ARROWSTAR RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Arrowstar Resources Ltd.

Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a working capital deficit of $561,373 and an accumulated deficit of $23,474,998. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is David Harris.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada Chartered Professional Accountants

April 29, 2019

ARROWSTAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Expressed in Canadian Dollars)

	2018	2017
ASSETS		
Current		
Cash (Note 3)	$ 37,629	$ 219
Marketable securities (Note 4)	1,500	1,700
Receivables (Note 5)	1,914	3,236
Prepaid expenses	3,307	-
	44,350	5,155
Deposit (Note 6)	4,000	4,000
	$ 48,350	$ 9,155
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 550,778	$ 380,427
Due to related parties (Note 8)	54,945	52,445
	605,723	432,872
Shareholders' equity (deficiency)		
Share capital (Note 9)	19,758,951	19,473,636
Reserves (Note 9)	3,158,674	3,153,169
Deficit	(23,474,998)	(23,050,522)
	(557,373)	(423,717)
	$ 48,350	$ 9,155

Nature of operations and going concern (Note 1)
Proposed transaction (Note 14)

On behalf of the Board:

"Phillip Thomas" Director   *"Blaine Bailey"* Director

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

ARROWSTAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2018	2017
EXPENSES		
Consulting fees (Note 8)	$ 244,570	$ 45,731
Foreign exchange (gain) loss	(1,690)	376
Insurance	10,754	19,906
Interest expense	-	3,419
Investor relations	3,428	896
Office	5,259	5,090
Professional fees	108,830	99,966
Rent	3,846	4,632
Regulatory fees	18,904	12,719
Travel	30,375	-
	(424,276)	(192,735)
Gain on settlement of accounts payable	-	7,602
Impairment of exploration and evaluation assets (Note 6)	-	(343,657)
Unrealized loss on marketable securities (Note 4)	(200)	(400)
	(200)	(336,455)
Loss and comprehensive loss for the year	$ (424,476)	$ (529,190)
Loss per common share		
-Basic and diluted	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding		
-Basic and diluted	26,335,880	22,535,880

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

ARROWSTAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (424,476)	$ (529,190)
Items not affecting cash:		
Share-based payments	-	-
Unrealized loss on marketable securities	200	400
Property impairment	-	343,657
Gain on settlement of accounts payable	-	(7,602)
Interest expense	-	3,523
Changes in non-cash working capital items:		
(Increase) decrease in receivables	1,322	(1,189)
(Increase) decrease in prepaid expenses	(3,307)	2,090
Increase in accounts payable and accrued liabilities	170,351	138,382
Net cash used in operating activities	(255,910)	(49,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of units	300,000	-
Share issuance costs	(9,180)	-
Related party loans	2,500	48,922
Net cash provided by financing activities	293,320	48,922
Change in cash during the year	37,410	(1,007)
Cash, beginning of year	219	1,226
Cash, end of year	$ 37,629	$ 219

Supplemental disclosure with respect to cash flows (Note 10)

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

ARROWSTAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number of shares	Amount	Options	Warrants	Deficit	Total
Balance, December 31, 2016	21,924,921	$ 19,433,636	$ 3,058,969	$ 94,200	$ (22,521,332)	$ 65,473
Shares issued for non-cash:						
Property acquisition	1,000,000	40,000	-	-	-	40,000
Loss for the year	-	-	-	-	(529,190)	(529,190)
Balance, December 31, 2017	22,924,921	19,473,636	3,058,969	94,200	(23,050,522)	(423,717)
Shares issued for:						
Private placement – units	5,000,000	300,000	-	-	-	300,000
Share issue costs	-	(14,685)	-	5,505	-	(9,180)
Loss for the year	-	-	-	-	(424,476)	(424,476)
Balance, December 31, 2018	27,924,921	$ 19,758,951	$ 3,058,969	$ 99,705	$ (23,474,998)	$ (557,373)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Arrowstar Resources Ltd. (the "Company") was incorporated on October 14, 1987 under the laws of British Columbia. The Company's head office address is Suite 2300 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The Company is listed on the TSX Venture exchange ("TSX-V") under the symbol AWS. To date, the Company has not earned operating revenue.

The Company is in the process of acquiring exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

As at December 31, 2018, the Company has a working capital deficit of $561,373 (2017 – $427,717) and an accumulated deficit of $23,474,998 (2017 - $23,050,522). The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with IAS 1 'Presentation of Financial Statements' ("IAS 1") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2019.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements of the Company include the transactions and balances of its subsidiary, Arrowstar Arizona Resources Ltd., which was a wholly owned inactive subsidiary incorporated in the state of Arizona USA.

The Company consolidates its subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency transactions

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Financial assets

Financial assets
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI, are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial instruments consist of cash, marketable securities and receivables. The Company has designated its cash and marketable securities as FVTPL, which is measured at fair value. Receivables are classified at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment
An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are classified as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and due to related parties are designated at amortized cost.

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include the fair value of financial instruments, deferred income taxes, and share-based payments.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment (cont'd…)

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payments to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured, and are recorded at the date the goods or services are received.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the year in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no rehabilitation obligations as at December 31, 2018 and 2017.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company had no other provisions as at December 31, 2018 and 2017.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policy

Effective for January 1, 2018, the Company adopted the following accounting standards:

IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9 Financial Instruments was issued by the IASB in July 2014 and has replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of financial assets on the transition date.

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

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods.

- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

The adoption of these new standards is not expected to have a significant impact on the Company's consolidated financial statements

(Expressed in Canadian Dollars)

3. CASH

The Company's cash consists of the following:

	December 31, 2018	December 31, 2017
Cash held with banks	$ 6,768	$ 191
Cash held with banks in foreign currencies	30,861	28
Total	$ 37,629	$ 219

4. MARKETABLE SECURITIES

On November 8, 2011, the Company received 10,000 shares in Dunnedin Ventures Inc. (formerly Ocean Park Ventures Corp.) as part of a property option agreement. The shares were valued at $45,000 on receipt and have been re-valued at December 31, 2018 to their fair market value of $1,500 (2017 – $1,700).

5. RECEIVABLES

	December 31, 2018	December 31, 2017
GST receivable	$ 1,914	$ 3,236

6. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2018, the Company holds a reclamation deposit on a previously written-off exploration and evaluation asset in the amount of $4,000 (2017 - $4,000).

Secret Pass Property – U.S.A.

The Company entered into an Assignment Agreement with Performance Acquisitions LLC ("Performance") who had entered into an option agreement, the "Tin Cup Option Agreement" with NJB Mining Inc. ("NJB") pursuant to which Performance has the option (the "Option") to acquire a one hundred percent (100%) right, title and interest in and to the Secret Pass Concessions situated in the State of Arizona, USA. Performance has assigned all of its rights and obligations (the "Assignment") in the Tin Cup Option Agreement to the Company. The Company would pay consideration of five million common shares (2,500,000 issued) to Performance and be required to fulfill all payment and work commitments to NJB.

During the year ended December 31, 2017, the Company decided not to advance with the agreement and wrote-off all capitalized costs of $343,657.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Trade payables	$ 529,778	$ 355,692
Accrued liabilities	21,000	24,735
	$ 550,778	$ 380,427

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the years ended December 31was:

		2018		2017
Short-term benefits paid or accrued:				
Consulting fees - CFO	$	64,000	$	42,000
Consulting fees - CEO		138,215		-
Consulting fees – Director		27,000		-
Total remuneration	$	229,215	$	42,000

Accounts payable and accrued liabilities as at December 31, 2018 included $280,974 (December 31, 2017 - $114,170) owed to directors and companies controlled by a director or officer.

The Company entered into loan agreements with Panopus PLC ("Panopus"), a company controlled by Phil Thomas, CEO and director of the Company. The loans are summarized as follows:

- On January 3, 2017, Panopus extended a USD$7,500 (CDN$9,912) unsecured loan to the Company repayable within six months. On July 3, 2017 the loan was extended for an additional six month term. On maturity the Company is required to repay the principal plus interest of US$563.
- On January 27, 2017, Panopus extended a $10,000 unsecured loan to the Company repayable within six months. On July 27, 2017 the loan was extended for an additional six month term. On maturity the Company is required to repay the principal plus interest of $1,500.
- On March 29, 2017, Panopus extended a $17,000 unsecured loan to the Company repayable within six months. On September 29, 2017 the loan was extended for an additional six month term.
- On November 17, 2017, Panopus extended a $2,010 non-interest bearing unsecured loan to the Company repayable within six months.

The balance of principal and interest on the loans as at December 31, 2018 is $42,445 (December 31, 2017 - $42,445). As at December 31, 2018, these loans have not been repaid and are due on demand.

As of December 31, 2018, an officer of the Company had advanced $12,500 (December 31, 2017 - $10,000) to the Company. The advance is non-interest bearing with no set repayment terms.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

Authorized – Unlimited common shares without par value

During the year ended December 31, 2018, the Company issued 5,000,000 units at $0.06 per unit for gross proceeds of $300,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share of the Company for a period of two years at $0.20 per warrant in year one and $0.30 in year two. In connection with the unit issuance, the Company paid finders' fees of $6,930 and issued 115,500 finders' warrants valued at $5,505 and exercisable for a period of two years at $0.20 per warrant in year one and $0.30 in year two.

On May 23, 2017, the Company issued 1,000,000 common shares for the Tin Cup option agreement, at a value of $0.04 per share.

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to directors, senior officers, employees, management company employees, and consultants to acquire up to 10% of the issued and outstanding common shares. Under the plan, the maximum issuance in any 12 month period is limited for any consultant or person providing investor relations services to 2%, for insiders to 10% and for any other person to 5%. The exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of ten years. Options issued for investor relations services will be subject to a vesting schedule of at least 12 months whereby no more than 25% of the options granted may vest within any three-month period. All other vesting terms are determined by the Board of Directors.

As at December 31, 2018, the Company had 1,300,000 stock options outstanding and exercisable at a weighted average exercise price of $0.125.

Stock options outstanding are as follows:

Number of Options	Exercise Price	Expiry Date
1,300,000	$ 0.125	June 24, 2021

There were no changes in the outstanding stock options during the years ended December 31, 2017 and 2018.

Warrants

As at December 31, 2018, the Company had share purchase warrants outstanding enabling the holders to acquire common shares as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2016 and 2017	9,380,500	$ 0.13
Warrants granted	5,115,500	0.20
Warrants expired	(6,900,000)	0.12
As at December 31, 2018	7,596,000	$ 0.18

The weighted average remaining contractual life of warrants outstanding at December 31, 2018 was 1.27 (December 31, 2017 – 0.92) years.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
2,480,500	$ 0.15	February 20, 2020
5,115,500	$ 0.20	April 30, 2020
7,596,000	$ 0.18	

The assumptions used for the Black-Scholes option-pricing model of warrants granted during the year ended December 31, 2018 are as follows:

	2018
Risk-free interest rate	1.91%
Expected life of warrants	2.00
Annualized volatility	159.69%
Dividend rate	0.00%

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended December 31, 2018 consist of the following:
- $5,505 for finders' warrants issued in connection with the private placement completed.

Significant non-cash transactions during the year ended December 31, 2017 consist of the following:
- $40,000 for shares issued for exploration and evaluation assets.

11. SEGMENTED INFORMATION

The business of the Company is the acquisition, exploration and development of mineral properties which is considered one business segment.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

The fair value of cash and marketable securities are measured at Level 1 of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities and due to related parties approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

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 loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions.

Liquidity risk

As of December 31, 2018, the Company had cash balance of $37,629 (2017 - $219) to settle current liabilities of $605,723 (2017 - $432,872). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company will need to raise additional funds through equity or debt to continue its operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Amounts exposed to market risk include marketable securities of $1,500 (2017 - $1,700).

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars. Amounts exposed to foreign currency risk include cash of US$22,622 as of December 31, 2018 (2017 -US$22).

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

(Expressed in Canadian Dollars)

13. INCOME TAXES

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

	2018	2017
Loss before income taxes	$ (424,476)	$ (529,190)
Expected income tax (recovery)	$ (115,000)	$ (138,000)
Change in statutory, foreign tax, foreign exchange rates and other	17,000	(144,000)
Permanent difference	-	(1,000)
Share issue costs	(2,000)	-
Adjustment to prior years provision versus statutory tax returns	190,000	128,000
Change in unrecognized deductible temporary differences	(90,000)	155,000
Total income tax expense (recovery)	$ -	$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2018	2017
Deferred tax assets (liabilities)		
Allowable capital losses	$ 233,000	$ 223,000
Exploration and evaluation assets	1,096,000	1,123,000
Marketable securities	3,000	3,000
Property and equipment	4,000	4,000
Share issue costs	3,000	2,000
Non-capital losses	2,210,000	2,224,000
	3,549,000	3,639,000
Unrecognized deferred tax assets	(3,549,000)	(3,639,000)
Net deferred tax assets (liabilities)	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	December 31, 2018	Expiry dates	December 31, 2017	Expiry dates
Exploration and evaluation assets	$ 4,069,000	No expiry date	$ 4,109,000	No expiry date
Property and equipment	16,000	No expiry date	16,000	No expiry date
Share issue costs	12,000	2035 to 2038	7,000	2035 to 2036
Marketable securities	24,000	No expiry date	23,000	No expiry date
Allowable capital losses	863,000	No expiry date	863,000	No expiry date
Investment tax credits	7,000	2032	7,000	2032
Non-capital losses available for future periods - Canada	8,185,000	2028 - 2038	8,420,000	2027 - 2037

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

(Expressed in Canadian Dollars)

14. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of all components of shareholders' deficiency, specifically its issued common shares, stock options and warrants.

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 development of exploration and evaluation assets. 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 Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

14. PROPOSED TRANSACTION

The Company entered into a Letter of Intent ("LOI") dated June 12, 2018 with Dr. Carlos Sorentino and Lucian C. Sorentino (the "Sorentino's") to acquire 100% of the issued and outstanding shares in Recycle Fuel Technologies ("RFT").

Under the terms of the LOI, the Company will acquire all the issued and outstanding shares of RFT and will become a wholly owned subsidiary of the Company. The total purchase price for the shares will be US$5,000,000 payable in cash and shares of the Company valued at $0.20 per share as follows:

	Cash (US$)	Shares
TSX-V approval	$500,000	10,000,000
Six months after TSX-V approval	$500,000	5,000,000
Twelve months after TSX-V approval	$500,000	8,400,000
Total	$1,500,000	23,400,000

Prior to or concurrent with completion of the transaction, the Company will conduct a financing for gross proceeds of CDN$5,000,000 at a price of $0.20.

The Company nor the Sorentino's have completed closing conditions that were required in the LOI or extended the time for due diligence and closing conditions, which was to expire on September 30, 2018. The Company is evaluating its options to determine if it is in the best interest of the Company to proceed or extend the option which the Sorentino's have agreed in principle or terminate the LOI.