# TILL CAPITAL LTD.

## CONSOLIDATED FINANCIAL STATEMENTS

## For the Years Ended December 31, 2018 and 2017

# *Independent auditor's report*

To the Shareholders of Till Capital Ltd.

## *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Till Capital Ltd. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of income (loss) for the years ended December 31, 2018 and 2017;
- the consolidated statements of comprehensive income (loss) for the years ended December 31, 2018 and 2017;
- the consolidated statements of financial position as at December 31, 2018, 2017 and January 1, 2017;
- the consolidated statements of shareholders' equity for the years ended December 31, 2018 and 2017;
- the consolidated statements of cash flows for the years ended December 31, 2018 and 2017; 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.

*PricewaterhouseCoopers LLP*
*PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7*
*T: +1 604 806 7000, F: +1 604 806 7806*

## *Emphasis of matter*

We draw attention to note 3 to the consolidated financial statements, which describes that the December 31, 2017 consolidated financial statements have been restated for the Company's transition from US GAAP to IFRS. As part of this restatement, the Company has presented a third consolidated statement of financial position as at January 1, 2017.

## *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 Graziano DeLucchi.

**(signed) PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2019

(Stated in U.S. dollars)

| | Note | Year Ended December 31 2018 | 2017 (restated note 3(n)(i)) |
|---|---|---|---|
| **Revenue** | | | |
| Insurance premiums written | 8 | $ 61,518,819 | $ 64,761,312 |
| Insurance premiums ceded to reinsurers | 8 | (60,718,077) | (61,867,568) |
| Net insurance premiums written | | 800,742 | 2,893,744 |
| Change in unearned premiums | | 210,233 | (1,803,010) |
| Net insurance premiums earned | | 1,010,975 | 1,090,734 |
| Investment (loss) income, net | 6(d) | (2,833,858) | 61,568 |
| Gain on sale of equity method investment | 6(b) | 3,987,330 | — |
| Gain on sale of property, plant, and equipment | | — | 1,136,994 |
| Other revenue | | 476,980 | 503,840 |
| | | **2,641,427** | **2,793,136** |
| **Expenses** | | | |
| Gross losses and loss adjustment expenses | | 38,039,147 | 35,647,755 |
| Losses and loss adjustment expenses ceded to reinsurers | | (37,474,156) | (34,281,021) |
| Net losses and loss adjustment expenses | 7(b) | 564,991 | 1,366,734 |
| General and administrative expenses | | 1,023,219 | 1,880,141 |
| Salaries and benefits | | 1,089,621 | 1,199,855 |
| Stock-based compensation | 16 | 1,599 | 28,096 |
| Exploration expense recovery | 11(a) | (242,093) | (61,116) |
| Mining related expenses and property write-down | | 30,102 | 87,500 |
| Goodwill impairment | 12 | 1,701,753 | 971,757 |
| Foreign exchange (gain) loss | | (11,710) | 62,098 |
| Other expenses | | 9,974 | 52,489 |
| | | **4,167,456** | **5,587,554** |
| Share of net losses of equity method investment | 6(b) | (97,525) | (84,176) |
| **Loss before income tax** | | **$ (1,623,554)** | **$ (2,878,594)** |
| Income tax recovery (expense) | 15 | 2,369 | (435,554) |
| **Net loss** | | **$ (1,621,185)** | **$ (3,314,148)** |
| **(Loss) income attributable to:** | | | |
| Shareholders of Till Capital Ltd. | | (1,641,703) | (3,227,384) |
| Non-controlling interests | | 20,518 | (86,764) |
| **Net loss** | | **$ (1,621,185)** | **$ (3,314,148)** |
| **Basic and diluted loss per restricted voting share attributable to the shareholders of Till Capital Ltd.** | | **$(0.50)** | **$(0.96)** |
| **Weighted average number of restricted voting shares outstanding** | | **3,285,981** | **3,348,174** |

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

**TILL CAPITAL LTD.**
Consolidated Statements of Comprehensive Income (Loss)
(Stated in U.S. dollars)

| | Note | Year Ended December 31 2018 | 2017 (restated note 3(n)(i)) |
|---|---|---|---|
| **Net loss** | | **$ (1,621,185)** | **$ (3,314,148)** |
| **Other comprehensive (loss) income** | | | |
| Change in cumulative foreign exchange translation adjustment | | (802,714) | 927,742 |
| Change in net unrealized gain (loss) on available for sale investments | 6(e) | (107,851) | 142,858 |
| Reclassification of realized (gain) loss from available for sale investments | 6(e) | 209,467 | (942,104) |
| **Other comprehensive (loss) income** | | **(701,098)** | **128,496** |
| **Total comprehensive loss** | | **$ (2,322,283)** | **$ (3,185,652)** |
| **Total comprehensive income (loss) attributable to:** | | | |
| Shareholders of Till Capital Ltd. | | (2,382,591) | (2,916,971) |
| Non-controlling interests | | 60,308 | (268,681) |
| **Total comprehensive loss** | | **$ (2,322,283)** | **$ (3,185,652)** |

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

**TILL CAPITAL LTD.**
Consolidated Statements of Financial Position
(Stated in U.S. dollars)

| | Note | December 31, 2018 | December 31, 2017 (restated note 3(n)(i)) | January 1, 2017 (restated note 3(n)(i)) |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | | $ 10,251,114 | $ 9,549,062 | $ 5,320,208 |
| Investments | 6(a) | 10,541,452 | 11,394,095 | 15,520,774 |
| Investment, equity method | 6(b) | — | 1,270,213 | 1,248,491 |
| Unpaid losses and loss adjustment expenses ceded | 7 | 9,879,699 | 10,094,946 | 7,150,355 |
| Unearned premiums ceded | 8 | 11,814,767 | 13,850,156 | 1,614,803 |
| Premiums receivable and reinsurance recoverables | | 14,042,266 | 17,455,169 | 2,391,427 |
| Deferred policy acquisition costs | 9 | 1,939,853 | 2,140,591 | 498,889 |
| Assets held for sale | 4 | 5,119,702 | 5,018,940 | 4,900,606 |
| Promissory note receivable | 5 | — | — | 2,410,494 |
| Property, plant, and equipment | 10 | 44,457 | 49,334 | 52,676 |
| Royalty and mineral interests | 11 | 506,180 | 540,080 | 1,064,459 |
| Deferred income tax asset | 15 | 275,619 | 317,258 | 583,153 |
| Goodwill | 12 | 316,411 | 2,218,634 | 2,980,819 |
| Other assets | 13 | 681,162 | 750,396 | 1,162,963 |
| **Total assets** | | **$ 65,412,682** | **$ 74,648,874** | **$ 46,900,117** |
| **Liabilities** | | | | |
| Reserve for unpaid losses and loss adjustment expenses | 7 | 14,411,889 | 16,081,794 | 13,716,574 |
| Unearned premiums | 8 | 13,714,347 | 16,145,047 | 2,015,932 |
| Reinsurance payables | | 14,133,878 | 16,295,465 | 3,193,408 |
| Unearned commissions | | 2,091,136 | 2,350,776 | 397,103 |
| Liabilities held for sale | 4 | 23,425 | 1,061 | 18,606 |
| Accounts payable and other liabilities | 14 | 231,371 | 499,014 | 1,125,221 |
| **Total liabilities** | | **$ 44,606,046** | **$ 51,373,157** | **$ 20,466,844** |
| **Shareholders' equity** | 16 | | | |
| Share capital | | 3,191 | 3,291 | 3,350 |
| Contributed surplus | | 40,621,440 | 40,619,841 | 40,599,038 |
| Treasury stock | | — | — | (248,951) |
| Accumulated other comprehensive loss | | (1,686,736) | (945,848) | (1,256,260) |
| Deficit | | (18,295,928) | (16,505,928) | (13,245,349) |
| Equity attributable to shareholders of Till Capital Ltd. | | 20,641,967 | 23,171,356 | 25,851,828 |
| Non-controlling interests | | 164,669 | 104,361 | 581,445 |
| **Total shareholders’ equity** | | **$ 20,806,636** | **$ 23,275,717** | **$ 26,433,273** |
| **Total liabilities and shareholders' equity** | | **$ 65,412,682** | **$ 74,648,874** | **$ 46,900,117** |

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

The consolidated financial statements were approved by the Board of Directors on April 26, 2019 and signed on their behalf by:

/s/ Wayne Kauth

Wayne Kauth, Director

**TILL CAPITAL LTD.**
Consolidated Statements of Shareholders' Equity
(Stated in U.S. dollars)

| | Capital Stock | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Contributed surplus** | **Treasury stock** | **Accumulated other comprehensive income (loss)** | **Deficit** (restated note 3(n)(i)) | **Equity attributable to shareholders of Till Capital Ltd.** (restated note 3(n)(i)) | **Non-controlling interests** | **Total** (restated note 3(n)(i)) |
| **Balance, January 1, 2017** | **3,350,284** | **$ 3,350** | **$ 40,599,038** | **$ (248,951)** | **$ (1,256,260)** | **$ (13,245,349)** | **$ 25,851,828** | **$ 581,445** | **$ 26,433,273** |
| Net loss | — | — | — | — | — | (3,227,384) | (3,227,384) | (86,764) | (3,314,148) |
| Other comprehensive income (loss) | — | — | — | — | 310,412 | — | 310,412 | (181,916) | 128,496 |
| Total comprehensive income (loss) | — | — | — | — | 310,412 | (3,227,384) | (2,916,972) | (268,680) | (3,185,652) |
| Cancellation of treasury shares | (59,400) | (59) | — | 248,951 | — | (248,892) | — | — | — |
| Stock-based compensation (note 16) | — | — | 20,803 | — | — | — | 20,803 | 7,293 | 28,096 |
| Non-controlling interests (note 4) | — | — | — | — | — | 215,697 | 215,697 | (215,697) | — |
| **Balance, December 31, 2017** | **3,290,884** | **$ 3,291** | **$ 40,619,841** | **$ —** | **$ (945,848)** | **$ (16,505,928)** | **$ 23,171,356** | **$ 104,361** | **$ 23,275,717** |
| Net income (loss) | — | — | — | — | — | (1,641,703) | (1,641,703) | 20,518 | (1,621,185) |
| Other comprehensive income (loss) | — | — | — | — | (740,888) | — | (740,888) | 39,790 | (701,098) |
| Total comprehensive income (loss) | — | — | — | — | (740,888) | (1,641,703) | (2,382,591) | 60,308 | (2,322,283) |
| Purchase of treasury shares | — | — | — | (148,397) | — | — | (148,397) | — | (148,397) |
| Cancellation of treasury shares | (99,422) | (100) | — | 148,397 | — | (148,297) | — | — | — |
| Stock-based compensation (note 16) | — | — | 1,599 | — | — | — | 1,599 | — | 1,599 |
| **Balance, December 31, 2018** | **3,191,462** | **$ 3,191** | **$ 40,621,440** | **$ —** | **$ (1,686,736)** | **$ (18,295,928)** | **$ 20,641,967** | **$ 164,669** | **$ 20,806,636** |

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

**TILL CAPITAL LTD.**
Consolidated Statements of Cash Flows
(Stated in US dollars)

| | Note | Year Ended December 31 2018 | 2017 (restated note 3(n)(i)) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss | | $ (1,621,185) | $ (3,314,148) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Deferred income taxes | | 16,980 | 296,447 |
| Depreciation and amortization expense | | 162,316 | 376,466 |
| Stock-based compensation | 15 | 1,599 | 28,096 |
| Impairment of intangible asset | 13 | 340,203 | — |
| Write-down of exploration asset | 11 | 30,102 | — |
| Exploration expense recovery | 11(a) | (242,093) | (61,116) |
| Gain on sale of equity method investment | 6(b) | (3,987,330) | — |
| Gain on sale of property, plant, and equipment | | — | (1,136,994) |
| Investment loss (income) | 6(d) | 2,833,858 | (61,568) |
| Loss on equity method investment | 6(b) | 97,525 | 84,176 |
| Impairment of goodwill | 12 | 1,701,753 | 971,757 |
| Gain on property option payments | | (50,000) | (50,000) |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in premiums receivable and reinsurance recoverables | | 2,115,498 | (14,389,861) |
| Decrease in unpaid losses, LAE, and amounts ceded, net | | (1,024,687) | (1,005,670) |
| (Decrease) increase in reinsurance payables | | (896,214) | 12,407,893 |
| (Decrease) increase in unearned commissions | | (74,338) | 1,860,374 |
| Decrease (increase) in deferred policy acquisition costs | | 30,118 | (1,552,066) |
| (Decrease) increase in unearned premiums and unearned premiums ceded | | (210,233) | 1,803,010 |
| Decrease in accounts payable and other liabilities | | (267,644) | (597,054) |
| Other working capital changes | | 73,268 | (64,576) |
| Net cash used in operating activities | | (970,504) | (4,404,834) |
| **Cash flows from investing activities** | | | |
| Sales of investments | | 81,965,973 | 215,022,076 |
| Purchases of investments | | (83,380,381) | (210,425,506) |
| Purchases of equity index futures, net | 6(d) | (1,348,626) | (369,266) |
| Purchases of equity method investment | | (141,423) | (16,698) |
| Proceeds from sale of equity method investment | 6(b) | 4,999,321 | — |
| Proceeds from notes receivable | | — | 2,905,253 |
| Proceeds from property option payments | | 275,000 | 365,000 |
| Proceeds from sale of mineral properties | 11(c) | — | 1,156,090 |
| Exploration and evaluation costs capitalized | | (121,964) | (151,148) |
| (Purchases) sales of property, plant, and equipment, net | | (15,650) | 81,159 |
| Development costs capitalization | 13 | (162,009) | (287,894) |
| Net cash provided by investing activities | | 2,070,241 | 8,279,066 |
| **Cash flows from financing activities** | | | |
| Purchase of treasury shares | 16(c) | (148,397) | — |
| Net cash used in financing activities | | (148,397) | — |
| **Increase in cash and cash equivalents** | | **951,340** | **3,874,232** |
| **Effect of foreign exchange rate changes on cash and cash equivalents** | | **(249,288)** | **354,622** |
| **Cash and cash equivalents, beginning of year** | | **9,549,062** | **5,320,208** |
| **Cash and cash equivalents, end of year** | | **$ 10,251,114** | **$ 9,549,062** |

On April 19, 2018, Till's 64% owned subsidiary, SPD, received 400,000 common shares of Montego Resources Inc. initially valued at $65,973 (note 11(a)).

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

## 1. NATURE OF OPERATIONS

Till Capital Ltd. ("Till") was incorporated under the laws of Bermuda on August 20, 2012 under the name Resource Holdings Ltd. On March 19, 2014, Resource Holdings Ltd. changed its name to Till Capital Ltd. in accordance with Till's bye-laws and Section 10 of the Bermuda Companies Act 1981, as amended. Till is an exempted holding company with its principal place of business and registered office at Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda. Till's registered agent is Compass Administration Services Ltd.

Till was formed to respond to the market need for more capacity for certain types of insurance and reinsurance. Resource Re Ltd. ("RRL"), a wholly-owned subsidiary of Till, was incorporated in Bermuda in August 2012 and licensed as a Class 3A insurance company in Bermuda by the Bermuda Monetary Authority ("BMA") in August 2013. RRL currently has no reinsurance contracts in effect.

On May 15, 2015, Till acquired all of the issued and outstanding shares of Omega Insurance Holdings, Inc. ("Holdings"), a privately-held Toronto, Canada based holding company, including its subsidiaries, Omega General Insurance Company ("Omega"), a fully licensed insurance company, and Focus Group Inc. ("Focus"), an insurance consulting and services company. Holdings offers innovative and customized solutions in a cost-effective manner for insurers/reinsurers exiting the market and organizations with unique insurance needs.

The business strategy for both RRL and Holdings is to produce both underwriting profits and investment-related returns by investing reinsurance premiums and corporate capital.

On April 13, 2018, Till announced that its Board of Directors had approved the voluntary delisting of Till's restricted voting shares from the Nasdaq Capital Market ("Nasdaq") and the subsequent voluntary deregistration of Till's restricted voting shares with the United States ("U.S.") Securities and Exchange Commission (the "SEC"). Those actions resulted in Till's restricted voting shares no longer being listed on Nasdaq and the suspension of Till's reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Till continues to list its restricted voting shares on the TSX Venture Exchange ("TSXV").

The consolidated financial statements for the year ended December 31, 2018 were approved and authorized for issue by Till's Board of Directors on April 26, 2019.

## 2. BASIS OF PRESENTATION

### *(a) Statement of compliance*

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). In the opinion of management, the accompanying consolidated financial statements contain all normal and recurring adjustments necessary to fairly present the consolidated financial position of Till and its subsidiaries at December 31, 2018 and 2017 and the results of operations and cash flows for the years then ended.

As of and for the years ended December 31, 2016 and 2017, Till prepared its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") based on Till no longer qualifying as a foreign private issuer under the SEC. An explanation of how the transition to IFRS has affected the reported equity and comprehensive loss of Till previously reported in accordance with U.S. GAAP is provided in note 3(n)(i).

Prior to 2016, Till prepared its consolidated financial statements under IFRS for reporting as required by securities regulators in Canada, and as permitted in the U.S. based on Till's status as a foreign private issuer as defined by the SEC for foreign private issuers. During 2016, Till determined that it no longer qualified as a foreign private issuer under the SEC rules. As a result, beginning with Till's annual report on Form 10-K for the year ended December 31, 2016, Till was required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act, as amended, applicable to U.S. domestic issuers. Under the TSXV regulations, Till was permitted in Canada to prepare its consolidated financial statements in accordance with U.S. GAAP.

These consolidated financial statements have been prepared on an historical cost basis except for certain financial instruments and stock-based awards that have been measured at fair value.

Basic and diluted income (loss) per restricted voting share are calculated on Till's income (loss) attributed to Till's shareholders divided by the weighted average number of Till restricted voting shares outstanding during the year.

*(b) Held for sale and discontinued operation*

In the third quarter of 2017, Till initiated a plan to sell its wholly-owned subsidiary Holdings, including Holdings' subsidiaries, Omega and Focus, all of which are based in Canada. As a result of that decision, Holdings was required to be classified as held for sale and was also required to be considered a discontinued operation for the year ended December 31, 2017. However, in the fourth quarter of 2018, Till's Board of Directors and management concluded: i) a sale of Holdings was unlikely to be completed in one year, ii) Holdings no longer qualified as held for sale, and iii) Holdings be classified as a continuing operation for the year ended December 31, 2018. In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the results of Holdings previously presented in discontinued operations have been reclassified and included in income (loss) from continuing operations for all periods presented herein.

No longer classifying Holdings as held for sale results in a previously unrecorded deferred income tax asset of $317,258 being recorded at December 31, 2017 with reductions in income tax expense and currency translation adjustment of $276,571 and $40,687, respectively, for the year ended December 31, 2017.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(a) Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. Amounts in the consolidated financial statements represent Till's best estimates and assumptions; however, the actual amounts could differ materially from those estimates. Till's principal use of estimates and assumptions include fair value determination of certain investments and assessment of other than temporary impairment, valuation of royalty and mineral interests, valuation of intangibles, assessment of goodwill impairment, projection of unpaid loss and loss expense adjustment reserves, assessment of reinsurance recoverable including any provision for uncollectible reinsurance, and valuation of deferred income tax assets.

Estimates are made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR"). A significant amount of time may pass before the ultimate claim costs can be established with certainty, and, for some types of insurance policies, IBNR claims form the majority of the liability in the accompanying consolidated statements of financial position.

The ultimate cost of outstanding claims is estimated by using a range of actuarial claim projection techniques. The principal assumption underlying those techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claim costs. Those techniques extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Large claims are usually separately addressed either by being reserved at the value of loss adjuster estimates or are separately projected to estimate their future development. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future when estimating the ultimate cost of claims.

Estimates are also made for the portion of the ultimate cost of outstanding claims that will be recoverable from reinsurance ceded policies.

The application of the purchase method of accounting for business combinations requires the use of significant estimates and assumptions in determining the fair value of assets acquired and liabilities assumed to properly allocate the purchase price. The estimates of the fair value of the assets acquired and liabilities assumed are based on assumptions believed to be reasonable using established valuation techniques that consider a number of factors. Assets acquired and liabilities assumed in connection with business combinations are recorded based on their respective fair values at the date of acquisition. Goodwill is calculated as the excess of the cost of the acquired entity over the net fair value of the assets acquired and the liabilities assumed.

The fair values of quoted investments are determined based on the closing prices on the last business day of the reporting period from recognized exchanges (e.g., Nasdaq, the New York Stock Exchange, etc.), recognized indices, or pricing vendors. Securities that do not have quoted prices available in active markets are valued using observable inputs such as quoted prices in inactive markets, quoted prices in active markets for similar instruments, benchmark interest rates, broker quotes, and other relevant inputs.

Till must make estimates in respect of the provision for income taxes and the composition of its deferred income tax assets and deferred income tax liabilities. Till's operations are, in part, subject to foreign tax laws where interpretations, regulations, and legislation are complex and subject to change. As a result, there are usually some tax matters in question that may, on resolution in the future, result in adjustments to the amount of current or deferred income tax assets or liabilities, and those adjustments may be material to Till's financial position and results of operations.

The determination of the ability of Till to utilize tax losses carried forward to offset income taxes payable in the future and to utilize temporary differences that will reverse in the future requires management to exercise judgment and make assumptions about Till's future performance. Management is required to assess whether Till is more likely than not able to benefit from those tax losses and temporary differences. Changes in the timing of revenue, economic conditions, metal prices, and other factors having an impact on future taxable income streams could result in revisions to the estimates of benefits to be realized or Till's assessments of its ability to utilize tax losses before expiry. Those revisions could result in material adjustments to the consolidated financial statements.

(b) *Basis of consolidation*

The accompanying consolidated financial statements include the accounts of Till and its wholly-owned subsidiaries, together with its controlling interest in Silver Predator Corp. ("SPD"), accounted for as described below.

All intercompany transactions and balances between Till and its subsidiaries have been eliminated in consolidation.

Where necessary, adjustments are made to the results of the subsidiaries to bring their accounting policies in sync with those used by Till.

(i) *Subsidiaries*

Subsidiaries are entities that Till controls, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when Till has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. That control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital.

(Stated in U.S. dollars)

Till's significant subsidiaries at December 31, 2018 are as follows:

| Name of Subsidiary | Country of Incorporation | Functional Currency | Proportion of Ownership Interest | Principal Activity |
|---|---|---|---|---|
| Resource Re Ltd. | Bermuda | US | 100% | Reinsurance |
| Silver Predator Corp. | Canada | Canadian | 64% | Mineral exploration |
| Omega Insurance Holdings, Inc. | Canada | Canadian | 100% | Holding company |
| Omega General Insurance Company | Canada | Canadian | 100% | Insurance |
| Focus Group Inc. | Canada | Canadian | 100% | Insurance consulting |
| Till Capital US Holding Corp. | USA | US | 100% | Holding company |
| Till Management Company | USA | US | 100% | Investment management |
| Golden Predator US Holding Corp. | USA | US | 100% | Management services |
| Springer Mining Company | USA | US | 100% | Mineral exploration |

*(c) Currency translation and foreign exchange*

Till has determined the U.S. dollar to be its functional currency. Transactions denominated in currencies other than the functional currency are reported using the exchange rates prevailing on the dates of the transactions. At each financial statement date, monetary items denominated in foreign currencies are translated at the rates prevailing on the financial statement date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in the period in which they occur.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of Till's foreign operations, being those entities that have a functional currency different from that of Till, are translated into US dollars at the rate of exchange prevailing at the end of the reporting period. Opening balances in shareholders' equity are translated at their historic rates. Transactions in shareholders' equity and income and expenses are translated at the average exchange rates for the period where those rates approximate the rates on the dates of transactions, and, where exchange differences occur, they are recognized as a component of equity.

The exchange rates used in converting Canadian dollars to U.S. dollars were as follows:

| | Year Ended December 31 | |
|---|---|---|
| | 2018 | 2017 |
| Exchange rate at year end | US$1 = Cdn$1.3642 | US$1 = Cdn$1.2545 |
| Average exchange rate for the year | US$1 = Cdn$1.2957 | US$1 = Cdn$1.2986 |

*(d) Cash and cash equivalents*

For the purposes of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand, demand deposits, and short-term highly-liquid investments with an initial maturity of three months or less that are readily convertible into cash and that are subject to insignificant risk of changes in value.

*(e) Financial instrument contracts*

Till classifies or designates all of its financial assets as either available for sale ("AFS"), held for trading ("HFT"), loans, or receivables. Till classifies or designates all of its financial liabilities as other financial liabilities.

AFS financial assets include Government debt securities, corporate bond exchange traded funds, and equity securities, all of which are intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or in response to changes in market conditions. AFS financial assets are reported at fair value on the consolidated statements of financial position from the trade date (i.e., the date that Till commits to purchase or sell the financial asset). Any subsequent changes in fair values are reported, net of income taxes, in Other Comprehensive Income ("OCI") until the financial asset is disposed of or has become impaired. When an AFS financial asset is disposed of, or has become impaired, the accumulated fair value adjustments recognized in Accumulated Other Comprehensive Income ("AOCI") are transferred to net investment income and a corresponding adjustment (net of income taxes) is made to OCI.

A provision for impairment for AFS financial assets is established when there is objective evidence that the investment is impaired. Objective evidence of impairment for debt securities would include one or more loss events that occurred after initial recognition that has an impact on the estimated future cash flows of the debt security. Objective evidence of impairment for corporate bond exchange traded funds includes a significant, a prolonged, or a significant and prolonged decline in the fair value of an investment below cost. Till considers an unrealized loss of 5.0% or more to be significant, an unrealized loss of 18 consecutive months to be prolonged, and an unrealized loss of 2.5% or more for 12 consecutive months to be significant and prolonged.

HFT financial assets include equity securities, all of which are held for active trading. HFT financial assets are reported at fair value on the consolidated statements of financial position from the trade date (i.e., the date that Till commits to purchase or sell the financial asset). Any subsequent changes in fair values are reported in the consolidated statements of net income (loss).

Financial assets classified or designated as loans or receivables are reported at fair value on the consolidated statements of financial position from the issuance date and are subsequently reported at amortized cost using the effective interest rate method. A provision for impairment for loans or receivables is established when there is objective evidence that a loan or receivable is impaired.

Financial liabilities classified or designated as other financial liabilities are reported at fair value on the consolidated statements of financial position from the issuance date and are subsequently reported at amortized cost using the effective interest rate method.

*(f) Insurance contracts*

*(i) Product classification*

An insurance contract is a contract where an insurance company (the insurer) has accepted insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the insurance company determines whether it has insurance risk by comparing expected benefits payable if the insured event occurs with expected benefits payable if the insured event does not occur. An insurance contract can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains classified as an insurance contract for the remainder of its lifetime, even if the insurance risk reduces during that period.

*(ii) Premium revenue and unearned premiums*

Insurance premiums written are recognized on the date that coverage begins. For short-term insurance contracts with fixed expiry dates, those written premiums are deferred as unearned premiums and recognized in earned premiums on a pro rata basis over the term of the contracts. For long-term insurance contracts with no fixed expiry dates, those written premiums are deferred as unearned premiums until the insured event has occurred and the premium becomes due from the policyholder.

Insurance premiums written and insurance premiums earned also include any adjustments arising in the accounting period for premiums receivable with respect to business written in prior accounting periods.

Insurance premiums ceded to reinsurers are recorded, deferred as reinsurance assets, and recognized in earned premiums on the same basis as the underlying insurance contracts being reinsured.

Reinsurance premiums are included in income calculated on a pro rata basis over the term of the underlying insurance policies. Reinsurers' share of unearned premiums are recognized as assets using principles consistent with the method for establishing the related unearned premium liability.

*(iii) Unpaid claims and adjustment expenses*

The provision for unpaid claims includes loss adjustment expenses and represents the estimated amount required to settle all reported claims incurred. In addition, provision is made for claims incurred but not reported based on the type of business written. Those amounts are discounted to recognize the time value of money. Those estimates are also reviewed and updated periodically, with resulting adjustments, if any, included in current income.

The computation of unpaid claims takes into account the time value of money using market discount rates based on the underlying investment portfolio.

The process of determining the provision for unpaid claims necessarily involves risks that the actual results may deviate from the reported best estimates. Those risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing those best estimates and to allow for possible deterioration in experience, actuaries are required to use explicit margins for adverse deviation in assumptions for asset defaults, reinvestment risk, claims development, and recoverability of reinsurance balances.

Reinsurers' shares of unpaid claims, net of any required provisions for doubtful amounts, are recognized as assets using principles consistent with the method for establishing the related unpaid claim liability.

*(iv) Acquisition expenses*

Commissions, premium taxes, and other expenses relating directly to the acquisition of premiums are deferred and amortized over the terms of the related policies to the extent they are considered recoverable from unearned premiums.

At the end of each reporting period, a liability adequacy test is performed to determine whether unearned premiums, net of deferred policy acquisition costs, are sufficient to cover the estimated future costs associated with the unexpired period of the insurance policies. Any deficiencies are recognized immediately as a reduction in deferred acquisition expenses. Any portion of the estimated future costs in excess of the deferred policy acquisition costs would be accrued as a liability.

*(v) Reinsurance*

Reinsurance balances are reported on the consolidated statements of financial position and in the consolidated statements of income (loss) on a gross basis to recognize the credit risk related to reinsurance and related obligations to policyholders.

*(vi) Assumption reinsurance transactions*

A premium is charged to other insurance companies for assuming the liabilities on an accepted portfolio of insurance contracts.

When the underlying insurance policies are fully expired, the premium is recognized as income on the date when it is determined that the risks and rewards relating to the portfolio liabilities have transferred to Till. At the same time, Till records the actuarially determined estimate of unpaid claims, including adjustment expenses, the impact of any existing reinsurance on the portfolio transferred, and other costs of the transaction are recorded.

During the period when the underlying insurance policies are not fully expired, the premium is recognized as income on a pro rata basis over the term of the remaining underlying insurance policies. The impact of any reinsurance ceded on the portfolio is recognized as an expense at the time the reinsurance contract is entered into.

*(g) Mineral interests*

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units-of-production method on commencement of production.

If it is determined that capitalized acquisition, exploration, and evaluation costs are not recoverable, or the property is abandoned, or management has determined there is an impairment in value, the property is written down to its recoverable amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amounts may exceed their recoverable amounts.

From time to time, Till acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After all costs relating to a property have been recovered, further payments received are reported as an exploration expense recovery in the consolidated statements of income (loss).

*(h) Property, plant, and equipment*

Property, plant, and equipment are carried at cost less accumulated depreciation and any impairment charges. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset. Residual values and useful lives are reviewed annually. Impairment losses and gains and losses on disposals of property, plant, and equipment are reported in the consolidated statements of income (loss).

*(i) Impairment of assets*

Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is assessed at the level of cash-generating units ("CGU") that are identified as the smallest identifiable group of assets that generates cash inflows and which are largely independent of the cash inflows from other assets. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs of disposal ("FVLCD").

The value in use is the net present value of expected future cash flows of the relevant CGU in its current condition, both from continuing use and ultimate disposal. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and that meet the requirements of IFRS.

The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to correlate with the amount a market participant would pay for the CGU in an arm's length transaction. That amount is often estimated using discounted cash flow techniques.

*(j) Revenue from contracts with customers*

Revenue from contracts with customers is based on the principle that revenue is recognized when control of goods or services are transferred to a customer. For consulting and management services revenue, Till recognizes revenue over the term of the relevant agreements as customers simultaneously receive and consume the benefits provided by Till's services as Till performs them.

*(k) Taxation*

Income tax expense comprises current and deferred income tax. Current income tax and deferred income tax are recognized in income or loss except to the extent that they relate to items recognized directly in equity or in OCI.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted as of the reporting date.

Deferred income tax is recognized in respect of unused tax losses and credits, as well as temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on enacted or substantively enacted laws as of the reporting date. The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be realized.

A deferred income tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, only to the extent that it is probable that future taxable income will be available against which they can be utilized.

Deferred income tax is not recognized for 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, and differences relating to investments in subsidiaries, associates, and joint arrangements to the extent it is probable they will not reverse in the foreseeable future.

*(l) Employee benefits*

Wages, salaries, and related benefits are accrued in the period in which the employees provide the associated services.

*(m) Segment reporting*

Till operates in a single segment, that being insurance.

*(n) Change in accounting policies and revision of comparatives*

*(i) Change in accounting policies*

Consistent with International Accounting Standards ("IAS") 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Till has elected to change its accounting policies to comply with the regulations of the TSXV. In prior years, Till's policies were consistent with U.S. GAAP, and, as such, Till expensed exploration and evaluation expenditures on properties that it has the legal rights to explore, until commercially viable, and reported the provision for unpaid insurance claims on an undiscounted basis. In 2018, as allowed under IAS, Till elected to capitalize all exploration and evaluation expenses that Till believes will provide profitable future economic benefit, and report the provision for unpaid insurance claims on a discounted basis, and, therefore, the 2017 consolidated financial statements have been restated to conform to the 2018 presentation. Till's policies related thereto are disclosed in notes 3(f)(iii) and 3(g), respectively. IAS 1, *Presentation of Financial Statements*, also requires a third statement of financial position be presented as at the beginning of the prior period. For the January 1, 2017 and December 31, 2017 consolidated statements of financial position, the following adjustments were made:

(Stated in U.S. dollars)

| | January 1, 2017 (restated) | | | |
|---|---|---|---|---|
| | | Adjustment for change in accounting policy | | |
| | As previously reported | Discounted provision for unpaid claims | Exploration and evaluation expenditures | As currently reported |
| Unpaid losses and loss adjustment expenses ceded | $ 7,058,004 | $ 92,351 | $ — | $ 7,150,355 |
| Assets held for sale | 4,543,239 | — | 357,367 | 4,900,606 |
| Royalty and mineral interests | 1,003,373 | — | 61,086 | 1,064,459 |
| Reserve for unpaid losses and loss adjustment expenses | (13,212,366) | (504,208) | — | (13,716,574) |
| Unearned premiums | (2,283,118) | 267,186 | — | (2,015,932) |
| Other liabilities | (370,211) | 370,211 | — | — |
| Increase in shareholders' equity | | $ 225,540 | $ 418,453 | |

The total increase in shareholders' equity from all adjustments related to changes in accounting policies as of January 1, 2017 was $643,993.

| | December 31, 2017 (restated) | | | |
|---|---|---|---|---|
| | | Adjustment for change in accounting policy | | |
| | As previously reported | Discounted provision for unpaid claims | Exploration and evaluation expenditures | As currently reported |
| Unpaid losses and loss adjustment expenses ceded | $ 9,892,475 | $ 202,471 | $ — | $ 10,094,946 |
| Assets held for sale | 4,540,425 | — | 478,515 | 5,018,940 |
| Royalty and mineral interests | 391,161 | — | 148,919 | 540,080 |
| Reserve for unpaid losses and loss adjustment expenses | (15,647,358) | (434,436) | — | (16,081,794) |
| Unearned premiums | (16,382,194) | 237,147 | — | (16,145,047) |
| Other liabilities | (1,046,066) | 324,144 | — | (721,922) |
| Increase in shareholders' equity | | $ 329,326 | $ 627,434 | |

The total increase in shareholders' equity from all adjustments related to changes in accounting policies as of December 31, 2017 was $956,760.

(Stated in U.S. dollars)

For the year ended December 31, 2017, the following adjustments were reported in the consolidated statement of income (loss):

| | Year Ended December 31, 2017 (restated) | | | |
|---|---|---|---|---|
| | | Adjustment for change in accounting policy | | |
| | As previously reported | Discounted provision for unpaid claims | Exploration and evaluation expenditures | As currently reported |
| Mining related expenses and property write-down | (240,347) | — | 152,847 | (87,500) |
| Exploration expense recovery | 80,546 | — | (19,430) | 61,116 |
| Net losses and loss adjustment expenses | (1,470,518) | 103,784 | — | (1,366,734) |
| Decrease in net loss | | $ 103,784 | $ 133,417 | |

The net decrease in net loss from all adjustments for changes in accounting policies for the year ended December 31, 2017 was $237,201 or approximately $0.07 per basic and diluted restricted voting share of Till.

*(ii) Revision of comparatives*

Till has revised the 2017 consolidated statement of financial position, consolidated statement of income (loss), and consolidated statement of comprehensive income (loss) to recognize a deferred income tax asset of $317,258, a deferred income tax recovery of $276,571, and a currency translation adjustment of $40,687, respectively, to better present the recoverability of the deferred income tax asset at December 31, 2017.

Till has revised the 2017 consolidated statement of cash flows to better present the effects of foreign exchange rate changes on certain assets and liabilities and to reclassify proceeds from notes receivable as investing activities. Net cash used in operating activities increased $381,312, net cash provided by investing activity increased $3,736,407, net cash provided by financing activities decreased $3,005,253, and the effect of foreign exchange rate changes on cash and cash equivalents decreased $349,842 as a result of those revisions.

*(o) New standard adopted and standards and interpretations not yet adopted*

*(i)* IFRS 15, *Revenue from contracts with customers* (“IFRS 15”)

IFRS 15, which specifies how and when to recognize revenue and the relevant disclosure requirements, was adopted effective for the year ended December 31, 2018 with limited impact on Till's consolidated financial statements.

*(ii)* IFRS 9, *Financial Instruments* (“IFRS 9”)

IFRS 9 is a three-part standard that replaces IAS 39, *Financial Instruments: Recognition and Measurement,* (“IAS 39”). IFRS 9 was effective for fiscal years beginning on or after January 1, 2018. However, Till meets the eligibility criteria of the temporary exemption from IFRS 9 as provided by IFRS 4, *Insurance Contracts,* (“IFRS 4”) and has elected to defer the application of IFRS 9 until the effective date of the new insurance contracts standard IFRS 17, *Insurance Contracts,* ("IFRS 17"). Till is currently evaluating the impact that IFRS 9, in conjunction with IFRS 17, will have on its consolidated financial statements in future periods.

In accordance with the requirements of the temporary deferral, Till is required to present additional disclosure related to the classification and fair value of financial assets, as well as their credit rating.

Till considers its $6,382,128 (December 31, 2017 - $6,861,858) of investments in Government debt securities to be financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"). Till considers its $3,464,784 (December 31, 2017 - $3,826,826) investments in corporate bond exchange traded funds to be financial assets other than SPPI.

Following the adoption of IFRS 9, the measurement of the assets within the SPPI group will be determined based on either Till's business model objectives, or whether Till has elected to apply the fair value option to eliminate an accounting mismatch. This determination will be made at a later date. The assets in the other than SPPI group will be required to be measured at fair value through profit or loss.

Information about the credit risk exposure for Till's SPPI investments in Government debt securities in disclosed in Note 21.

*(iii)* IFRS 17, *Insurance Contracts*

In May 2017, the IASB published IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure that replaces IFRS 4 and introduces consistent accounting for all insurance contracts.

IFRS 17 provides a general model for the recognition of insurance contracts, as well as a simplified model (premium allocation approach) for short-duration contracts, that will be applied to most property and casualty insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that give effect to the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires a company to recognize income as it delivers insurance services.

The main features of the simplified new accounting model for property and casualty insurance contracts are as follows:

- A portfolio is a group of contracts covering similar risks and managed together as a single pool. As such, contracts are to be grouped for allocation of deferred policy acquisition costs, the calculation of risk adjustment, the determination of onerous contracts, and the application of the discount rate;

- Insurance liabilities are to be discounted at a rate that takes into consideration the characteristics of the liabilities (as opposed to a rate based on asset returns) and the duration of each portfolio. Entities are to report the effect of changes in discount rates either in net income or in OCI, according to their accounting policy choice;

- Changes in balance sheet presentation where unearned premiums are to correspond to premiums received in advance, while accounts receivable are to be constituted of amounts not received when revenue is recognized. In the consolidated statement of income (loss), direct premiums written are no longer to be presented (only earned premiums). Also, insurance results are to be presented without the impact of discounting. Amounts relating to financing and changes in discount rates are to be shown separately;

- Extensive disclosures are to be made to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from those contract.

In November 2018, the IASB proposed to delay the implementation of IFRS 17 by one year to January 1, 2022. Earlier application is permitted if IFRS 9 is also applied. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impractical, the entity is required to select either a modified retrospective approach or a fair value approach. Till plans to adopt the new standard on the required effective date together with IFRS 9 (see above). Till expects the new standard will result in significant changes to accounting policies for insurance contract liabilities, but the impact on Till's consolidated financial statements has not yet been determined.

(Stated in U.S. dollars)

*(iv)* IFRS 16, *Leases*

IFRS 16, under which all leases are to be included on the balance sheets of lessees, except for those that meet the limited exception criteria set forth therein, becomes effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 is not expected to have a material impact on Till's consolidated financial statements.

## 4. ASSETS AND LIABILITIES HELD FOR SALE

Prior to 2017, SPD's Board of Directors and management committed to a plan to sell Springer Mining Company ("SMC") and the Taylor Mill. Since announcing and initiating that process, active negotiations were held related to those assets.

In January 2017, SPD, in exchange for the release of a related party debt owed to RRL, gave 100% of its full ownership of SMC to RRL. Ownership of SMC was, in turn, transferred to Till's wholly-owned subsidiary, Golden Predator US Holding Corp. ("GPUS"). The $215,697 impact of that transaction is included within the decrease in non-controlling interests with no other impact on consolidation. Till's Board of Directors and management are committed to a plan to sell SMC. Assets and liabilities of SMC held for sale as of December 31, 2018, December 31, 2017, and January 1, 2017 are summarized as follows:

| | December 31, 2018 | December 31, 2017 (restated) | January 1, 2017 (restated) |
|---|---|---|---|
| **SMC assets held for sale:** | | | |
| Cash and accounts receivable | $ 1,345 | $ 2,911 | $ 23,399 |
| Reclamation bonds | 32,401 | 32,401 | 32,401 |
| Prepaid expenses | 17,520 | 17,675 | — |
| Mineral properties | 1,069,868 | 967,385 | 846,238 |
| Property, plant, and equipment | 3,998,568 | 3,998,568 | 3,998,568 |
| **Total SMC assets held for sale** | **$ 5,119,702** | **$ 5,018,940** | **$ 4,900,606** |
| **Total SMC liabilities held for sale** | **$ 23,425** | **$ 1,061** | **$ 18,606** |

SPD's Taylor Mill assets had a book value of $nil at December 31, 2018, December 31, 2017, and January 1, 2017. At December 31, 2018, Till performed an impairment assessment of the SMC assets held for sale. Based on a previous appraisal and updated for more recent market activity, Till has concluded that the FVLCD of the SMC assets held for sale exceed their carrying value. The FVLCD of the SMC assets held for sale is subject to significant estimation uncertainty and changes in the market could materially impact the FVLCD.

## 5. PROMISSORY NOTE RECEIVABLE

Till held a promissory note receivable from Golden Predator Mining Corp. with an original face amount of $2,570,950 (Cdn $3,753,332). That promissory note receivable bore interest at 6% per annum to June 1, 2016, 8% per annum to June 1, 2017, 10% per annum to June 1, 2018, and 12% thereafter.

The first installment of $546,545 (Cdn$717,450) was received on May 25, 2016, the second installment of $913,879 (Cdn $1,216,373) was received on March 31, 2017, and the final payment of $1,651,374 (Cdn$2,230,016) was received on June 2, 2017.

That promissory note was initially recognized at fair value, and was subsequently carried at amortized cost using the effective interest rate method.

(Stated in U.S. dollars)

| | | |
|---|---|---|
| **Carrying value of note at January 1, 2017** | **$** | **2,410,494** |
| Interest | | 69,869 |
| Receipt of payment on March 31, 2017 | | (913,879) |
| Receipt of payment on June 2, 2017 | | (1,651,374) |
| Amortization of discount | | 86,899 |
| Foreign exchange loss | | (2,009) |
| **Carrying value, December 31, 2017** | **$** | **—** |

## 6. INVESTMENTS

*(a) Investments*

| | December 31, 2018 | December 31, 2017 | January 1, 2017 |
|---|---|---|---|
| Held for trading securities (i) | $ 465,998 | $ 422,447 | $ 1,945,982 |
| Available for sale securities (ii) | 10,075,454 | 10,971,648 | 13,574,792 |
| **Total investments** | **$ 10,541,452** | **$ 11,394,095** | **$ 15,520,774** |

*(i) Held for trading securities*

| | December 31, 2018 | | | December 31, 2017 | | | January 1, 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cost Basis | Unrealized Gain/(Loss) | Fair Value | Cost Basis | Unrealized Loss | Fair Value | Cost Basis | Unrealized Loss | Fair Value |
| Equity securities - natural resource sector | $ 125,577 | $ 12,973 | $ 138,550 | $ 43,757 | $ (21,637) | $ 22,120 | $ 642,914 | $ (130,021) | $ 512,893 |
| Equity securities - all other sectors | 600,479 | (273,031) | 327,448 | 586,572 | (186,245) | 400,327 | 1,828,637 | (395,548) | 1,433,089 |
| **Total** | **$ 726,056** | **$ (260,058)** | **$ 465,998** | **$ 630,329** | **$ (207,882)** | **$ 422,447** | **$2,471,551** | **$ (525,569)** | **$1,945,982** |

*(ii) Available for sale securities*

| | December 31, 2018 | | | December 31, 2017 | | | January 1, 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cost Basis | Unrealized Gain/(Loss) | Fair Value | Cost Basis | Unrealized Gain/(Loss) | Fair Value | Cost Basis | Unrealized Gain/(Loss) | Fair Value |
| Canadian government and provincial bonds | $ 6,511,555 | $ (115,313) | $ 6,396,242 | $ 7,007,119 | $ (112,285) | $ 6,894,834 | $ 8,114,813 | $ 58,703 | $ 8,173,516 |
| Equity securities-bond funds | 3,462,234 | 11,244 | 3,473,478 | 3,950,588 | (114,724) | 3,835,864 | 4,467,788 | (48,439) | 4,419,349 |
| Equity securities-natural resource sector | 142,369 | 63,365 | 205,734 | 156,262 | 84,688 | 240,950 | 335,267 | 646,660 | 981,927 |
| **Total** | **$10,116,158** | **$ (40,704)** | **$10,075,454** | **$11,113,969** | **$ (142,321)** | **$10,971,648** | **$12,917,868** | **$ 656,924** | **$13,574,792** |

(Stated in U.S. dollars)

*(b) Investment in IGC*

Till, through RRL, had an investment in IG Copper LLC ("IGC") that was accounted for under the equity method of accounting and is summarized as follows:

| | Year Ended December 31 | |
|---|---|---|
| | 2018 | 2017 |
| **Balance, beginning of year** | **$ 1,270,213** | **$ 1,248,491** |
| Additional investments | 288,423 | 105,898 |
| Share of accumulated equity method losses | (97,525) | (84,176) |
| | $ 1,461,111 | **$ 1,270,213** |
| Proceeds from sale of investment in IGC | 5,448,441 | |
| Gain on the sale of IGC | $ 3,987,330 | |
| Till's basic ownership percentage | —% | 3.52% |

On December 17, 2016, Till, through RRL, entered into an unsecured loan agreement with IGC. Under that loan agreement, the principal amount loaned by RRL was $400,000, the annual interest rate was 15%, and the loan and accrued interest were due in August 2017. In 2017, $40,000 in interest was received from IGC and the loan was repaid with $300,000 cash and $100,000 converted to IGC membership units and warrants. At December 31, 2018, December 31, 2017, and January 1, 2017, the loan and accrued interest totaled $nil, $nil, and $401,973, respectively, and is included in other assets.

On November 6, 2018, RRL received $4,999,321 from IGC for RRL's ownership units in IGC, including payment for the units arising from a cashless exercise of warrants, valued at $147,000, and a deferred payment, subject to various provisions, of $302,120, due in 2019. That deferred payment is included in other assets as of December 31, 2018.

*(c) Fair value measurement*

The fair value of securities in Till’s investment portfolio is estimated using the following techniques:

Level 1 - Assets or liabilities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Level 2 - Assets or liabilities that are measured using observable market data and are not allocable to Level 1. Measurements are based, in particular, on prices for comparable assets and liabilities that are traded on active markets, prices on markets that are not considered active, as well as inputs derived from such prices or market data.

Level 3 - Assets or liabilities that cannot be measured or can only be partially measured using observable market inputs. The measurement of such instruments draws principally on valuation models and methods.

Till determines the estimated fair value of each individual security utilizing the highest level inputs available.

Till’s investments in exchange traded bond funds, guaranteed investment certificates, and public companies are classified as Level 1 investments because the fair values are based on quoted prices in active markets for identical assets that are reported at fair value. Till's investments in government bonds and public company warrants are classified as Level 2 investments because the fair value is measured using observable market data but identical assets are not quoted in active markets. Till has had no Level 3 investments during the last two years.

(Stated in U.S. dollars)

The fair value hierarchy of Till's investment holdings is as follows:

| | Fair Value at December 31, 2018 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Held for trading | $ 465,998 | $ 465,998 | $ — | $ — |
| Available for sale | 10,075,454 | 3,679,212 | 6,396,242 | — |
| **Total investments** | **$ 10,541,452** | **$ 4,145,210** | **$ 6,396,242** | **$ —** |

| | Fair Value at December 31, 2017 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Held for trading | $ 422,447 | $ 400,207 | $ 22,240 | $ — |
| Available for sale | 10,971,648 | 4,076,814 | 6,894,834 | — |
| **Total investments** | **$ 11,394,095** | **$ 4,477,021** | **$ 6,917,074** | **$ —** |

| | Fair Value at January 1, 2017 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Held for trading | $ 1,945,982 | $ 1,731,517 | $ 214,465 | $ — |
| Available for sale | 13,574,792 | 5,401,276 | 8,173,516 | — |
| **Total investments** | **$ 15,520,774** | **$ 7,132,793** | **$ 8,387,981** | **$ —** |

*(d) Investment (loss) income, net*

Till calculates the gain or loss realized on the sale of investments by comparing the sales price (fair value) to the cost or amortized cost of the security sold. Till determines the cost or amortized cost of the bonds sold using the specific-identification method and all other securities sold using the average cost method.

| | Year Ended December 31 | |
|---|---|---|
| | 2018 | 2017 |
| Net gain (loss) from held for trading investments | | |
| Equity index futures | $ (1,348,626) | $ (369,266) |
| All other securities | (418,494) | 79,403 |
| Net realized gain (loss) from available for sale investments | (209,466) | 942,104 |
| Net interest and dividends | 254,089 | 537,645 |
| Impairment of intangible (note 13) | (340,203) | — |
| Investment related expenses | (771,158) | (1,128,318) |
| **Investment (loss) income, net** | **$ (2,833,858)** | **$ 61,568** |

(Stated in U.S. dollars)

*(e) Net change in unrealized gain (loss) on available for sale investments*

| | Year Ended December 31 2018 | 2017 |
|---|---|---|
| Canadian government bonds and provincial bonds | $ (3,028) | $ (271,372) |
| Equity securities - bond funds | (53,523) | (66,285) |
| Equity securities - natural resource sector | (51,300) | 480,515 |
| | (107,851) | 142,858 |
| Reclassification of realized (gain) loss from available for sale investments | 209,467 | (942,104) |
| **Total included in other comprehensive loss** | **$ 101,616** | **$ (799,246)** |

## 7. UNPAID LOSSES, LOSS ADJUSTMENT EXPENSES, AND REINSURANCE AMOUNTS CEDED

*(a) Reserve for unpaid losses and loss adjustment expenses ("LAE")*

| | December 31, 2018 | | |
|---|---|---|---|
| | Unpaid Losses and LAE | Reinsurance Amounts Ceded | Net |
| Undiscounted amounts | $ 14,037,311 | $ 9,669,320 | $ 4,367,991 |
| Adjustment for discount rate | (1,033,573) | (568,832) | (464,741) |
| Adjustment for provision for adverse developments | 1,408,151 | 779,211 | 628,940 |
| **Reserve for unpaid losses and LAE** | **$ 14,411,889** | **$ 9,879,699** | **$ 4,532,190** |

| | December 31, 2017 (restated) | | |
|---|---|---|---|
| | Unpaid Losses and LAE | Reinsurance Amounts Ceded | Net |
| Undiscounted amounts | $ 15,647,358 | $ 9,892,475 | $ 5,754,883 |
| Adjustment for discount rate | (1,083,300) | (574,731) | (508,569) |
| Adjustment for provision for adverse developments | 1,517,736 | 777,202 | 740,534 |
| **Reserve for unpaid losses and LAE** | **$ 16,081,794** | **$ 10,094,946** | **$ 5,986,848** |

| | January 1, 2017 (restated) | | |
|---|---|---|---|
| | Unpaid Losses and LAE | Reinsurance Amounts Ceded | Net |
| Undiscounted amounts | $ 13,212,366 | $ 7,058,003 | $ 6,154,363 |
| Adjustment for discount rate | (907,127) | (559,321) | (347,806) |
| Adjustment for provision for adverse developments | 1,411,335 | 651,673 | 759,662 |
| **Reserve for unpaid losses and LAE** | **$ 13,716,574** | **$ 7,150,355** | **$ 6,566,219** |

(Stated in U.S. dollars)

*(b) Summary of changes in outstanding losses and LAE and amounts ceded*

| | Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 (restated) | | |
| | Unpaid Losses and LAE | Reinsurance Amounts Ceded | Net | Unpaid Losses and LAE | Reinsurance Amounts Ceded | Net |
| **Balance, beginning of year (restated)** | **$16,081,794** | **$10,094,946** | **$5,986,848** | **$13,716,574** | **$ 7,150,355** | **$6,566,219** |
| Losses and LAE incurred for insured events related to: | | | | | | |
| Current year | 36,736,920 | 36,427,469 | 309,451 | 33,714,343 | 33,260,978 | 453,365 |
| Prior year | 1,302,227 | 1,046,687 | 255,540 | 1,933,412 | 1,020,043 | 913,369 |
| Total incurred | 38,039,147 | 37,474,156 | 564,991 | 35,647,755 | 34,281,021 | 1,366,734 |
| Losses and LAE paid: | | | | | | |
| Current year events | (33,822,442) | (33,815,961) | (6,481) | (28,839,083) | (28,799,623) | (39,460) |
| Prior year events | (4,613,333) | (3,030,136) | (1,583,197) | (5,455,395) | (3,122,451) | (2,332,944) |
| Total paid | (38,435,775) | (36,846,097) | (1,589,678) | (34,294,478) | (31,922,074) | (2,372,404) |
| Adjustment due to currency conversion | (1,273,277) | (843,306) | (429,971) | 1,011,943 | 585,644 | 426,299 |
| **Balance, end of year** | **$14,411,889** | **$ 9,879,699** | **$4,532,190** | **$16,081,794** | **$10,094,946** | **$5,986,848** |

*(c) Effects of discounting*

For 2018, Till has discounted its best estimate of claims provisions at a rate of 3.02% (2017 - 2.68%) based on the yield on its investments.

To recognize the uncertainty in establishing those best estimates, to allow for possible deterioration in experience, and to provide greater comfort that the actuarial liabilities are adequate to pay future costs, Till includes Provisions for Adverse Deviations ("PFADs") in some assumptions relating to claim development, reinsurance recoveries, and future investment income. The PFADs selected are in the mid-range of those recommended by the Canadian Institute of Actuaries for claim development and future investment income and are in the low range of those recommended by the Canadian Institute of Actuaries for reinsurance recoveries.

The effects of discounting and PFADs on unpaid claims and adjustment expenses are as follows:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Undiscounted | Effect of discounting | Effect of PFADs | Discounted |
| Insurance contract liabilities | $ 14,037,311 | $ (1,033,573) | $ 1,408,151 | $ 14,411,889 |
| Reinsurance asset | 9,669,320 | (568,832) | 779,211 | 9,879,699 |
| **Provision for outstanding claims** | **$ 4,367,991** | **$ (464,741)** | **$ 628,940** | **$ 4,532,190** |

| | December 31, 2017 (restated) | | | |
|---|---|---|---|---|
| | Undiscounted | Effect of discounting | Effect of PFADs | Discounted |
| Insurance contract liabilities | $ 15,647,358 | $ (1,083,300) | $ 1,517,736 | $ 16,081,794 |
| Reinsurance asset | 9,892,475 | (574,731) | 777,202 | 10,094,946 |
| **Provision for outstanding claims** | **$ 5,754,883** | **$ (508,569)** | **$ 740,534** | **$ 5,986,848** |

(d) *Cumulative incurred claims, including existing claims, reported claims, and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date for the year ended December 31, 2018*

The following tables are presented on an underwriting year basis as opposed to an accident year basis. As a result, the reserves at the "one year later" point can normally be expected to increase. Assuming the reserves develop as expected, there will be premium earned in the subsequent year to offset the incurred claims.

| Gross ($000's omitted) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| End of year | $ 941 | $ 6,437 | $ 8,446 | $ 10,746 | $ 13,310 | $ 16,246 | $ 16,781 | $ 24,147 | $ 31,819 | $ 34,719 | $ 34,719 |
| One year later | 1,803 | 7,417 | 8,994 | 10,557 | 13,390 | 16,872 | 17,201 | 24,180 | 32,387 | | 32,387 |
| Two years later | 2,776 | 7,056 | 8,656 | 10,430 | 13,373 | 16,698 | 16,871 | 24,123 | | | 24,123 |
| Three years later | 3,756 | 7,055 | 8,342 | 10,555 | 13,214 | 16,658 | 17,163 | | | | 17,163 |
| Four years later | 3,730 | 7,915 | 8,536 | 10,592 | 13,177 | 16,662 | | | | | 16,662 |
| Five years later | 3,670 | 8,388 | 8,504 | 10,760 | 13,140 | | | | | | 13,140 |
| Six years later | 3,927 | 8,337 | 10,128 | 10,664 | | | | | | | 10,664 |
| Seven years later | 3,887 | 8,831 | 10,693 | | | | | | | | 10,693 |
| Eight years later | 3,802 | 9,000 | | | | | | | | | 9,000 |
| Nine years later | 3,773 | | | | | | | | | | 3,773 |
| Cumulative payments to date | (3,773) | (8,438) | (8,227) | (10,555) | (12,762) | (16,307) | (13,138) | (23,450) | (30,004) | (32,124) | (158,778) |
| Current reserve | — | 562 | 2,466 | 109 | 378 | 355 | 4,025 | 673 | 2,383 | 2,595 | 13,546 |
| Current reserve for underwriting years prior to 2009 | | | | | | | | | | | 202 |
| Unallocated adjustment expense reserve | | | | | | | | | | | 290 |
| Adjustment for discount rate | | | | | | | | | | | (1,034) |
| Adjustment for provision for adverse developments | | | | | | | | | | | 1,408 |
| **Total gross outstanding claim liabilities** | | | | | | | | | | | **$ 14,412** |

| Net of reinsurance ($000's omitted) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| End of year | $ 475 | $ 4,663 | $ 5,982 | $ 7,243 | $ 7,595 | $ 9,932 | $ (495) | $ 223 | $ 292 | $ 197 | $ 197 |
| One year later | 956 | 5,499 | 7,072 | 7,727 | 8,122 | 10,610 | (695) | 417 | 614 | | 614 |
| Two years later | 2,282 | 5,589 | 6,906 | 7,777 | 8,128 | 10,610 | (727) | 420 | | | 420 |
| Three years later | 3,297 | 5,356 | 6,876 | 7,898 | 8,127 | 10,612 | (704) | | | | (704) |
| Four years later | 3,397 | 5,232 | 7,092 | 8,035 | 8,127 | 10,612 | | | | | 10,612 |
| Five years later | 3,333 | 5,426 | 7,133 | 8,217 | 8,125 | | | | | | 8,125 |
| Six years later | 3,404 | 5,634 | 7,610 | 8,186 | | | | | | | 8,186 |
| Seven years later | 3,362 | 6,144 | 7,544 | | | | | | | | 7,544 |
| Eight years later | 3,274 | 6,234 | | | | | | | | | 6,234 |
| Nine years later | 3,265 | | | | | | | | | | 3,265 |
| Cumulative payments to date | (3,265) | (5,819) | (5,849) | (8,120) | (7,953) | (10,483) | 1,213 | (147) | (186) | (6) | (40,615) |
| Current reserve | — | 415 | 1,695 | 66 | 172 | 129 | 509 | 273 | 428 | 191 | 3,878 |
| Current reserve for underwriting years prior to 2009 | | | | | | | | | | | 200 |
| Unallocated adjustment expense reserve | | | | | | | | | | | 290 |
| Adjustment for discount rate | | | | | | | | | | | (465) |
| Adjustment for provision for adverse developments | | | | | | | | | | | 629 |
| **Total net outstanding claim liabilities** | | | | | | | | | | | **$ 4,532** |

*(e) Reconciliation of net to gross reserve for unpaid loss and loss adjustment expenses*

| | December 31 2018 | December 31 2017 (restated) |
|---|---|---|
| Unpaid Loss and Loss Adjustment Expense, net of ceded amounts | $ 4,532,190 | $ 5,986,848 |
| Ceded Unpaid Loss and Loss Adjustment Expense | 9,879,699 | 10,094,946 |
| **Unpaid Loss and Loss Adjustment Expense** | **$ 14,411,889** | **$ 16,081,794** |

## 8. UNEARNED PREMIUMS

The following table is a summary of changes in unearned premiums and unearned premiums ceded:

| | December 31, 2018 | | | December 31, 2017 (restated) | | |
|---|---|---|---|---|---|---|
| | Unearned Premiums | Unearned Premiums Ceded | Net | Unearned Premiums | Unearned Premiums Ceded | Net |
| **Balance, beginning of year (restated)** | **$ 16,145,047** | **$ 13,850,156** | **$ 2,294,891** | **$ 2,015,932** | **$ 1,614,803** | **$ 401,129** |
| Premiums written | 61,518,819 | 60,718,077 | 800,742 | 64,761,312 | 61,867,568 | 2,893,744 |
| Premiums earned | (62,699,427) | (61,688,452) | (1,010,975) | (51,248,134) | (50,157,400) | (1,090,734) |
| Adjustment due to currency conversion | (1,250,092) | (1,065,014) | (185,078) | 615,937 | 525,185 | 90,752 |
| **Balance, end of year** | **$ 13,714,347** | **$ 11,814,767** | **$ 1,899,580** | **$ 16,145,047** | **$ 13,850,156** | **$ 2,294,891** |

(Stated in U.S. dollars)

## 9. DEFERRED POLICY ACQUISITION COSTS

The changes in deferred policy acquisition costs are summarized as follows:

| | December 31, 2018 | December 31, 2017 (restated) | January 1, 2017 (restated) |
|---|---|---|---|
| **Balance, beginning of year (restated)** | **$ 2,140,591** | **$ 498,889** | **$ 465,472** |
| Acquisition costs deferred | 17,278,539 | 15,699,156 | 11,110,040 |
| Amortization of deferred policy acquisition costs | (17,479,277) | (14,057,454) | (11,076,623) |
| **Balance, end of year** | **$ 1,939,853** | **$ 2,140,591** | **$ 498,889** |

## 10. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is summarized as follows:

| | Computer equipment | Leasehold improvements and furniture | Total |
|---|---|---|---|
| **Cost:** | | | |
| Balance, January 1, 2017 | $ 226,726 | $ 125,162 | $ 351,888 |
| Additions and other | 14,869 | — | 14,869 |
| Currency translation adjustment | 1,444 | 3,206 | 4,650 |
| Balance, December 31, 2017 | $ 243,039 | $ 128,368 | $ 371,407 |
| Additions and other | 15,650 | 1,383 | 17,033 |
| Currency translation adjustment | (1,865) | (3,994) | (5,859) |
| Balance, December 31, 2018 | $ 256,824 | $ 125,757 | $ 382,581 |
| **Accumulated depreciation:** | | | |
| Balance, January 1, 2017 | $ 210,176 | $ 89,036 | $ 299,212 |
| Depreciation | 10,529 | 9,618 | 20,147 |
| Currency translation adjustment | 932 | 1,782 | 2,714 |
| Balance, December 31, 2017 | $ 221,637 | $ 100,436 | $ 322,073 |
| Depreciation | 13,547 | 6,513 | 20,060 |
| Currency translation adjustment | (1,563) | (2,446) | (4,009) |
| Balance, December 31, 2018 | $ 233,621 | $ 104,503 | $ 338,124 |
| **Net carrying amounts:** | | | |
| As of January 1, 2017 | $ 16,550 | $ 36,126 | $ 52,676 |
| As of December 31, 2017 | $ 21,402 | $ 27,932 | $ 49,334 |
| As of December 31, 2018 | $ 23,203 | $ 21,254 | $ 44,457 |

(Stated in U.S. dollars)

## 11. ROYALTY AND MINERAL INTERESTS

Royalty and mineral interests are summarized as follows:

| | Balance December 31, 2017 | Capitalized exploration costs | Write-down | Option payments received | Balance December 31, 2018 |
|---|---|---|---|---|---|
| Other SPD properties | $ 124,915 | $ 21,202 | $ (30,102) | $ — | $ 116,015 |
| Carlin Vanadium Property | 201,315 | — | — | (25,000) | 176,315 |
| Other properties | 169,692 | — | — | — | 169,692 |
| Royalty interests | 44,158 | — | — | — | 44,158 |
| **Total** | **$ 540,080** | **$ 21,202** | **$ (30,102)** | **$ (25,000)** | **$ 506,180** |

| | Balance January 1, 2017 | Capitalized exploration costs | Sale of mineral interests | Option payments received | Exploration expense recovery | Currency translation and other adjustments | Balance December 31, 2017 |
|---|---|---|---|---|---|---|---|
| Taylor Property | $ 440,123 | $ 725 | $ — | $(501,964) | $ 61,116 | $ — | $ — |
| Other SPD properties | 93,915 | 32,089 | — | — | — | (1,089) | 124,915 |
| Carlin Vanadium Property | 216,315 | — | — | (15,000) | — | — | 201,315 |
| Other properties | 269,948 | — | (100,256) | — | — | — | 169,692 |
| Royalty interests | 44,158 | — | — | — | — | — | 44,158 |
| **Total** | **$1,064,459** | **$ 32,814** | **$(100,256)** | **$(516,964)** | **$ 61,116** | **$ (1,089)** | **$ 540,080** |

*(a) Taylor property option*

In April 2017, SPD, Till's 64% owned subsidiary, entered into an option agreement (the "Taylor Agreement") with Montego Resources Inc. ("Montego") pursuant to which Montego has the right to acquire from SPD certain mining claims located in Nevada, USA, commonly referred to as the Taylor Silver Property (the "Taylor Property").

Under the terms of the Taylor Agreement, Montego can acquire the Taylor Property upon completion of a series of cash payments totaling $1,200,000, issuance of 2,500,000 common shares of Montego to SPD, and expenditures of at least $700,000 on the Taylor Property. Upon completion of the payments, share issuances, and expenditures, Montego will hold a 100% interest in the Taylor Property, subject to a 2% net smelter returns royalty ("NSR") and a 1% net profit royalty that will be retained by SPD.

The payments, share issuances, and expenditures are to be completed in accordance with the following schedule based on the closing date set forth in the Taylor Agreement:

- At closing: $200,000 cash and 500,000 common shares
- 6 months from closing: $100,000 cash and 300,000 common shares
- 12 months from closing: $200,000 cash and 400,000 common shares and expenditures of $100,000
- 24 months from closing: $300,000 cash and 500,000 common shares and expenditures of $250,000
- 36 months from closing: $400,000 cash and 800,000 common shares and expenditures of $350,000

The closing occurred on April 20, 2017 on which date SPD had received $200,000 cash and 500,000 common shares of Montego initially valued at $156,309. On October 19, 2017, SPD received the installment due from Montego, i.e., $100,000 cash and 300,000 common shares of Montego, initially valued at $45,655. On April 19, 2018, SPD received the installment due from Montego, i.e., $200,000 cash and 400,000 common shares of Montego, initially valued at $65,973. As of April 19, 2018, Montego has also completed the required $100,000 expenditures.

Option payments are credited against the carrying value of the Taylor Property. Option payments received in excess of the carrying value of the Taylor Property totaled $242,093 for the year ended December 31, 2018 ($61,116 for the year ended December 31, 2017) and are recorded as an exploration expense recovery.

*(b) Carlin Vanadium property option*

In June 2017, GPUS, Till's wholly-owned subsidiary, entered into an option agreement (the "Carlin Vanadium Agreement") with a privately-held unrelated company ("Initial Optionee") pursuant to which Initial Optionee has the right to acquire from GPUS certain mining claims located in Idaho, US commonly referred to as the Carlin Vanadium/ Black Kettle Property (the "Carlin Vanadium Property"). In September 2017, Initial Optionee assigned its rights, interest, obligations, and benefits to and in the Carlin Vanadium Agreement to First Vanadium Corp. ("Optionee").

Under the terms of the Carlin Vanadium Agreement, Optionee can acquire the Carlin Vanadium Property upon completion of a series of cash payments totaling $2,000,000, expenditures of at least $475,000 on the Carlin Vanadium Property, and the granting of a 2% NSR to GPUS on the Carlin Vanadium Property. Upon completion of the payments, expenditures, and issuance of the 2% NSR, Optionee will hold a 100% interest in the Carlin Vanadium Property. Optionee has the right to purchase the NSR for $4 million for the entire 2% NSR or $2 million for 1% (half of the NSR). That right expires at the end of the option period in June 2022.

The payments, expenditures, and NSR grant are to be completed in accordance with the following schedule:

- At closing: $15,000 cash
- On or before December 15, 2017: Expenditures of $50,000
- 12 months from closing: $25,000 cash
- On or before December 15, 2018: Expenditures of an aggregate of $125,000
- 24 months from closing: $50,000 cash
- On or before December 15, 2019: Expenditures of an aggregate of $225,000
- On or before December 15, 2020: Expenditures of an additional $250,000
- On or before December 15, 2021: Expenditures of an additional $250,000 (unless option is exercised)
- On or before 60 months from closing: Expenditures of an additional $122,000 (unless option is exercised)
- On or before 60 months from closing: $2,000,000 cash less any cash payments, not including expenditures
- On or before 60 months from closing: Grant of 2% NSR to GPUS subject to purchase by Optionee

The closing occurred on June 14, 2017 by which date GPUS had received $15,000. By June 14, 2018, GPUS had received an additional $25,000 and Optionee had completed expenditures in excess of $600,000 on the Carlin Vanadium Property.

*(c) Sale of mineral interest*

On April 10, 2017, GPUS, Till's wholly-owned subsidiary, completed an option agreement with an unrelated party whereby a mineral interest located in Nevada, USA was sold. The final payment of $1,156,090 was received on that date by GPUS and a gain of $1,055,835 was recorded on the sale of that mineral interest.

## 12. GOODWILL

Goodwill represents the excess of the cost of acquisitions over the fair value of net assets acquired and is not amortized. Goodwill is subject to evaluation for impairment using a recoverable amount based test. That evaluation is performed annually, during the fourth quarter or more frequently if facts and circumstances warrant. The goodwill impairment test involves comparing the recoverable amount of the CGU to the carrying value of the CGU. If the carrying value of the CGU exceeds the recoverable amount of the CGU, Till is required to record an impairment loss as a reduction to the carrying amount of any goodwill associated with that CGU.

At December 31, 2018, a goodwill impairment test was performed. Till determined the recoverable amount of the CGU based on FVLCD. The FVLCD was based on a price-to-book value multiple of 1.15 less cost to dispose. At December 31, 2018, the recoverable amount of $7,138,450 was lower than the carrying value of the CGU and therefore, Till recorded an impairment of $604,141 against the carrying value of goodwill. That impairment was in addition to an impairment to goodwill of $1,097,612 previously recorded in the third quarter of 2018.

(Stated in U.S. dollars)

Reasonably possible movements to the key assumption, price-to-book value multiple, could increase/decrease the calculated recoverable amount. A 0.05 increase or decrease in the price-to-book value multiple would increase or decrease the recoverable amount and impairment charge by $317,225 and $335,836, respectively.

The goodwill relating to Holdings is presented in the following table:

| | Year Ended December 31 | |
|---|---|---|
| | 2018 | 2017 |
| **Balance, beginning of year** | **$ 2,218,634** | **$ 2,980,819** |
| Impairment | (1,701,753) | (971,757) |
| Foreign currency adjustment | (200,470) | 209,572 |
| **Balance, end of year** | **$ 316,411** | **$ 2,218,634** |

## 13. OTHER ASSETS

Other assets are summarized as follows:

| | December 31, 2018 | December 31, 2017 | January 1, 2017 |
|---|---|---|---|
| Software | $ — | $ 320,450 | $ 388,876 |
| Prepaid expenses and deposits | 203,840 | 168,257 | 155,187 |
| Reclamation bonds | 63,166 | 63,166 | 92,066 |
| Receivable from IGC | 302,120 | — | 401,973 |
| Other | 112,036 | 198,523 | 124,861 |
| **Total other assets** | **$ 681,162** | **$ 750,396** | **$ 1,162,963** |

*Software - Tyche trading platform ("Tyche")*

| | December 31 | |
|---|---|---|
| | 2018 | 2017 |
| **Balance, beginning of year** | **$ 320,450** | **$ 388,876** |
| Additions | 162,009 | 287,894 |
| Amortization | (142,256) | (356,320) |
| Impairment | (340,203) | — |
| **Balance, end of year** | **$ —** | **$ 320,450** |

In 2015, Tyche advanced from the initial research phase to the initial development phase. All Tyche costs incurred prior to 2015 were expensed and all Tyche costs incurred during the initial development phase were capitalized. Tyche began active trading at the beginning of 2016 and, as such, the development costs began being amortized. The capitalized development costs were amortized using the straight-line method over twenty-four months, the then determined useful life of the Tyche intangible asset.

(Stated in U.S. dollars)

In 2018, all trading using Tyche and further development was discontinued and all remaining capitalized costs related were deemed impaired and written-off.

## 14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are summarized as follows:

| | December 31, 2018 | December 31, 2017 | January 1, 2017 |
|---|---|---|---|
| Accounts payable | $ 139,057 | $ 414,389 | $ 1,051,010 |
| Accrued payroll | 48,564 | 40,875 | 45,056 |
| Other liabilities | 43,750 | 43,750 | 29,155 |
| **Total accounts payable and other liabilities** | **$ 231,371** | **$ 499,014** | **$ 1,125,221** |

## 15. INCOME TAXES

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

| | Year Ended December 31 2018 | 2017 (restated) |
|---|---|---|
| Loss for the year before income tax | $ (1,623,554) | $ (2,878,594) |
| Impact of different foreign statutory tax rates on earnings of subsidiaries | $ (283,000) | $ 249,280 |
| Permanent difference | 69,000 | (320,968) |
| Impact of future tax rate changes | (267,000) | 12,330,929 |
| True-up of prior-year provision to statutory tax returns | 562,000 | 2,976,274 |
| Impact of foreign withholding taxes on income earned | — | 135,903 |
| Change in unrecognized deductible temporary differences and other | (83,369) | (14,935,864) |
| **Total income tax expense (recovery)** | **$ (2,369)** | **$ 435,554** |
| Consisting of: | | |
| Current income tax expense | $ — | $ 135,903 |
| Deferred income tax expense (recovery) | (2,369) | 299,651 |
| **Total income tax expense (recovery)** | **$ (2,369)** | **$ 435,554** |

In September 2017, the British Columbia (BC) Provincial Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. That change in tax rate was enacted on November 2, 2017. The relevant deferred income tax balances have been recalculated to incorporate the increase in Till's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

In December 2017, the United States Government enacted comprehensive tax legislation referred to as the Tax Cuts and Jobs Act of 2017 (Tax Reform Act). The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates, implementing a modified territorial tax system, and imposing a transition tax on deemed repatriated earnings of foreign subsidiaries. Proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 and onwards was enacted on December 22, 2017. The relevant net deferred income tax asset balances have been recalculated accordingly.

(Stated in U.S. dollars)

The significant components of Till's deferred income tax assets (liabilities) recognized are as follows:

| | December 31 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 (restated) | |
| Deferred income tax assets: | | | | |
| Losses available for future period | $ | 180,536 | $ | 144,496 |
| Reserves and other | | 275,619 | | 317,258 |
| Deferred income tax assets | $ | 456,155 | $ | 461,754 |
| Deferred income tax liabilities: | | | | |
| Marketable securities | $ | (36,769) | $ | (19,986) |
| Property and equipment | | (1,784) | | (687) |
| Exploration and evaluation assets | | (141,983) | | (123,823) |
| Deferred income tax liabilities | $ | (180,536) | $ | (144,496) |
| **Net deferred income tax asset** | **$** | **275,619** | **$** | **317,258** |

The significant components of Till's unrecognized temporary differences and tax losses are as follows:

| | | December 31, 2018 | Expiry Date Range | | December 31, 2017 (restated) | Expiry Date Range |
|---|---|---|---|---|---|---|
| Temporary differences: | | | | | | |
| Non-capital losses available for future period | $ | 58,749,000 | 2022 to indefinitely | $ | 60,577,000 | 2022 to 2037 |
| Exploration and evaluation assets | $ | 20,389,000 | No expiry date | $ | 20,973,000 | No expiry date |
| Property and equipment | $ | 5,235,000 | No expiry date | $ | 5,272,000 | No expiry date |
| Intangible assets | $ | 340,000 | No expiry date | $ | — | No expiry date |
| Marketable securities | $ | 37,000 | No expiry date | $ | — | No expiry date |
| Investment tax credits | $ | 29,000 | 2030 | $ | 32,000 | 2030 |
| Reserves and other | $ | 1,929,000 | No expiry date | $ | 3,073,000 | No expiry date |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## 16. SHARE CAPITAL AND RESERVES

### *(a) Authorized share capital*

Till is authorized to issue 12,000,000 shares of restricted voting stock at a par value of $0.001. Shares of Till have restricted voting rights, whereby no single shareholder of Till is able to exercise voting rights for more than 9.9% of the voting rights of the total issued and outstanding Till shares. However, if any one shareholder of Till beneficially owns, or exercises control or direction over, more than 50% of the issued and outstanding Till shares, the 9.9% restriction will no longer apply to the Till shares. At December 31, 2018 and 2017, there were 3,191,462 and 3,290,884, respectively, of issued, and outstanding, Till restricted voting shares.

(Stated in U.S. dollars)

*(b) Stock options and warrants*

Till's Board of Directors may, from time to time and in its sole discretion, award options to acquire shares of the restricted voting stock of Till to directors, employees, and consultants. During 2018, Till recognized stock-based compensation related to options of $1,599 (2017 - $28,096), which amounts are included in the consolidated statements of comprehensive income (loss). At December 31, 2018, Till has 117,500 stock options outstanding with a weighted average exercise price of Cdn$9.55 (US$7.00) and a weighted average remaining term of 0.89 years. Till recognized stock-based compensation of $nil in 2018 and $20,323 in 2017 as a result of consolidating SPD, and those amounts are included in the consolidated statements of comprehensive income (loss).

Till's Board of Directors may, from time to time and in its sole discretion, issue warrants to acquire shares of the restricted voting stock of Till. At December 31, 2018, Till has 171,000 warrants outstanding with an exercise price of Cdn$9.50 (US$6.96) and a remaining term of one year.

There were no warrants or options granted in 2018 or 2017.

The warrants and options outstanding in the following table are shown with historical amounts:

| | Warrants | | Stock Options | |
|---|---|---|---|---|
| | Number | Weighted average exercise price (Canadian $) | Number | Weighted average exercise price (Canadian $) |
| Outstanding, January 1, 2017 | 179,500 | $9.92 | 119,952 | $10.38 |
| Expired in 2017 | — | — | (2,452) | $50.21 |
| Outstanding, December 31, 2017 | 179,500 | $9.92 | 117,500 | $9.55 |
| Expired in 2018 | (8,500) | $18.27 | — | — |
| Outstanding, December 31, 2018 | 171,000 | $9.50 | 117,500 | $9.55 |
| Exercisable, December 31, 2018 | 171,000 | $9.50 | 117,500 | $9.55 |

The intrinsic value of outstanding Till warrants and stock options at December 31, 2018 is nil.

*(c) Normal course issuer bid*

On April 5, 2018, Till announced that it had renewed its normal course issuer bid ("NCIB"). Under the NCIB, Till had approval to bid for up to 246,240 of its restricted voting shares, representing 10% of the 2,462,425 restricted voting shares that represented Till's public float at that date. Till's Board of Directors believed that market prices for Till's restricted voting shares did not give full effect to their underlying value and that the purchase of restricted voting shares under the NCIB would increase the proportionate share interest of, and be advantageous to, all remaining shareholders. Till also believed the NCIB purchases would provide increased liquidity to shareholders who would like to sell their restricted voting shares. Purchases subject to the NCIB were carried out pursuant to open market transactions through the facilities of the TSXV by Canaccord Genuity Corp. on behalf of Till.

During 2018, Till purchased 99,422 restricted voting shares, for $148,397, through the NCIB program all of which were returned to treasury and canceled in 2018. During 2016, Till purchased 138,400 restricted voting shares, for $563,629, through the NCIB program of which 79,000 were returned to treasury and canceled in 2016 and the remaining 59,400 restricted voting shares were returned to treasury and canceled in 2017.

(Stated in U.S. dollars)

*(d) Treasury shares*

Pursuant to an NCIB program approved by Till's directors in September 2014, treasury shares are canceled at cost through retained earnings (deficit).

## 17. INCOME (LOSS) PER SHARE

Till uses the treasury stock method to calculate diluted income (loss) per share. Following the treasury stock method, the numerator for Till's diluted income (loss) per share calculation remains unchanged from the basic income (loss) per share calculation, as the assumed exercise of Till's stock options and warrants does not result in an adjustment to income or loss.

Stock options to purchase 117,500 restricted voting shares were outstanding at December 31, 2018 and December 31, 2017. Warrants to purchase 171,000 restricted voting shares were outstanding at December 31, 2018 (December 31, 2017 – 179,500). Those stock options and warrants were excluded in the calculation of diluted earnings per share because the exercise prices of the options and warrants were greater than the weighted average market value of the restricted voting shares in the years ended December 31, 2018 and 2017.

## 18. SEGMENT INFORMATION

Till operates in a single segment, that being insurance.

Till's revenue (loss) is attributable to the following geographical areas:

| | Year Ended December 31 | |
|---|---|---|
| | 2018 | 2017 (restated) |
| Bermuda | $ 2,051,330 | $ 405,624 |
| Canada | 1,364,578 | 1,901,162 |
| United States | (774,481) | 486,350 |
| **Total** | **$ 2,641,427** | **$ 2,793,136** |

The non-current assets (other than financial instruments and deferred income tax assets) are accounted for in the following geographical areas:

| | December 31, 2018 | December 31, 2017 (restated) | January 1, 2017 (restated) |
|---|---|---|---|
| Bermuda | $ 104,870 | $ 1,462,706 | $ 1,348,491 |
| Canada | 340,196 | 2,250,611 | 3,010,890 |
| United States | 531,852 | 882,887 | 1,475,940 |
| **Total** | **$ 976,918** | **$ 4,596,204** | **$ 5,835,321** |

## 19. RELATED PARTY DISCLOSURES

*(a) Compensation of key management personnel*

Key management personnel comprise all members of Till's Board of Directors and executive officers. The compensation of key management personnel includes fees, salaries, share-based awards, and other employee benefits. During the year ended December 31, 2018, total compensation amounted to $0.55 million (year ended December 31, 2017 - $0.74 million).

*(b) Service agreements*

Till is party to service agreements with SPD whereby Till provides administration, accounting, and corporate communications services on a cost-plus recovery basis. Till charged SPD $36,000 for each of the years ended December 31, 2018 and 2017 for those services.

## 20. CAPITAL MANAGEMENT

*(a) Regulatory capital*

Till manages capital on an aggregate basis, as well as individually for each regulated entity. Till's insurance subsidiaries are subject to the regulatory capital requirements defined by the BMA for RRL and by the Office of Superintendent of Financial Institutions (Canada) ("OSFI") for Omega.

Till's objectives when managing capital consist of:

- Ensuring that policyholders in the insurance and reinsurance subsidiaries are protected while complying with regulatory capital requirements.
- Complying with regulatory capital requirements.
- Maintaining a strong liquidity position that provides a reasonable return on invested assets.
- Maximizing long-term shareholder value by optimizing capital generated and used by Till.

Till views capital as a scarce and strategic resource. That resource protects the financial well-being of the organization, and is critical in enabling Till to pursue strategic business opportunities. Adequate capital also acts as a safeguard against possible unexpected losses, and as a basis for confidence in Till by shareholders, policyholders, creditors, and others. For the purpose of capital management, Till has defined capital as shareholders' equity, excluding AOCI. Capital is monitored by Till's Board of Directors. Till's insurance subsidiaries are subject to minimum capital requirements, which amounts are not available to satisfy liabilities of Till or other subsidiaries.

*(b) RRL*

RRL is registered under The Bermuda Insurance Act 1978 and related regulations that require RRL to file a statutory financial return and maintain certain measures of solvency and liquidity. The required Minimum General Business Solvency Margin at December 31, 2018 was $1 million. The Minimum Liquidity Ratio is the ratio of the insurer's relevant assets to its relevant liabilities. The minimum allowable ratio is 75%. RRL's relevant assets at December 31, 2018 were $7.3 million (December 31, 2017 - $7.2 million) and 75% of its relevant liabilities as of December 31, 2018 and December 31, 2017 was $0.2 million. As of December 31, 2018 and December 31, 2017, RRL is in compliance with regulatory requirements for Minimum General Business Solvency Margin and Minimum Liquidity Ratio discussed above.

*(c) Omega*

OSFI has set out expectations of a 100% Minimum Capital Test ("MCT") as the minimum and has also set out 150% MCT as the supervisory target for Canadian property and casualty insurance companies. As of December 31, 2018, Omega had total capital available of Cdn$8.2 (US$6.0) million (December 31, 2017 - Cdn$8.4 (US$6.7) million) and a total capital required of Cdn$2.3 (US$1.7) million (December 31, 2017 - Cdn$2.5 (US$2.0) million) resulting in a MCT of 361% (December 31, 2017 of 331%). As of December 31, 2018 and December 31, 2017, Omega is in compliance with OSFI's MCT requirements.

## 21. FINANCIAL RISK MANAGEMENT

*(a) Insurance risk*

Omega principally underwrites insurance lines of business that include personal property, commercial property, and liability lines of business. The various coverages underwritten have specific insurance contracts that set forth the specific insurance risk exposures, including the duration of the coverage, Omega is exposed to certain risks defined in the insurance contracts, generally for durations of one to three years.

In addition to underwriting general insurance contracts, Omega has also assumed portfolios of existing business that are in run-off from other insurers through assumption reinsurance transactions. Those portfolios could be from any line of business that the transferring insurer underwrote up through the assumption. Under those assumption reinsurance transactions, Omega is exposed to certain risks defined in the underlying insurance contracts that were originally written by the transferring insurer.

The principal risk that Omega faces under both general insurance contracts and assumption reinsurance transactions is that the actual claims and benefit payments, or the timing thereof, differs from the assumptions and/or expectations used to price the general insurance contracts or assumption reinsurance transactions. That insurance risk is influenced by the frequency of claims, severity of claims, emergence of unknown claims, actual benefits paid, and subsequent development of claims, in particular long-tail claims. For long-tail claims that take years to settle, Till is also exposed to inflation risk. Till's objective is to ascertain, based on the business insured and other factors, that sufficient reserves are available to cover known and unknown liabilities related to the business written and assumed.

Risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas and by the use of various underwriting and claim review strategies. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. Omega also purchases reinsurance as part of its risk mitigation strategies. Reinsurance is placed on both a proportional and non-proportional basis. The use of proportional and non-proportional reinsurance varies by line of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying claim liabilities and in accordance with the reinsurance contracts. Although Omega has reinsurance arrangements in effect, Omega is not relieved of its obligations to its policyholders and, thus, a credit risk exposure exists with respect to such reinsurance arrangements.

The key assumption underlying the valuation of the reserve for unpaid losses and LAE is that the future loss development will follow a similar pattern to past loss development experience, including average claim costs, claim handling costs, and other claim factors for each loss year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future. Consideration is also given to available industry data/information. Judgment is further used to assess the extent to which external factors, such as inflation, court decisions, and government legislation, may affect the estimates. Other factors that may affect the reliability of loss and LAE assumptions include any variation in interest rates, claim settlement delays, and changes in foreign exchange rates.

*(b) Liquidity risk*

Liquidity risk is the risk that Till is unable to meet its financial obligations as they come due. Till manages that risk by continuous monitoring of its working capital to determine that its cash, cash equivalents, and investments exceed its estimated obligations.

The following tables summarize the maturity profile of Till's financial assets and financial liabilities. For insurance contract liabilities and reinsurance assets, maturity profiles are based on the estimated timing of cash outflows.

(Stated in U.S. dollars)

| December 31, 2018 | Up to 1 year | 1 - 5 years | 5 - 10 years | 10+ years | No specific maturity | Total |
|---|---|---|---|---|---|---|
| Financial assets: | | | | | | |
| Cash and cash equivalents | $ 10,251,114 | $ — | $ — | $ — | $ — | $ 10,251,114 |
| Held for trading securities | — | — | — | — | 465,998 | 465,998 |
| Available for sale: | | | | | | |
| Government debt securities | 2,390,171 | 3,424,886 | 567,071 | — | — | 6,382,128 |
| Corporate bond funds | 105,187 | 3,158,220 | 201,377 | — | — | 3,464,784 |
| Equity securities | — | — | — | — | 205,734 | 205,734 |
| Loans and receivables: | | | | | | |
| Accrued investment income | 22,808 | — | — | — | — | 22,808 |
| Premium and reinsurance receivables | 3,847,280 | — | — | — | 10,194,986 | 14,042,266 |
| Reinsurance assets | 5,480,494 | 2,611,959 | 1,141,404 | 645,842 | — | 9,879,699 |
| **Total financial assets** | **$ 22,097,054** | **$ 9,195,065** | **$ 1,909,852** | **$ 645,842** | **$ 10,866,718** | **$ 44,714,531** |
| Financial liabilities: | | | | | | |
| Payables and accruals | $ 5,529,860 | $ 962,469 | $ — | $ — | $ 7,430,729 | $ 13,923,058 |
| Insurance contract liabilities | 6,980,517 | 4,532,719 | 1,834,934 | 1,063,719 | — | 14,411,889 |
| Other liabilities | 421,828 | — | — | — | 80,787 | 502,615 |
| **Total financial liabilities** | **$ 12,932,205** | **$ 5,495,188** | **$ 1,834,934** | **$ 1,063,719** | **$ 7,511,516** | **$ 28,837,562** |

| December 31, 2017 (restated) | Up to 1 year | 1 - 5 years | 5 - 10 years | 10+ years | No specific maturity | Total |
|---|---|---|---|---|---|---|
| Financial assets: | | | | | | |
| Cash and cash equivalents | $ 9,549,062 | $ — | $ — | $ — | $ — | $ 9,549,062 |
| Held for sale securities | — | — | — | — | 422,447 | 422,447 |
| Available for sale: | | | | | | |
| Government debt securities | 1,402,625 | 4,028,773 | 1,430,460 | — | — | 6,861,858 |
| Corporate bond funds | 167,053 | 3,413,871 | 245,902 | — | — | 3,826,826 |
| Equity securities | — | — | — | — | 240,950 | 240,950 |
| Loans and receivables: | | | | | | |
| Accrued investment income | 42,014 | — | — | — | — | 42,014 |
| Premium and reinsurance receivables | 4,847,756 | — | — | — | 12,607,413 | 17,455,169 |
| Reinsurance assets | 5,522,130 | 2,469,337 | 1,181,264 | 922,215 | — | 10,094,946 |
| **Total financial assets** | **$ 21,530,640** | **$ 9,911,981** | **$ 2,857,626** | **$ 922,215** | **$ 13,270,810** | **$ 48,493,272** |
| Financial liabilities: | | | | | | |
| Payables and accruals | $ 5,749,276 | $ 903,946 | $ — | $ — | $ 9,376,644 | $ 16,029,866 |
| Insurance contract liabilities | 7,295,919 | 5,424,108 | 1,898,119 | 1,463,648 | — | 16,081,794 |
| Other liabilities | 725,817 | — | — | — | 39,857 | 765,674 |
| **Total financial liabilities** | **$ 13,771,012** | **$ 6,328,054** | **$ 1,898,119** | **$ 1,463,648** | **$ 9,416,501** | **$ 32,877,334** |

(Stated in U.S. dollars)

*(c) Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its obligations. Till's credit risk is primarily attributable to cash and cash equivalents, investments, premiums receivable, and reinsurance recoverables. Till has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of investments. Till's insurance and reinsurance policies are distributed by brokers and agents who manage cash collection on its behalf and Till monitors its exposure as regards of the activities of those brokers and agents. Till has policies in place that limit its exposure to individual reinsurers, and Till conducts regular review processes to assess the creditworthiness of reinsurers with whom it transacts business. Till also holds collateral for certain of its reinsurance arrangements.

The following tables show the exposure to credit risk for Till's financial assets, shown gross of any collateral arrangements, by credit rating according to Dominion Bond Rating Service for financial assets and according to A.M. Best Company rating service for reinsurance assets:

| December 31, 2018<br>Dominion Bond Rating Service:<br>A.M. Best Company: | AAA<br>A++ | AA<br>A+ | A<br>A, A- | BBB<br>B++ | Less than<br>BBB<br>B++ | Not rated | Total |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ — | $ — | $ — | $ — | $ — | $10,251,114 | $10,251,114 |
| Held for sale securities | — | — | — | — | — | 465,998 | 465,998 |
| Available for sale: | | | | | | | |
| Government debt securities | 1,279,355 | 2,492,817 | 2,609,956 | — | — | — | 6,382,128 |
| Corporate bond funds | 155,915 | 1,372,055 | 814,224 | 1,122,590 | — | — | 3,464,784 |
| Equity securities | — | — | — | — | — | 205,734 | 205,734 |
| Loans and receivables: | | | | | | | |
| Accrued investment income | — | — | — | — | — | 22,808 | 22,808 |
| Premium and reinsurance receivables | — | — | — | — | — | 14,042,266 | 14,042,266 |
| Reinsurance assets | — | — | — | — | — | 9,879,699 | 9,879,699 |
| **Total** | **$ 1,435,270** | **$ 3,864,872** | **$ 3,424,180** | **$ 1,122,590** | **$ —** | **$34,867,619** | **$44,714,531** |

| December 31, 2017 (restated)<br>Dominion Bond Rating Service:<br>A.M. Best Company: | AAA<br>A++ | AA<br>A+ | A<br>A, A- | BBB<br>B++ | Less than<br>BBB<br>B++ | Not rated | Total |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ — | $ — | $ — | $ — | $ — | $ 9,549,062 | $ 9,549,062 |
| Held for sale securities | — | — | — | — | — | 422,447 | 422,447 |
| Available for sale: | | | | | | | |
| Government debt securities | — | 4,179,992 | 2,681,866 | — | — | — | 6,861,858 |
| Corporate bond funds | 218,129 | 838,075 | 1,588,133 | 1,182,489 | — | — | 3,826,826 |
| Equity securities | — | — | — | — | — | 240,950 | 240,950 |
| Loans and receivables: | | | | | | | |
| Accrued investment income | — | — | — | — | — | 42,014 | 42,014 |
| Premium and reinsurance receivables | — | — | — | — | — | 17,455,169 | 17,455,169 |
| Reinsurance assets | — | — | — | — | — | 10,094,946 | 10,094,946 |
| **Total** | **$ 218,129** | **$ 5,018,067** | **$ 4,269,999** | **$ 1,182,489** | **$ —** | **$37,804,588** | **$48,493,272** |