

PROMINEX RESOURCE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

APRIL 30, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

Prominex Resource Corp.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prominex Resource Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Prominex Resource Corp. (the Company), which comprise the consolidated statements of financial position as at April 30, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and 2018 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$48,337 during the year ended April 30, 2019 (April 30, 2018: loss \$33). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue operating as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 International Financial Reporting Standards, 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 relating 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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10 - 259 Traders Blvd E, Mississauga, ON L4Z 2E5
O: 647.969.7382 | F: 1.855.296.5040
info@sdvcllp.com | www.sdvcllp.com

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.

Other Matter

The financial statements for the year ended April 30, 2014 were audited by another firm of Chartered Professional Accountants whom issued an unmodified audit opinion dated August 27, 2014.

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

SDVC LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
July 5, 2019

PROMINEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT APRIL 30,

	Notes	2019 \$	2018 \$
ASSETS			
CURRENT			
Amounts receivable and other assets		1,964	1,964
Harmonized sales tax receivable		1,580	-
TOTAL ASSETS		3,544	1,964
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6,7	970,210	920,206
Harmonized sales tax payable		-	87
TOTAL LIABILITIES		970,210	920,293
SHAREHOLDERS' EQUITY			
Share capital	5 (b)	8,583,554	8,583,554
Contributed surplus		2,848,185	2,848,185
Deficit		(12,398,405)	(12,350,068)
TOTAL SHAREHOLDERS' EQUITY		(966,666)	(918,329)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,544	1,964
NATURE OF OPERATIONS AND GOING CONCERN	1		
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APPROVED ON BEHALF OF THE BOARD			
<u>"Michael Lerner"</u>	Director		
<u>"Balu Gopalakrishnan"</u>	Director		

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

PROMINEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED APRIL 30,

	Notes	2019	2018
		\$	\$
EXPENSES			
Consulting fees	7	33,333	-
General and administrative		4	33
Professional fees		15,000	-
		<u>48,337</u>	<u>33</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		<u>48,337</u>	<u>33</u>
NET LOSS PER SHARE - Basic and diluted		<u>0.00</u>	<u>0.00</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - Basic and diluted		<u>83,690,890</u>	<u>83,690,890</u>

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

PROMINEX RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

FOR THE YEARS ENDED APRIL 30, 2019 AND 2018

	Share Capital #	Share Capital \$	Contributed Surplus \$	Stock Option Reserve \$	(Deficit) \$	Total \$
BALANCE, APRIL 30, 2017	83,690,890	8,583,554	2,814,465	33,720	(12,350,035)	(918,295)
Options expired	-	-	33,720	(33,720)	-	-
Net loss	-	-	-	-	(33)	(33)
BALANCE, APRIL 30, 2018	83,690,890	8,583,554	2,848,185	-	(12,350,068)	(918,328)
Net loss	-	-	-	-	(48,337)	(48,337)
BALANCE, APRIL 30, 2019	83,690,890	8,583,554	2,848,185	-	(12,398,405)	(966,665)

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

PROMINEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED APRIL 30

	2019 \$	2018 \$
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	(48,337)	(33)
Changes in non-cash components of working capital		
Increase in amounts harmonized sales tax receivable (payable)	(1,667)	(3)
Increase in accounts payable and accrued liabilities	50,004	36
Cash flow (used in) provided by operating activities	-	-
Net increase (decrease) in cash for the year	-	-
CASH, beginning of the year	-	-
CASH, end of the year	-	-

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

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company's securities are not presently listed on any stock exchange. However, the Company's securities are subject to a cease trade order issued by the British Columbia Securities Commission dated September 10, 2015 (the "Cease Trade Order") for failure to file certain required filings under applicable securities laws. The Company applied for partial revocation of the Cease Trade Order, and on May 13, 2019, the British Columbia Securities Commission granted a partial revocation of the Cease Trade Order.

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors (the "Board") on July 5, 2019.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Realization values may be substantially different from carrying values as shown and the financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

At April 30, 2019, the Company had no source of operating cash flow and an accumulated deficit of \$12,398,405 (April 30, 2018 - \$12,350,068). At April 30, 2019, the Company had a working capital deficit of \$966,665 (April 30, 2019 – \$918,329). These conditions raise material uncertainties which may cast significant doubt as to the Company's ability to continue as a going concern.

Management believes it will be successful in raising the necessary funds to continue in the normal course of operations or effecting a corporate transaction. However, there is no assurance that these funds will be available on terms acceptable to the Company or at all or that a corporate transaction will be effected. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The policies set out are based on IFRS issued and outstanding as of July 5, 2019, being the date the Board of Directors approved the financial statements. The policies have been consistently applied to all periods presented unless otherwise noted.

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

3. BASIS OF PREPARATION

Basis of consolidation

These consolidated financial statements include the accounts of Prominex Resources Corp. and its wholly owned subsidiary, Cannabinoid Capital Corporation (“Cannabinoid”), which is currently inactive. All significant intercompany balances and transactions have been eliminated upon consolidation.

Subsidiaries are those entities which the Company controls. Control exists when the Company is exposed or has rights to the variable returns of the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power is defined as existing rights that give the Company the ability to direct the relevant activities of the subsidiary. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Basis of measurement

The financial statements are presented in Canadian dollars, which is the Company’s functional currency and have been prepared on a historical cost basis, with the exception of certain financial assets and liabilities which are measured at fair-value, as explained in the accounting policies below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies for the Company:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and money market funds, with original maturities of less than 90 days. The money market funds are held with a Canadian chartered bank or a Canadian financial institution.

(b) Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property or equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life using the appropriate amortization method.

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

(c) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements unless such differences arise from goodwill or the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the taxable profit nor the accounting profit or loss.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment occurs.

Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(d) Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payment reserve is transferred to share capital. Upon expiry, the value is transferred to deficit.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statement of operations such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(e) Flow-through financing

The Company finances a portion of its exploration activities through the issue of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor. The Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period of renunciation. The recognition of a deferred income tax liability upon renunciation of the flow through expenditures is recorded as income tax expense in the period of renunciation. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in the consolidated statement of operations.

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Loss per common share

Basic loss per share is calculated using the weighted average number of shares outstanding. The diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. See Notes 5(c) and (d) for details on the Company's potentially dilutive securities. All of the Company's outstanding stock options were anti-dilutive for the years ended April 30, 2019 and April 30, 2018.

(g) Critical accounting judgements, estimates and assumptions

The preparation of consolidated financial statements under IFRS requires management to make certain estimates, judgments and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

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

- Estimation of restoration, rehabilitation and environmental obligations
Restoration, rehabilitation and environmental liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of restoration, rehabilitation and environmental liabilities that may occur upon ceasing exploration and evaluation activities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations.

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- **Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and Company performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- **Environmental**

Management believes its operations are in material compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. Management is required to estimate the cost of compliance when laws change.

(h) **Financial instruments**

IFRS 9 - Financial Instruments ("IFRS 9") replaced IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The Company has assessed this new standard and there has been no impact to the consolidated financial statements from this adoption.

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). Financial liabilities are classified in the following measurement categories: FVTPL, or amortized cost.

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table summarizes the changes in the classification of the Company's financial instruments upon adoption of IFRS 9. The adoption of the new classification did not result in any changes in the measurement or carrying amount of the consolidated financial instruments.

Financial instruments	Category under IAS 39	Category under IFRS 9
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial	Amortized cost

The accounting for these instruments and the line item in which they are included in the consolidated statements of financial position are unaffected by the adoption of IFRS 9, and no measurement adjustments are required to the Company's financial assets and liabilities. The adoption of IFRS 9 does not have a material impact on impairment of the Company's financial assets.

For accounts receivables, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Amounts receivable are written off when there is no reasonable expectation of recovery.

As a result of the adoption of IFRS 9, the accounting policy for financial instruments has been updated as follows:

Financial assets

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

i. Financial assets recorded at FVTPL

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

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
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(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's amounts receivable is classified as a financial asset measured at amortized cost.

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

Financial liabilities

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

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's amounts payable and other liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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Notes to Consolidated Financial Statements
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(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Translation of foreign currencies and foreign subsidiary

The functional and reporting currency of the Company and its subsidiary is the Canadian dollar. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary items on the consolidated statement of financial position, expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated at the reporting date. Depreciation is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in operations in the period in which they arise.

(j) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(k) Adoption of Recent Accounting Pronouncements and Accounting Changes

IFRS 9 – Financial Instruments was issued by the IASB in November and replaced IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

PROMINEX RESOURCES CORP.
Notes to Consolidated Financial Statements
Years ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 – Revenue from Contracts with Customers was issued by the IASB in May 2014 and applies to annual reporting periods beginning on or after January 1, 2018. The new revenue standard specifies how and when an IFRS reporter will recognise revenues as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard introduces the five-step model to be applied to all contracts with customers.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

(l) Accounting Standards Issued but not yet Effective

IFRS 16 - Leases was issued by the IASB in January 2016 and will ultimately replace IAS 17, "Leases" and related interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. If the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine the impact of adopting this standard.

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5. SHARE CAPITAL

The share capital is comprised as follows:

(a) Authorized
 Unlimited number of common shares with no par value.

(b) Issued

	Common Shares	Amount
	#	\$
Balance, April 30, 2019 and 2018	<u>83,690,890</u>	<u>8,583,554</u>

(c) Stock Options

The Company has a 10% rolling stock option plan ("Plan") which provides that incentive-based stock options may be granted, at the Board's discretion, to a quantity not to exceed 10% of the issued and outstanding shares of the Company at the time of granting. Pursuant to TSX-V policies, the Plan requires annual shareholder approval. The Plan was renewed at the September 10, 2013 Shareholders' Meeting.

As of April 30, 2019 and 2018 there were no outstanding stock options to purchase common shares of the Company.

(d) Warrants

As of April 30, 2019 and 2018 there were no outstanding warrants to purchase common shares of the Company.

6. CONTINGENCIES, COMMITMENTS AND PROVISIONS

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are in material compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Included in accounts payable and accrued liabilities as at April 30, 2019 and 2018 is a provision for subscriber indemnification related to the shortfall in required expenditures in connection with a flow-through shares financing agreement from 2007.

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7. RELATED PARTY TRANSACTIONS

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The Company defines key management personnel as its CEO and Directors. Remuneration of directors and key management personnel of the Company for the years ended April 30, 2019 and 2018 was:

	2019	2018
	\$	\$
Consulting fees	33,333	-

As at April 30, 2019, \$35,000 was included in accounts payable and accrued liabilities for consulting services provided by 1820546 Ontario Inc. a company operated by one of Prominex's directors. As at April 30, 2018, \$356,732 was included in accounts payable and accrued liabilities for management services provided by the previous Chief Executive Officer of the Company. This amount remains outstanding in full, but is not considered a related party transaction given that the previous Chief Executive Officer of the Company resigned from his position during the year ended April 30, 2019.

8. FINANCIAL INSTRUMENTS AND RISK FACTORS

International financial reporting standards require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. At April 30, 2019 and 2018, the Company has no financial instruments carried at fair value to classify in the fair value hierarchy.

As at April 30, 2019 and 2018, the carrying amounts of accounts receivable and accounts payable and accrued liabilities on the statement of financial position approximate fair market value because of the demand or short-term nature of these instruments.

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8. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

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

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk with respect to cash and cash equivalents, and financial instruments included in amounts receivable is remote.

(b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure there is sufficient capital on hand to meet its financial commitments as they come due. At April 30, 2019, the Company had cash and cash equivalents of \$nil (2018 - \$nil) available to settle current liabilities of \$970,209 (April 30, 2018 - \$920,293). The Company's accounts payable and accrued liability are subject to normal trade terms.

(c) Market Risk

The Company is exposed to the following market risks:

(i) Foreign Exchange Risk

While the Company's functional currency is the Canadian dollar, major purchases could be transacted in Canadian dollars or United States dollars. As at April 30, 2019 and April 30, 2018, the Company does not hold foreign currency balances.

(ii) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

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9. INCOME TAXES

- a) Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2018 – 26.5%) are as follows:

	2019	2018
	\$	\$
Loss before income taxes	(48,337)	(33)
Expected income tax recovery	(12,809)	(9)
Adjustments to benefit resulting from:		
Benefit of tax losses not recognized	12,809	9
Deferred income tax recovery	-	-

- b) Tax benefits from non-capital loss carry-forwards have not been recorded in the consolidated financial statements. These losses, which may reduce taxable income in future years, amount to approximately \$3,183,000 and expires as follows:

Year	Amount (\$)
2026	176,000
2027	324,000
2028	629,000
2029	404,000
2030	413,000
2031	260,000
2032	243,000
2033	216,000
2034	284,000
2035	146,000
2036	29,000
2037	7,000
2038	2,000
2039	50,000
	<u>3,183,000</u>

- c) The Company has Canadian and foreign development and exploration expenditure pools for income tax purposes of approximately \$4,082,000 at April 30, 2019 (2018: \$4,082,000) that may, in certain situations, be applied to reduce taxable income in subsequent years.

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9. INCOME TAXES (continued)

d) Unrecognized deferred tax assets

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
	\$	\$
Non-capital loss carry-forwards	844,000	831,000
Mineral exploration property costs	1,081,000	1,081,000
Net deferred tax asset before valuation allowance	1,925,000	1,912,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

10. CAPITAL MANAGEMENT

The Company considers its capital to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company had an interest were in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so. Alternatively, the Company will pursue other corporate transactions to the benefit of shareholders.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended April 30, 2019 and 2018. The Company and its subsidiary are not currently subject to externally imposed capital requirements.