common Share at a price of $0.50 per Common Share for a period of 36 months following the closing of the Offering. The fair value of the flow-through shares was determined to be $673 with the remaining $51 being allocated to flow-through premium liability (Note 11). No value has been allocated to the warrants issued.

c) Options

The Company has adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors.

The options vest as to one-third immediately and one-third after the first and second anniversary of the date of grant.

The Company's share options outstanding as at December 31, 2017 and December 31, 2018 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2016 and 2017	-	-
Granted – August 15, 2018	1,550,000	0.36
Granted – November 26, 2018	175,000	0.31
Balance as at December 31, 2018	1,725,000	0.35

The total share-based payment expense recorded during the year ended December 31, 2018 was $335 (2017: $1,084). The amounts related to 2017 are based on share-based payment expense allocated from Klondex.

The following table summarizes information about the share options as at December 31, 2018:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
$0.36	1,550,000	4.63	$0.36	516,666	August 15, 2023
$0.31	175,000	4.91	$0.31	58,333	November 26, 2023

The fair value of options recognized has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the options:

Issue date	Expected Option life (years)	Risk free interest rate	Dividend yield	Expected volatility[1]	Weighted average fair value
August 15, 2018	5.00	2.18%	nil	80%	$0.21
November 26, 2018	5.00	2.27%	Nil	80%	$0.20

Note 1: As the Company does not have sufficient history of past share prices, the expected volatility was calculated by taking the average volatility of similar junior resource companies.

d) Warrants

The Company's warrants outstanding as at December 31, 2017 and December 31, 2018 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2016 and 2017	**-**	**-**
Transferred under the Arrangement Agreement – July 20, 2018	625,000	$1.52
Transferred under the Arrangement Agreement – July 20, 2018	625,000	$4.24
Granted – September 19, 2018	1,190,000	$0.50
Balance as at December 31, 2018	2,440,000	$1.72

The balance of warrants outstanding as at December 31, 2018 is as follows:

Expiry Date	Exercise Price $	Remaining Life (Years)	Warrants Outstanding
February 11, 2029	$1.52	10.12	625,000
April 3, 2032	$4.24	13.27	625,000
September 19, 2021	$0.50	2.72	1,190,000

14. Income taxes

No tax expense or benefit was recorded for the years ended December 31, 2018 and 2017.A reconciliation of the Company's effective tax rate with the statutory tax rate for the years ended December 31, 2018 and 2017 is as follows:

	December 31, 2018	Year ended December 31, 2017
	$	**$**
Loss before tax	(33,108)	(51,193)
Statutory tax rate	27.00%	26.00%
Income tax (benefit) at statutory rate	(8,939)	(13,310)
Reconciling items:		
Difference in current and future income tax	-	(512)
Share-based payments	98	51
Deferred tax asset not recognised	5,250	14,188
Other	3,591	(417)
Income tax (expense)	-	-

At December 31, 2018 and 2017, deductible temporary differences for which no deferred tax assets are recognized are below:

	December 31, 2018	December 31, 2017
	$	$
Net operating losses	82,307	72,932
Deductible temporary differences:		
Mineral properties, plant and equipment	163,752	162,362
Asset retirement obligation	2,462	2,306
Provincial mining tax attributes	78,153	62,907
Total deductible differences	326,674	300,507

As of December 31, 2018, the Company had net operating loss carryforwards of $90.6 million which expire between 2025 and 2038.

15. Related party transactions

During the years ended December 31, 2018 and 2017, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company. For the year ended December 31, 2017, the Company operated as a subsidiary of Klondex therefore no compensation was paid to Directors or Officers. All fees have been reported as general and administrative expenses:

	December 31, 2018	Year ended December 31, 2017
	$	$
Professional fees	10	-
Directors' fees	94	-
Management fees	280	-
Share-based payments	333	-
	717	-

Key management includes directors and executive officers of the Company. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

16. Financial Instruments and Capital Risk Management

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders, and to explore and develop assets with a view to building a diversified mineral resource company.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund activities. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management policies on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

Financial Instruments

The Company's financial instruments consist of cash equivalents, deposits, accounts payable and accrued liabilities. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.

The Company's activities potentially expose it to a variety of financial risks, including liquidity risk, interest rate risk, foreign exchange currency risk, and commodity price risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. As at December 31, 2018 the Company had working capital of $11,178. Management believes that the Company has sufficient financial resources to meet its obligations as they come due.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances, interest-bearing bank accounts and no interst-bearing debt. The Company also invests excess cash in short term GIC's. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair vaule as at December 31, 2018.

Foreign Exchange Risk

The Company's functional currency is the Canadian dollar. Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company's historical foreign currency gains and losses primarily relate to amounts on intercompany loan balances and US dollar transactions with vendors. Subsequent to the Arrangement Agreement the Company has had minimal US dollar transactions.

Commodity Price Risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces. Prior to completion of the Arrangement Agreement, the Company's parent, Klondex, would mitigate price risk by entering into derivative financial instruments, such as fixed forward sales and collars. As of December 31, 2018, the Company itself had not entered into any agreements to mitigate its exposure to market price risk.

17. Supplemental Cash Flow Information

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements. The following transactions were excluded from the statement of cash flows:

During the year ended December 31, 2018:

- The issuance of 22,755,979 common shares valued at $8,763 pursuant to the Klondex Arrangement Agreement (Note 13(b)), and related adjustment to shares issued in connection to the Klondex Arrangement of $130,106 (Note 2); and
- Mineral property exploration expenditures of $228 in accounts payable and accrued liabilities.

During the year ended December 31, 2017:

- Mineral property exploration expenditures of $185 in accounts payable and accrued liabilities; and
- Klondex issued shares in connection with the acquisition of Bison valued at $9,081.

18. Commitments and Contingencies

Following completion of the plan of Arrangement Agreement involving Hecla and Klondex, the Company issued to Waterton Nevada Splitter, LLC (“Waterton”) a warrant to acquire up to 625,000 common shares of the Company at an exercise price of $4.24 per share and expiring April 3, 2032 (the “Havilah Replacement Warrant”). Havilah Replacement Warrant was issued to Waterton along with a replacement warrant from Hecla (collectively the “Replacement Warrants”) in accordance with the terms of the warrant certificate issued by Klondex to Waterton on October 3, 2016 (the “Original Warrant Certificate”).

On September 11, 2018 Waterton filed a claim with the Ontario Superior Court of Justice alleging breach of contract against Hecla, Klondex Mines Unlimited Liability Company and the Company for failure to honour the terms of the Original Warrant Certificate and, or in the alternative, a declaration that the Replacement Warrants do not satisfy Hecla’s obligations as successor-in-interest to Klondex’s obligations under the Original Warrant Certificate and a new replacement warrant. Waterton claims, among other things, that the Replacement Warrants purport to apportion the value of the original Warrant Certificate between the Hecla and Havilah warrants using the aggregate transaction value of the Arrangement (as determined unilaterally by Hecla), rather than protecting the economic value of the Original Warrant Certificate, and that with the Replacement Warrants, Hecla and Havilah failed to protect the economic value of Waterton’s Original Warrant immediately prior to the consummation of the Arrangement. Instead it is alleged that in breach of contractual obligations, Hecla and the Company made an arbitrary allocation in a manner convenient to them, without regard for the economic value of the Original Warrant. The Company, as a party to this claim, is working with counsel to evaluate the merits of the claim by Waterton and, at this time, cannot determine the possible outcome of this matter.

19. Subsequent Events

a) Issuance of shares

On January 10 2019, the Company closed a private placement by issuing 385,000 units (“Units”) at a price of $0.285 per Unit for gross proceeds of $110. Under the private placement, each Unit consists of one common share in the capital of the Company and one-half of one share purchase warrant (each whole warrant being a “Warrant” of the Company). Each whole Warrant will entitle the holder to purchase one share at an exercise price of $0.50 per share until September 19, 2021.

On March 5, 2019, the Company closed a private placement by issuing 8,333,333 flow-through common shares (“FT Shares”) at a price of $0.48 per FT Share for gross proceeds of $4,000.

On March 18, 2019, Dundee Resources Limited acquired 4,666,667 common shares of the Company pursuant to a private agreement at the price of $0.30 per share for gross proceeds of $1,400.

On March 21, 2019, the Company closed a private placement by issuing 66,667 units ("Units") at a price of $0.30 per Unit for gross proceeds of $20. Under the private placement, each Unit consists of one common share in the capital of the Company and one-half of one share purchase warrant. Each whole Warrant will entitle the holder to purchase one share at an exercise price of $0.50 per share until September 19, 2021.

b) Grant of stock options

On January 14, 2019, 400,000 options to purchase common shares of the Company were granted. Each option has an exercise price of $0.31 per common share and expires on January 15, 2024. The options vest as to one-third immediately and one-third after the first and second anniversary of the date of grant.

On January 14, 2019, 500,000 restricted share units ("RSU") were granted. The RSU will vest one-third upon approval of the Company's shareholders of the RSU plan at the Annual General Meeting and one-third after the first and second anniversaries from the effective date of his appointment. Each RSU is convertible into one common share of the Company.

On March 4, 2019, 175,000 options to purchase common shares of the Company were granted. Each option has an exercise price of $0.36 per common share and expires on March 4, 2024. The options vest as to one-third immediately and one-third after the first and second anniversary of the date of grant.

On March 21, 2019, 140,000 restricted share units ("RSUs") were granted. The RSU will vest one-third upon approval of the Company's shareholders of the RSU plan at the Annual General Meeting and one-third after the first and second anniversaries from the effective date of the grant.

c) Debt settlement

On March 4, 2019, the Company negotiated the settlement of $30 related to historical accounts payable for a third-party consultant to Bison Gold Resources Inc. (a subsidiary of the Company) in consideration for the issuance of 100,000 common shares of the Company at a deemed price of $0.30 per common share.