# Triangle Industries Ltd.

Financial Statements

Expressed in Canadian dollars

**For the years ended December 31, 2018 and 2017**

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Triangle Industries Ltd.

***Opinion***

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

In our opinion, these 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 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 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.

***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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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.



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In preparing the 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 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 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 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Glenn Parchomchuk.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 30, 2019

**Triangle Industries Ltd.**

Statements of Financial Position

Expressed in Canadian dollars

| | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash | 3 | $ 302,077 | $ 325,195 |
| Receivables | | - | 586 |
| Prepaid expenses | 4 | 3,675 | 5,838 |
| | | 305,752 | 331,619 |
| Non-current assets | | | |
| Equipment | 5 | 30,646 | - |
| Total assets | | $ 336,398 | $ 331,619 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | $ 27,798 | $ 12,902 |
| Total liabilities | | 27,798 | 12,902 |
| Shareholders' equity | | | |
| Share capital | 6 | 8,149,830 | 7,147,892 |
| Share-based payment reserve | 6 | 110,056 | 119,586 |
| Deficit | | (7,951,286) | (6,948,761) |
| Total shareholders' equity | | 308,600 | 318,717 |
| Total liabilities and shareholders' equity | | $ 336,398 | $ 331,619 |

Basis of Presentation and Summary of Significant Accounting Policies (Note 2)

Approved on behalf of the Board of Directors by:

*"Lucas Birdsall"* Director

*"Sean Bromley"* Director

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

**Triangle Industries Ltd.**

Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

| | Note | Years ended December 31, 2018 | 2017 |
|---|---|---|---|
| Expenses | | | |
| Consulting fees | 9 | $ 394,400 | $ - |
| Depreciation | 5 | 8,585 | - |
| Director fees | 9 | 60,000 | - |
| Management fees | | 24,000 | - |
| Office and administration | | 116,477 | 64 |
| Professional fees | | 94,049 | 19,722 |
| Transfer agent and shareholder costs | | 32,821 | 12,997 |
| Loss from operating activities | | (730,332) | (32,783) |
| Write-off of prepaid expenses | 4 | (275,000) | - |
| Interest and other income | | 2,807 | 4,237 |
| Loss and comprehensive loss for the year | | $ (1,002,525) | $ (28,546) |
| Loss per share, basic and diluted | | $ (0.05) | $ (0.01) |
| Basic and diluted weighted average number of common shares outstanding | | 20,476,482 | 5,462,783 |

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

**Triangle Industries Ltd.**

Statements of Changes in Shareholders' Equity

Expressed in Canadian dollars

| | Share Capital | | Share-based Payment Reserve | Deficit | Total Shareholder's Equity |
|---|---|---|---|---|---|
| | Number of Shares | Amount | | | |
| Balance, December 31, 2016 | 5,462,783 | $ 7,147,892 | $ 119,586 | $ (6,920,215) | $ 347,263 |
| Loss for the year | - | - | - | (28,546) | (28,546) |
| Balance, December 31, 2017 | 5,462,783 | 7,147,892 | 119,586 | (6,948,761) | 318,717 |
| Private placement | 20,000,000 | 1,000,000 | - | - | 1,000,000 |
| Exercise of stock options | 400,000 | 59,530 | (9,530) | - | 50,000 |
| Share issue costs | - | (57,592) | - | - | (57,592) |
| Loss for the year | - | - | - | (1,002,525) | (1,002,525) |
| **Balance, December 31, 2018** | **25,862,783** | **$ 8,149,830** | **$ 110,056** | **$ (7,951,286)** | **$ 308,600** |

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

**Triangle Industries Ltd.**
Statements of Cash Flows
Expressed in Canadian Dollars

| | Years ended December 31, 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities | | |
| Loss for the year | $ (1,002,525) | $ (28,546) |
| Adjustments for: | | |
| Depreciation | 8,585 | - |
| Interest income | - | (4,237) |
| Write-off of prepaid expenses | 275,000 | - |
| Net change in non-cash working capital: | | |
| Receivables | 586 | - |
| Prepaid expenses | (272,837) | 1,313 |
| Accounts payable and accrued liabilities | 64,896 | (608) |
| Total cash flows used in operating activities | (926,295) | (32,078) |
| Cash flows from investing activities | | |
| Interest received | - | 4,297 |
| Purchase of equipment | (39,231) | - |
| Total cash flows provided by (used in) investing activities | (39,231) | 4,297 |
| Cash flows from financing activities | | |
| Proceeds from issuance of shares, net | 942,408 | - |
| Total cash flows provided by financing activities | 942,408 | - |
| Decrease in cash during the year | (23,118) | (27,781) |
| Cash at beginning of year | 325,195 | 352,976 |
| Cash at the end of year | $ 302,077 | $ 325,195 |

Supplemental disclosure with respect to cash flows (Note 10)

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

## 1. Corporate Information

Triangle Industries Ltd. (the "Company") was incorporated on November 16, 1983 under the British Columbia Companies Act and was in the business of providing freight, reloading and warehousing services, collectively called "transloading". The Company wound up its transloading business and disposed of substantially all related assets in the year ended December 31, 2010. Management was of the opinion that Company resources could be better utilized under a new business plan designed to improve the Company's prospects and to recapture shareholder interest. The Company is actively seeking opportunities to acquire or participate in new assets or businesses.

On May 1, 2018, the Company's registered address changed to Suite 810 – 789 West Pender Street, Vancouver, British Columbia, Canada.

On April 10, 2018, the Company completed a share consolidation on the basis of one new share for each two and a half old shares. The Company trades on the NEX board of the TSX Venture Exchange ("TSX-V"). Upon approval from the TSX-V, the Company began trading on April 11, 2018, under the symbol "TLD.H" (formerly "TIA.H"). Accordingly, all current and comparative share capital amounts within these financial statements have been retroactively restated to adjust for the share consolidation.

The Company incurred a net loss of $1,002,525 during the year ended December 31, 2018 (2017 - $28,546), and as of this date the Company's accumulated deficit is $7,951,286 (2017 - $6,948,761).

These financial statements were authorized for issue by the Audit Committee and Board of Directors on April 30, 2019.

## 2. Basis of Presentation and Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

### I) Basis of Presentation and Measurement

**a) Statement of Compliance**

These audited financial statements for the year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

**b) Basis of Measurement**

These financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 2(II). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

**c) Continuance of Operations**

The Company's corporate objective is to identify, evaluate and negotiate an acquisition of a participation in or an interest in properties, assets or businesses.

Management estimates that the Company has sufficient resources for the next 12 months to meets its on-going operating and regulatory obligations and to pay its existing obligations, and has sufficient funding to fulfil its corporate objective.

It is expected that additional funding in the future will come from an equity issuance, but there is no assurance that the Company will be able to raise adequate financing or to develop a profitable business. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue its existence.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates and exercise judgement in applying the Company's policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 2(j).

## II) Significant Accounting Policies

### a) Cash

Cash includes cash on hand and other short-term investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

### b) Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a declining balance method over their estimated useful lives. The Company's equipment, which consists of furniture and fixtures are amortized at 30%.

### c) Financial Instruments

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

*Debt instruments*

Subsequent measurement of debt instrument depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of loss and comprehensive loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from deficit to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and comprehensive loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Equity instruments*

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of loss and comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

<u>Impairment</u>

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

**d) Income Taxes**

Income tax expense is comprised of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with respect of previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

**e) Share Capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares or share options are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from the share-based payment reserve.

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in reserves.

**f) (Loss) Earnings Per Share**

Basic (loss) earnings per share is computed by dividing the net (loss) earnings by the weighted average number of common shares outstanding during the period, which excludes shares held in escrow.

Diluted (loss) earnings per share is computed by dividing the loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. In periods that the Company reports a net loss, stock options are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive. For the years presented, this calculation proved to be anti-dilutive.

**g) Share-based Payments**

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment 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.

Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of 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 cannot be reliably measured. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that have vested.

Where stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital.

**h) Share Capital**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

### i) Changes in Accounting Standards

- IFRS 9 – Financial Instruments

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and lost ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

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

- IFRS 15 – Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The adoption of IFRS 15 did not have a material impact on the Company's financial statements.

### j) Accounting Standards Not Yet Adopted

The following IFRS standards are not yet effective for the year ended December 31, 2018 and have not been applied in preparing these financial statements.

IFRS 16 *Leases* is effective for years commencing on or after January 1, 2019, and will replace IAS 17, *Leases*. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value, while lessor accounting remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. The Company intends to adopt IFRS 16 in its financial statements for the year commencing January 1, 2019.

The Company is currently assessing the impact of the adoption of IFRS 16.

### k) Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and certain disclosures reported in these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognized in the period in which the estimates are revised and in future periods affected.

Expressed in Canadian dollars

Areas where critical accounting estimates and assumptions have the most significant effect on the amounts recognized in these financial statements include the following:

**Recovery of Deferred Tax Assets**

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its deferred tax assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

## 3. Cash

Cash is comprised of the following:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Cash | $ 302,077 | $ 5,195 |
| Term deposit | - | 320,000 |
| | **$ 302,077** | **$ 325,195** |

The term deposit can be redeemed at any time without penalty.

## 4. Prepaid expenses

Prepaid expenses are comprised of the following:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Prepaid expenses | $ 3,675 | $ 5,838 |
| | **$ 3,675** | **$ 5,838** |

During the year ended December 31, 2018, the Company paid $275,000 as a refundable deposit for due diligence services to be provided. As at December 31, 2018, the Company wrote-off the balance of the deposit as it was determined that the amount was unlikely to be refunded and that the likelihood of any future benefit to the Company arising from the service was low.

## 5. Equipment

| | Office Furniture and Equipment | Total |
|---|---|---|
| **Cost** | **$** | **$** |
| Balance, December 31, 2017 | - | - |
| Additions | 39,231 | 39,231 |
| Balance, December 31, 2018 | 39,231 | 39,231 |
| | | |
| **Accumulated Amortization** | | |
| Balance, December 31, 2017 | - | - |
| Amortization | 8,585 | 8,585 |
| Balance, December 31, 2018 | 8,585 | 8,585 |
| | | |
| **Carrying value** | | |
| As at December 31, 2017 | - | - |
| **As at December 31, 2018** | **30,646** | **30,646** |

Expressed in Canadian dollars

## 6. Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

On March 2, 2018, the Company completed the sale of 20,000,000 non-transferable subscription receipts at a price of $0.05 per Subscription Receipt for gross proceeds of $1,000,000. Each Subscription Receipt was exchanged for one unit consisting of one common share and one warrant. Each warrant is exercisable to acquire a further common share at a price of $0.05 per share for a period of 12 months. The Company received all necessary regulatory approvals on April 6, 2018.

On April 25, 2018, the Company issued 400,000 common shares related to 400,000 stock options with an exercise price of $0.125 being exercised for $50,000 to certain former directors of the Company which was applied to settle accounts payable.

**Warrants**

The Company has issued warrants entitling the holders to acquire common shares of the Company.

The following table is a reconciliation of outstanding and exercisable warrants from December 31, 2016 to December 31, 2018:

| | Year ended December 31, 2018 | | Year ended December 31, 2017 | |
|---|---|---|---|---|
| | **Number of Warrants** | **Weighted Average Exercise Price** | **Number of Warrants** | **Weighted Average Exercise Price** |
| Beginning Balance | - | - | - | - |
| Warrants issued | 20,000,000 | $0.05 | - | - |
| Expired/Cancelled | - | - | - | - |
| Exercised | - | - | - | - |
| **Outstanding** | **20,000,000** | **$0.05** | **-** | **-** |

The following table summarizes the warrants outstanding and exercisable at December 31, 2018:

| Exercise Price | Number of Warrants Exercisable | Weighted Average Remaining Contractual Life | Expiry Date |
|---|---|---|---|
| $ 0.05 | 20,000,000 | 0.26 years | April 6, 2019 |

**Stock Option Plan Details**

The Company adopted an incentive stock option plan in 2008 (“the 2008 Plan”), which allows the Company’s Board of Directors, at its discretion and in accordance with the TSX-V requirements, to grant non-transferable options for the purchase of common shares to its directors, officers, employees, consultants, or service providers of the Company. Under the 2008 Plan, the maximum number of common shares which may be eligible for issuance at any one time, including shares issuable upon exercise of options outstanding is 2,731,391 common shares. Furthermore, the maximum number of common shares which may be granted to a participant under the 2008 Plan shall not exceed 5% of its issued and outstanding common shares on a non-diluted basis.

The terms of the 2008 Plan provide that the Board of Directors with the right to grant options, to acquire common shares of the Company, at not less than the closing market price of the shares at the time of granting the option. The options can be granted for a maximum term of 5 years. Options granted under the terms of the 2008 Plan vest at the discretion of the Board of Directors.

On September 7, 2012, when the Company’s listing moved to the NEX board of the TSX-V, a further compliance limit was imposed on stock option grants. During any 12-month period, the maximum number of options that may be reserved for issuance or issued is limited to 10% of the issued and outstanding securities.

Expressed in Canadian dollars

The following table is a reconciliation of outstanding and exercisable stock options from December 31, 2016 to December 31, 2018:

| | Year ended December 31, 2018 | | Year ended December 31, 2017 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | **Number of Options** | **Weighted Average Exercise Price** |
| Beginning Balance | 420,000 | $0.125 | 420,000 | $0.125 |
| Options issued | - | - | - | - |
| Expired/Cancelled | (20,000) | $0.125 | - | - |
| Exercised | (400,000) | $0.125 | - | - |
| **Outstanding** | **-** | **-** | **420,000** | **$0.125** |

## 7. Income Taxes

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

| | **2018** | **2017** |
|---|---|---|
| Net loss before income taxes | $ (1,002,525) | $ (28,546) |
| Expected income tax recovery | (271,000) | (7,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | - | (22,000) |
| Share issue costs | (15,000) | - |
| Expiry of non-capital losses | 350,000 | - |
| Change in unrecognized deductible temporary differences | (64,000) | 29,000 |
| Deferred income tax recovery | **$ -** | **$ -** |

Significant components of the Company’s deferred tax assets are as follows:

| | **2018** | **2017** |
|---|---|---|
| Deferred tax assets: | | |
| Allowable capital losses | $ 85,000 | $ 85,000 |
| Non-capital losses | 424,000 | 438,000 |
| Share issue costs | 12,000 | - |
| Capital assets | 2,000 | 64,000 |
| Net unrecorded deferred tax assets | **$ 523,000** | **$ 587,000** |

The significant components of the Company’s deductible and taxable temporary differences and unused tax losses that have not been included on the statements of financial position are as follows:

| | **December 31, 2018** | **Expiry Dates** | **December 31, 2017** | **Expiry Dates** |
|---|---|---|---|---|
| Capital losses | $ 315,000 | Not applicable | $ 315,000 | Not applicable |
| Non-capital losses | 1,570,000 | 2029 to 2038 | 1,622,000 | 2029 to 2037 |
| Share issue costs | 46,000 | 2039 to 2042 | - | Not applicable |
| Capital assets | 9,000 | Not applicable | 238,000 | Not applicable |

## 8. Financial Instruments, Capital Management and Risk Management

### I) Financial Instruments

The Company's financial instruments include cash, receivables, and accounts payable and accrued liabilities.

**Determination of Fair Value**

The carrying value of cash, receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

| | Fair Value Measurement Hierarchy | Financial assets at FVTPL | Financial assets at amortized cost | Financial liabilities at amortized cost |
|---|---|---|---|---|
| As at December 31, 2018: | | | | |
| Cash | Level 1 | $ 302,077 | $ - | $ - |
| Accounts payable and accrued liabilities | Not applicable | - | - | (27,798) |
| As at December 31, 2017: | | | | |
| Cash | Level 1 | $ 325,195 | $ - | $ - |
| Receivables | Not applicable | - | 586 | - |
| Accounts payable and accrued liabilities | Not applicable | - | - | (12,902) |

**Fair Value Hierarchy**

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;

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

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

### II) Capital Management

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to seek new investment opportunities for the benefit of its shareholders. The Company includes shareholders' equity in the definition of capital.

The Company sets the amount of capital required in proportion to its operating requirements and perceived risk of loss. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company has historically relied on the equity markets to fund its activities and is open to new sources of financing to manage its expenditures in the interest of sustaining long-term viability. The Company's capital management objectives, policies and processes have not changed over the years presented.

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 any externally imposed capital requirements.

Expressed in Canadian dollars

## III) Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

### a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and receivables. The Company's credit exposure is limited to the carrying amount of its financial assets.

The Company's cash is held with a high-credit-rated financial institution and, as such, the Company does not believe there to be a significant credit risk.

### b) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

(i) *Foreign currency risk*
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuations.

(ii) *Interest rate risk*
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Its interest rate risk is limited to potential decreases on the interest rate offered for cash held with chartered Canadian financial institutions. The Company considers the risk to be immaterial.

(iii) *Commodity price risk*
Commodity risk is the exposure to fluctuations in the market price of commodities. The Company does not have any commodity exposure.

(iv) *Equity price risk*
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company does not have any equity investments.

### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The key success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company's policy is to ensure that it will have sufficient cash to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

| | Up to 3 months | 3 to 12 months | 1 to 2 years | Over 2 years | Total |
|---|---|---|---|---|---|
| Accounts payable and other liabilities: | | | | | |
| December 31, 2018 | $ 22,661 | $ 5,137 | $ - | $ - | $ 27,798 |
| December 31, 2017 | 4,762 | 8,140 | - | - | 12,902 |

Expressed in Canadian dollars

## 9. Related Party Transactions

| | Year ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Consulting fees | 12,500 | - |
| Director fees | 60,000 | - |
| | **72,500** | **-** |

As at December 31, 2018, the balance due to related parties was $Nil (2017 - $Nil).

## 10. Supplemental disclosure with respect to cash flows

During the year ended December 31, 2018, the Company retained director fees payable of $50,000 to certain former directors and applied such sum to the exercise of 400,000 stock options.

There were no non-cash financing or investing activities during the year ended December 31, 2017.