SENTERNET PHI GAMMA INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

Zeifmans

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Senternet Phi Gamma Inc.

Opinion

We have audited the financial statements of Senternet Phi Gamma Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We have conducted our audits in accordance with Canadian generally accepted auditing standards ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 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 Related to Going Concern

We draw attention to Note 1 to the financial statements which indicates that the Company has incurred losses to date. As stated in Note 1, these events or conditions along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis ("MD&A").

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

In connection with our audits of the 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 financial statements or our knowledge obtained in the audits, or otherwise appears to be misstated.

We obtained the MD&A prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 financial statements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 for 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 audits in order to design audit procedures that are appropriate in the circumstance, but not for the purposes 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 cause 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 or auditors' report to the related disclosures in the 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 the auditors' 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, 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 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 audits.

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 audits resulting in this independent auditors' report is Ahmad Aslam, CPA, CA.

Zeifmans LLP

Toronto, Ontario
April 30, 2019

Chartered Professional Accountants
Licensed Public Accountants

Senternet Phi Gamma Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

		As at December 31, 2018		As at December 31, 2017
ASSETS				
Current assets				
Cash	**$**	**105,724**	$	29
Amounts receivable		**-**		1,338
Marketable securities		**1**		1
Total assets	**$**	**105,725**	$	1,368
LIABILITIES AND EQUITY (DEFICIENCY)				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**59,281**	$	12,000
Due to related parties (note 9)		**-**		148,937
Sales tax payable		**39,795**		-
Total liabilities		**99,076**		160,937
Equity (Deficiency)				
Share capital (note 5)		**3,845,851**		3,490,889
Equity reserves (note 7)		**82,538**		-
Deficit		**(3,921,740)**		(3,650,458)
Total equity (deficiency)		**6,649**		**(159,569)**
Total liabilities and equity (deficiency)	**$**	**105,725**	$	1,368

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

Nature of operations and going concern (note 1)
Subsequent event (note 11)

Approved on behalf of the Board:

"Yaron Conforti ", Director

"Sruli Weinreb", Director

Senternet Phi Gamma Inc.

Statements of Income (loss) and Comprehensive Income (loss)
(Expressed in Canadian Dollars)

		Year Ended December 31, 2018		Year Ended December 31, 2017
Operating expenses				
Professional fees and corporate services	**$**	**166,892**	$	10,256
Transfer agent's fees and expenses (note 9)		**92,251**		4,800
Office and general		**12,139**		4,238
		(271,282)		(19,294)
Gain on de-recognition of accounts payable and accrued liabilities		**-**		210,992
Net income (loss) and comprehensive income (loss) for the year	**$**	**(271,282)**	$	191,698
Basic and diluted net income (loss) per share (note 8)	**$**	**(0.00)**	$	0.00
Weighted average number of common shares outstanding		**350,526,344**		55,485,248

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

Senternet Phi Gamma Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating activities		
Net income (loss) for the year	**$ (271,282)**	$ 191,698
Adjustments for:		
Gain on de-recognition of accounts payable and accrued liabilities	**-**	(210,992)
Changes in non-cash working capital items:		
Amounts receivable	**1,338**	2,118
Accounts payable and accrued liabilities	**47,281**	(12,365)
Sales tax payable	**39,795**	-
Net cash used in operating activities	**(182,868)**	(29,541)
Financing activities		
Proceeds from private placement, net of costs (note 5)	**437,500**	-
Advances from (repayments to) related parties	**(148,937)**	29,563
Net cash provided by financing activities	**288,563**	29,563
Net change in cash	**105,695**	22
Cash, beginning of year	**29**	7
Cash, end of year	**$ 105,724**	$ 29

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

Senternet Phi Gamma Inc.
Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share Capital		Equity		
	Number	**Amount**	**reserve**	**Deficit**	**Total**
Balance, December 31, 2016	**55,485,248**	**$ 3,490,889**	**$ -**	**$ (3,842,156)**	**$ (351,267)**
Net income and comprehensive income for the year	-	-	-	191,698	191,698
Balance, December 31, 2017	**55,485,248**	**$ 3,490,889**	**$ -**	**$ (3,650,458)**	**$ (159,569)**
Private placement	445,000,000	362,462	82,538	-	445,000
Share issuance cost	-	(7,500)	-	-	(7,500)
Net (loss) and comprehensive (loss) for the year	-	-	-	(271,282)	(271,282)
Balance, December 31, 2018	**500,485,248**	**$ 3,845,851**	**$ 82,538**	**$ (3,921,740)**	**$ 6,649**

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

1. Nature of operations and going concern

Senternet Phi Gamma Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) on March 28, 1967 as Northville Explorations Ltd. On January 22, 2014 the Company changed its name to its present name. The Company currently has no business activity and is focused on identifying a new project. The head office of the Company is located at 501-80 Richmond Street West, Toronto, Ontario M5H 2A4.

The financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company incurred a net loss of $271,282 for the year ended December 31, 2018 and as of that date the Company had cash of $105,724, and a deficit of $3,921,740.

Given that the Company has not generated any ongoing income nor cash flows from operations, there is significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing and to establish profitable operations (see note 11). The carrying amount of assets, liabilities, revenues and expenses presented in the financial statements have not been adjusted as would be required if the going concern assumption was not appropriate.

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These annual financial statements are presented in Canadian dollars, which is the Company's functional currency, and have been prepared primarily using the historical cost convention, as modified by the revaluation of financial instruments and certain impaired non-financial assets.

The policies applied in these financial statements are based on IFRS's issued and outstanding as of April 30, 2019, the date the Board of Directors approved the statements.

Estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

- Stock-based compensation is subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes Option Pricing Model;
- Warrant valuation;
- Income taxes;
- Amounts of accounts payable and accrued liabilities;
- Assets' carrying values and impairment charges.

2. Significant accounting policies (continued)

Cash

Cash includes funds in corporate bank accounts and in trust with lawyers.

Stock-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options and warrants is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for equity instruments granted shall be based on the number of equity instruments that eventually vest. The Company determines the share value at the grant date based on the most recent share issuance for cash. As the Company's shares are not currently traded on an active market, the Company uses the volatilities of comparable entities traded on the public market.

Warrants

All warrants issued are valued on the date of grant using the Black-Scholes option pricing model, net of related issue costs and are recorded in the equity reserves. Expired warrants are removed from equity reserves and credited directly to retained earnings (deficit).

Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

Comprehensive income (loss)

Comprehensive income (loss) is the change in shareholders' equity (deficiency) that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings. Certain gains and losses are presented in other comprehensive income until it is considered appropriate to recognize them into net income (loss).

Income (loss) per share

Basic income (loss) per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Dilutive income per share reflects the potential dilution of securities that could share in the net income of an entity. In periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit year, under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted income per share assumes that the proceeds to be received on the exercise of diluted stock options and warrants are used to repurchase common shares at the average price during the year.

2. Significant accounting policies (continued)

Financial instruments

Accounting policy under IFRS 9 Financial Instruments ("IFRS 9") applicable from January 1, 2018

Financial assets

Recognition and measurement
Financial instruments are classified into one of the following categories: amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and liabilities are recognized initially on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Company may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has not classified any of its financial instruments as FVOCI.

A financial liability is generally measured at amortized cost, with the exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are monetarily measured at FVTPL, such as derivatives liabilities. The Company may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

FVTPL
Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting date with changes in fair value recognized in profit (loss) in Statement E in the period in which they occur. The Company classifies cash as FVTPL.

Amortized cost
Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Company classifies amounts receivable, accounts payable and accrued liabilities and due to related parties as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocation interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Impairment of financial assets
An expected credit loss (“ECL”) model is applied to the assessment of financial assets. Under the ECL model, the Company has to record an allowance for ECL either based on a 12-month ECL or on a lifetime ECL. ECLs are recognized on the following basis:

- A maximum 12-month allowance for ECL is recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.
- A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instruments’ initial recognition reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.
- A lifetime ECL allowance is recognized for credit impaired financial instruments.

The Company’s amounts receivable are subject to the ECL model.

Income tax

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case it is recognized in equity or other comprehensive income (loss).

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 recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statements of financial position date.

2. Significant accounting policies (continued)

Income tax (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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 tax levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Intangible assets

Intangible assets are initially measured at cost and reported using the cost model. Under this method after initial recognition, the intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses.

Impairment of non-current assets

The Company's indefinite life intangible assets are recorded at their cost which represents the fair value at the acquisition date. They are not subject to amortization and are tested for impairment annually or more frequently when indicated by changes in events or circumstances. An impairment of an indefinite life intangible asset is recorded when, and to the extent that, the carrying value of an indefinite life intangible asset exceeds the recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and its value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of income (loss) and comprehensive income (loss) so as to reduce the carrying amount to its recoverable amount. Impairment losses related to continuing operations are recognized in the statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill and indefinite life intangibles, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income (loss) and comprehensive income (loss). Impairment losses recognized in relation to goodwill or indefinite life intangibles are not reversed for subsequent increases in their recoverable amount.

2. Significant accounting policies (continued)

Adoption of new accounting standards

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. On January 1, 2018, the Company adopted these amendments. However, the Company has not earned any revenue under either standard. Therefore, the revenue requirements under the new standard did not have any impact on the Company's financial statements.

IFRS 9

The Company adopted IFRS 9 Financial Instruments ("IFRS 9") with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 has been applied retrospectively. The nature and effects of the key changes to the Company's accounting policy are summarized below.

Classification and measurement of financial assets and liabilities
IFRS 9 contains three principal classifications categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. The Company may also, at initial recognition, irrevocable designated a financial asset as measured at FVTPL when doing so results in more relevant information. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for sale.

A financial liability is generally measured at amortized cost, with exception that may allow for classification as FVTPL. These exceptions include financial liabilities that are monetarily measured at fair value through profit or loss, such as derivative liabilities. The Company may also, at initial recognition irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

The adoption of IFRS 9 did not result in any measurement differences in the Company's financial assets and liabilities at the transition date. There was no change in measurement of financial assets and liabilities as a result of the implementation of IFRS 9.

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model with respect to financial assets measured at amortized cost. The Company's amounts receivable are measured at amortized cost and are subject to the ECL model. The Company estimated a valuation policy that is based on its historical credit loss experience adjusted for forward-looking factors or other considerations as appropriate. The impact of the provision is not considered to have a significant impact on the financial statements.

Hedge accounting
As permitted by IFRS 9, an election is available to continue to apply the hedge accounting requirements of IAS 39. However, the Company has not applied hedge accounting under either standard. Therefore, the On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments to come into effect on January 1, 2018 with early adoption permitted.

2. Significant accounting policies (continued)

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 16 Leases ("IFRS 16"), was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 requires entities to recognize lease assets and lease obligations on the balance sheet. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are "capitalized" by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligations to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. Based on the Company's assessment, the Company has determined that this standard will not have a significant impact on its financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. Based on the Company's assessment, the Company has determined that this standard will not have a significant impact on its financial statements.

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. Based on the Company's assessment, the Company has determined that this interpretation will not have a significant impact on its financial statements.

3. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which comprises share capital, reserves and deficit, which at December 31, 2018 was $6,649 (December 31, 2017 - deficiency $159,569). The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2018.

4. Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

At December 31, 2018 and 2017 the Company's financial instruments consist of cash, amounts receivable, marketable securities, accounts payable and accrued liabilities and due to related parties. The fair values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term maturity of this instrument. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

<u>Financial risk</u>

The Company is exposed to a variety of financial instrument related risks. The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

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 maximum exposure to credit risk at December 31, 2018 under its financial instruments is approximately $105,725.

All of the Company’s cash and cash equivalents are held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company’s cash and cash equivalents are currently invested in business accounts which are available on demand by the Company for its operations. All of the Company’s liabilities are current and carrying amounts in the statement of the financial position reflect the maximum obligation.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With respect to financial assets, the Company is not exposed to significant interest rate risk

(Expressed in Canadian Dollars)

5. Share capital

a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2016 and December 31, 2017	55,485,248	$ 3,490,889
Private placement (i)	445,000,000	362,462
Share issuance cost	-	(7,500)
Balance, December 31, 2018	500,485,248	$ 3,845,851

(i) On May 4, 2018, the Company closed a non-brokered private placement of 445,000,000 units of the Company (each, a "Unit") at $0.001 per Unit for gross proceeds of $445,000 (the "Offering"). Each Unit consisted of one common share in the share capital of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one additional common share at a price of $0.002 for a period of eighteen months from grant. All of the securities issued in connection with the Offering are subject to a statutory hold period under applicable securities laws for a minimum period of four months and one day after the date of issuance. The fair value of the warrants was determined to be $82,538. For purposes of calculating the fair value of the warrants, the following assumptions were used for the Black-Scholes model: Risk free interest rate 1.91%, Expected life – 1.5 years, Expected annual volatility – 79%, Expected dividends – Nil, Expected forfeiture rate – Nil.

6. Stock options

The Company maintains a share option plan (the "Plan") for the benefit of management, directors, officers, employees, and service providers. The Plan provides that the aggregate number of common shares available for issuance pursuant to options granted under the Plan is limited to 5,000,000 common shares. In general, the maximum number of common shares reserved for issuance in respect of any one individual may not exceed 5% or in respect of insiders of the Company, may not exceed 10% of the number of common shares issued and outstanding.

Options are granted under the Plan at the discretion of the Board of Directors at exercise prices determined as trading prices of the Company's common shares on the day preceding the effective date of the grant. In general, options granted under the Plan vest over a period of up to a maximum of five years from the grant date and expire no later than the fifth anniversary of the grant date

	Number of stock options	Weighted average exercise price
Balance, December 31, 2016, December 31, 2017 and December 31, 2018	1,500,000	$ 0.05

(Expressed in Canadian Dollars)

6. Stock options

The following table reflects the actual stock options issued and outstanding as of December 31, 2018:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
April 7, 2019	0.05	0.27	1,500,000	1,500,000

The 1,500,000 options were issued to a service provider at an exercise price of $0.05 expiring on April 7, 2019. 375,000 options vested in equal amounts on April 7, 2014, October 7, 2014 and April 7, 2015 and a further 375,000 options vested on October 7, 2015. These options are currently outstanding as of the financial statement date and the value of these options have been determined to have only nominal value.

The share options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility 103%, an expected dividend yield of 0% and a risk free interest rate of 0.59%.

7. Warrants

	Number of warrants	Amount
Balance, December 31, 2016 and December 31, 2017	-	$ -
Issued (note 5)	445,000,000	82,538
Balance, December 31, 2018	445,000,000	$ 82,538

The following table reflects the warrants issued and outstanding as of December 31, 2018:

Expiry date	Exercise price ($)	Number of warrants
November 4, 2019	0.002	455,000,000

(Expressed in Canadian Dollars)

8. Income (loss) per share

For the year ended December 31, 2018, basic and diluted income (loss) per share has been calculated based on the loss attributable to common shareholders of $271,282 (year ended December 31, 2017 - income of $191,698) and the weighted average number of common shares outstanding of 350,526,344 (year ended December 31, 2017 - 55,485,248). Diluted loss per share did not include the effect of stock options and warrants as they are antidilutive for the year ended December 31, 2018.

9. Related party transactions

The following are balances with related parties:

	As at December 31, 2018	As at December 31, 2017
Advances from Heritage Transfer Agency Inc. ("Heritage") (i)	$ -	$ 99,729
Advances from former director (ii)	-	49,208
	$ -	$ 148,937

(i) A company controlled by a former director of the Company, due on demand, unsecured and non-interest bearing. The amount is without interest. The amount was fully repaid during the year ended December 31, 2018.

(ii) The advances were unsecured with no stated terms of repayment. The amount was repaid during the year ended December 31, 2018.

For the year ended December 31, 2018, the Company incurred $47,065 (year ended December 31, 2017- $4,800) with Heritage for transfer agency services and corporate services.

10. Income taxes

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the years in which those temporary differences become deductible. The income tax benefit in the statements of income (loss) and comprehensive income (loss) differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 26.50% for the years ended December 31, 2018 (2017 - 26.50%) to loss for the year.

(Expressed in Canadian Dollars)

10. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 – 26.5%) to the effective tax rate is as follows:

	Year Ended December 31, **2018** $	2017 $
(Loss) Income for the year before income taxes	**(271,282)**	$ 191,698
Expected income taxes provision (recovery)	**(71,900)**	50,800
Adjustment to expected income tax benefit		
Other	**-**	(5,267)
Utilization of non capital loss carry forwards	**-**	(45,533)
Change in benefit of tax assets not recognized	**71,900**	-
Deferred income tax provision (recovery)	**$ -**	$ -

As at December 31, 2018, the deferred tax asset of $401,838 ($330,748 as at December 31, 2017) has not been recognized because at this stage of the Company's development, management is unable to establish that it is probable that taxable income will be generated against which the Company will utilize such loss carry forwards.

The Company's unrecognized deferred tax assets are as follows:

	December 31, 2018 **$**	December 31, 2017 $
Non-capital losses carry-forward	**77,003**	5,113
Continuity of earned depletion base	**12,156**	12,156
Cumulative Canadian exploration expenses	**2,591**	2,591
Foreign exploration and development expenses	**310,088**	310,888
Unrecognized deferred tax assets	**401,838**	330,748
Less: valuation allowance	**(401,838)**	(330,748)
Unrecognized temporary differences	**-**	-

As at December 31, 2018 there were unused non-capital losses of $290,576 (2017: $19,294) which expire as follows:

2037	$ 19,294
2038	$ 271,282
	$ 290,576

11. Subsequent events

(i) On January 8, 2019, the Company entered into a non-binding letter of intent with Cura Partners, Inc. ("Cura Partners") (the "LOI"). The LOI outlines certain mutual understandings and principal terms and conditions pursuant to which the Company and Cura Partners intend to effect a possible transaction that will result in a reverse takeover of the Company by the shareholders of Cura Partners and the listing of the Company's common shares on the Canadian Securities Exchange (the "CSE") (the "Transaction").

The Transaction is proposed to be completed by way of a share exchange, merger, amalgamation, arrangement or other similar form of transaction to be agreed to by the parties. The parties have agreed on the valuation of the Company for the purposes of the Transaction and the ownership ratio for the respective securityholders of the Company and Cura Partners is to be subject to the final valuation of Cura Partners on the closing of the Transaction, which is to be based on a private placement to be undertaken by Cura Partners concurrently with the Transaction.

(ii) On April 7, 2019, the 1,500,000 outstanding stock options expired unexercised.