ROSITA MINING CORPORATION

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rosita Mining Corporation

Opinion

We have audited the consolidated financial statements of Rosita Mining Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $273,470 during the year ended December 31, 2018 and, as of that date, had a deficit of $32,873,335 and a working capital deficit of $226,150. In addition, the Company has not generated operating revenue and relies on debt and equity funding to support its operations As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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; and
- 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 auditors' report is Henry Chow.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

May 6, 2019

ROSITA MINING CORPORATION

Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31, 2018 $	December 31, 2017 $ (Restated – Note 3)
Assets		
Current assets		
Cash	17,855	88,359
Amounts receivable	3,461	14,681
Prepaid expenses	1,931	4,267
Total current assets	23,247	107,307
Non-current assets		
Equipment (Note 4)	9,939	6,004
Exploration and evaluation assets (Note 5)	2,344,702	2,003,547
Total non-current assets	2,354,641	2,009,551
Total assets	2,377,888	2,116,858
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	39,823	228,751
Loan payable (Note 7)	27,090	6,090
Due to related parties (Note 8)	182,484	148,053
Total current liabilities	249,397	382,894
Non-current liabilities		
Deferred income tax liability (Note 15)	356,540	257,858
Total liabilities	605,937	640,752
Shareholders' equity		
Share capital	20,095,225	19,617,573
Warrant reserve	303,863	427,390
Share-based payment reserve	14,348,461	14,272,141
Accumulated other comprehensive loss	(102,263)	(241,133)
Deficit	(32,873,335)	(32,599,865)
Total shareholders' equity	1,771,951	1,476,106
Total liabilities and shareholders' equity	2,377,888	2,116,858

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance by the Board of Directors on May 6, 2019:

/s/ 'John Cook'	*/s/ 'Nick Watters''*
John Cook, Director	Nick Watters, Director

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

ROSITA MINING CORPORATION

Consolidated statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Year ended December 31, 2018 $	Year ended December 31, 2017 $
		(Restated – Note 3)
Expenses		
Depreciation (Note 4)	3,246	4,623
General and administrative (Note 8)	30,938	162,876
Share-based compensation (Notes 8 and 10)	76,320	–
Shareholder communications	60,341	37,515
Total expenses	170,845	205,014
Loss before other income (expense)	(170,845)	(205,014)
Other income (expense)		
Other income	–	1,882
Write-off of accounts payable	20,967	–
Foreign exchange loss	(24,910)	(39,359)
Total other income (expense)	(3,943)	(37,477)
Net loss before income taxes	(174,788)	(242,491)
Income taxes		
Deferred income tax expense (Note 15)	(98,682)	(41,461)
Net loss	(273,470)	(283,952)
Other comprehensive income		
Unrealized gain on foreign currency translation	138,870	72,023
Net comprehensive loss	(134,600)	(211,929)
Basic and diluted net loss per share	–	(0.01)
Weighted average number of shares outstanding	64,315,365	55,812,049

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

ROSITA MINING CORPORATION
Consolidated statements of changes in equity
(Expressed in Canadian dollars)
(Restated – Note 3)

	Share capital		Warrant reserve	Share-based payment reserve	Accumulated other comprehensive Income (loss)	Deficit	Total shareholders' equity
	Number of shares	Amount $	$	$	$	$	$
Balance, December 31, 2016	54,147,282	19,451,007	437,308	14,272,141	(313,156)	(32,315,913)	1,531,387
Shares issued for cash	4,480,000	134,400	–	–	–	–	134,400
Share issuance costs	–	(10,752)	–	–	–	–	(10,752)
Fair value of finders' warrants	–	(4,686)	4,686	–	–	–	–
Shares issued pursuant to exercise of warrants	600,000	47,604	(14,604)	–	–	–	33,000
Foreign currency translation gain	–	–	–	–	72,023	–	72,023
Net loss for the year	–	–	–	–	–	(283,952)	(283,952)
Balance, December 31, 2017	59,227,282	19,617,573	427,390	14,272,141	(241,133)	(32,599,865)	1,476,106
Shares issued pursuant to exercise of warrants	5,075,000	402,652	(123,527)	–	–	–	279,125
Shares issued for exploration and evaluation asset	2,500,000	75,000	–	–	–	–	75,000
Fair value of stock options granted	–	–	–	76,320	–	–	76,320
Foreign currency translation gain	–	–	–	–	138,870	–	138,870
Net loss for the year	–	–	–	–	–	(273,470)	(273,470)
Balance, December 31, 2018	66,802,282	20,095,225	303,863	14,348,461	(102,263)	(32,873,335)	1,771,951

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

ROSITA MINING CORPORATION
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended December 31, 2018 $	Year ended December 31, 2017 $
		(Restated – Note 3)
Operating Activities		
Net loss	(273,470)	(283,952)
Items not involving cash:		
Deferred income tax expense	98,682	41,461
Depreciation	3,246	4,623
Share-based compensation	76,320	–
Write-off of accounts payable	(20,967)	–
Changes in non-cash working capital items:		
Amounts receivable	11,220	18,101
Prepaid expenses	2,336	4,066
Accounts payable and accrued liabilities	(167,963)	(7,896)
Due to related parties	34,431	136,699
Net cash used in operating activities	(236,165)	(86,898)
Investing Activities		
Proceeds from sale of short-term investment	–	10,000
Exploration and evaluation asset expenditures	(264,267)	(304,299)
Purchase of equipment	(7,181)	(3,937)
Net cash used in investing activities	(271,448)	(298,236)
Financing Activities		
Proceeds from issuance of common shares	279,125	167,400
Share issuance costs	–	(10,752)
Proceeds from loan payable	21,000	6,090
Net cash provided by financing activities	300,125	162,738
Effect of foreign exchange rate changes on cash	136,984	35,886
Change in cash	(70,504)	(186,510)
Cash, beginning of year	88,359	274,869
Cash, end of year	17,855	88,359
Non-cash investing and financing activities:		
Fair value of finders' warrants issued	–	4,686
Shares issued for exploration and evaluation asset	75,000	–
Transfer of fair value of warrants from reserve to share capital	123,527	–

1. Nature of Operations and Continuance of Business

Rosita Mining Corporation (the "Company"), is an exploration-stage, publicly-traded company on the TSX Venture Exchange ("TSXV") under the symbol 'RST'. The Company was incorporated in Ontario, Canada and was continued in the Province of British Columbia on November 14, 2018, and is a junior prospecting and natural-resource company, focused on growing exploration and mineral assets to build shareholder value. The Company's properties are located in Newfoundland, Canada and Nicaragua. The Company's head office is at Suite 200, 82 Richmond Street East, Toronto, ON, M5C 1P1.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2018, the Company has not generated any revenues from operations, has an accumulated deficit of $32,873,335, and has a working capital deficit of $226,150. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a going concern basis.

The consolidated financial statements have been prepared on a historical cost basis. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

These consolidated financial statements include the accounts of the Company and its wholly-owned, subsidiaries: Midlands Minerals Ghana Limited, Midenka Resources Limited, Midlands Minerals Tanzania Limited, Manonga Minerals Limited, Alder Resources Ltd., and ALR Nicaragua S.A. All significant inter-company balances and transactions have been eliminated on consolidation.

(b) Use of Estimates and Judgments

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

Significant areas requiring the use of estimates include the collectability of amounts receivable, the useful lives and carrying values of equipment, recoverability of exploration and evaluation assets, fair value of share-based compensation, and unrecognized deferred income tax assets.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements:

- Assessment of the going concern assumption;
- Determination of technical feasibility and commercial viability of exploration and evaluation assets; and
- Determination of functional currency in accordance with IAS 21.

2. Significant Accounting Policies (continued)

(c) Application of New IFRS

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, effective January 1, 2018 using the full retrospective method, with no significant impact on the Company's consolidated financial statements.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Exploration and Evaluation Expenditures

Pre-license expenditures are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as exploration and evaluation ("E&E") assets. Such E&E costs may include, but are not limited to, undeveloped land acquisition, geological, geophysical and seismic studies, exploratory drilling and completion, testing, decommissioning, and directly attributable internal costs. Subsequently, the E&E assets are carried at cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale.

E&E assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are assessed at the individual asset level. If it is not possible to estimate the recoverable amount of the individual asset, E&E assets are allocated to cash-generating units (CGU's). Such CGU's are not larger than an operating segment.

E&E assets are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable or sufficient/continued progress is made in assessing the commercial viability of the E&E assets. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to confirm whether the Company intends further appraisal activity or to otherwise extract value from the property. When this is no longer the case, the costs are written off. Upon determination of proven reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to mineral properties.

The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

2. Significant Accounting Policies (continued)

(f) Impairment of Non-Current Assets

Non-current assets are assessed for impairment at each reporting date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

(g) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive, or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant, and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant, and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statements of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases, interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(h) Financial Instruments

Classification and measurement – initial recognition

On initial recognition, all financial assets and liabilities are classified and recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL").

Classification and measurement – subsequent to initial recognition

Subsequent measurement of financial assets and liabilities depends on their classification and measurement basis.

2. Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

Financial Assets

Subsequent to initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, depending on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

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

Financial assets that do not meet the above conditions are classified as fair value through profit or loss. The Company's cash and amounts receivable are measured at amortized cost.

Financial Liabilities

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss. The Company's accounts payable and accrued liabilities, loan payable, and amounts due to related parties are measured at amortized cost.

Impairment of Financial Assets

The Company applies the ECL model to its financial assets measured at amortized cost. Under the ECL model, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Upon recognition of a financial asset, 12-month ECLs are recognized in the consolidated statement of operations and a loss allowance is established. At each reporting date, if the credit risk associated with a financial asset has increased significantly and is not considered low, lifetime ECLs are recognized in the consolidated statement of operations.

(i) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant Accounting Policies (continued)

(i) Income Taxes (continued)

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(j) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Where the cost of certain components of property and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation commences when the equipment is put into use. Depreciation is recognized in the consolidated statement of operations using the following rates:

Computer equipment and software	2 years straight-line
Office equipment	5 years straight-line

The Company reviews the depreciation rate and useful lives at each reporting date. Any gain or losses arising on the disposal of equipment is recognized in the consolidated statement of operations.

(k) Foreign Currency Translation

The Company's functional and reporting currency is the Canadian dollar. All entities have a functional currency of Canadian dollars with the exception of ALR which has a functional currency of Nicaraguan Cordobas. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Average monthly rates are used to translate revenues and expenses. Gains and losses arising on translation of foreign currency denominated transactions or balances are included in the statement of operations.

The Company uses the current rate method to translate the financial statements of ALR Nicaragua to its reporting currency. Accordingly, assets and liabilities are translated into Canadian dollars at the period end exchange rate while revenue and expenses are translated at the average exchange rates during the period. Related exchange gains and losses are included in a separate component of shareholders' equity as accumulated other comprehensive income.

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2018, the Company has 3,109,050 (2017 – 19,276,350) potentially dilutive shares outstanding.

2. Significant Accounting Policies (continued)

(m) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. As at December 31, 2018 and 2017, the Company's comprehensive loss includes foreign currency translation.

(n) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(o) Reclassifications

Certain financial statement captions have been reclassified to conform to the current period's financial reporting standards.

(p) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these consolidated financial statements.

- New standard IFRS 16, "Leases"

The Company has not early adopted this revised standard and management does not expect that the impact of the implementation of this standard will have a material impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

3. Change in Accounting Policy

In December 2018, the Company changed its accounting policy regarding acquisition and exploration costs relating to exploration and evaluation assets. The Company has elected to capitalize all acquisition and exploration costs of exploration and evaluation assets, in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*, as it better reflects the Company's ongoing activities with respect to its mineral properties and business objectives. Previously, exploration and evaluation acquisition and exploration costs were expensed as incurred. The change in accounting policy resulted in a decrease in net loss of $226,952 for the year ended December 31, 2017 and an increase in total assets of $2,003,547 as at December 31, 2017. The impact of the change in accounting policy has been applied on a retroactive basis and had the following effects on the Company's consolidated financial statements:

Consolidated Statement of Financial Position

	As at December 31, 2017		
	As Reported $	Adjustment $	As Restated $
Exploration and evaluation assets	–	2,003,547	2,003,547
Total assets	113,311	2,003,547	2,116,858
Deferred income tax liability	–	257,858	257,858
Total liabilities	382,894	257,858	640,752
Accumulated other comprehensive loss	–	(241,133)	(241,133)
Deficit	(34,586,687)	1,986,822	(32,599,865)
Total shareholders' equity (deficit)	(269,583)	1,745,689	1,476,106
Total liabilities and shareholders' equity	113,311	2,003,547	2,116,858

Consolidated Statement of Operations

	Year ended December 31, 2017		
	As Reported $	Adjustment $	As Restated $
Exploration and evaluation expenditures	304,299	(304,299)	–
Loss before other income (expense)	(509,313)	304,299	(205,014)
Foreign exchange loss	(3,473)	(35,886)	(39,359)
Deferred income tax expense	–	(41,461)	(41,461)
Net loss	(510,904)	226,952	(283,952)
Foreign currency translation gain	–	72,023	72,023
Comprehensive loss	(510,904)	298,975	(211,929)

Consolidated Statement of Changes in Equity

	Year ended December 31, 2017		
	As Reported $	Adjustment $	As Restated $
Balance, December 31, 2016	84,673	1,446,714	1,531,387
Foreign currency translation gain	–	72,023	72,023
Net loss for the year	(510,904)	226,952	(283,952)
Balance, December 31, 2017	(269,583)	1,745,689	1,476,106

(Expressed in Canadian dollars)

3. Change in Accounting Policy (continued)

Consolidated Statement of Cash Flows

	Year ended December 31, 2017		
	As Reported $	Adjustment $	As Restated $
Net loss	(510,904)	226,952	(283,952)
Deferred income tax expense	–	41,461	41,461
Net cash used in operating activities	(355,311)	268,413	(86,898)
Exploration and evaluation asset expenditures	–	(304,299)	(304,299)
Net cash used in investing activities	6,063	(304,299)	(298,236)
Effect of foreign exchange rate changes	–	35,886	35,886

4. Equipment

Equipment is comprised as follows:

	Equipment $
Cost:	
Balance, December 31, 2016	18,828
Additions	3,937
Balance, December 31, 2017	22,765
Additions	7,181
Balance, December 31, 2018	29,946
Accumulated Depreciation:	
Balance, December 31, 2016	12,138
Additions	4,623
Balance, December 31, 2017	16,761
Additions	3,246
Balance, December 31, 2018	20,007
Carrying Amounts:	
Balance, December 31, 2017	6,004
Balance, December 31, 2018	9,939

(Expressed in Canadian dollars)

5. Exploration and Evaluation Assets

	Marilyn Three Project $	Rosita Project $	Total $
2018			
Acquisition costs:			
Balance, December 31, 2017	–	903,298	903,298
Additions	110,000	–	110,000
Foreign exchange translation gain	–	19,892	19,892
Total acquisition costs	110,000	923,190	1,033,190
Exploration costs:			
Balance, December 31, 2017	–	1,100,249	1,100,249
Consulting and salaries	–	9,904	9,904
Field costs	–	72,433	72,433
Foreign exchange translation gain	–	24,954	24,954
General exploration and administration	–	103,972	103,972
Total exploration costs	–	1,311,512	1,311,512
Balance, December 31, 2018	110,000	2,234,702	2,344,702

	Rosita Project $
2017	
Acquisition costs:	
Balance, December 31, 2016	1,023,659
Foreign exchange translation loss	(120,361)
Total acquisition costs	903,298
Exploration costs:	
Balance, December 31, 2016	952,605
Consulting and salaries	86,098
Drilling	5,510
Field costs	27,893
Foreign exchange translation loss	(156,655)
General exploration and administration	184,798
Total exploration costs	1,100,249
Balance, December 31, 2017	2,003,547

(Expressed in Canadian dollars)

5. Exploration and Evaluation Assets (continued)

Rosita Project

On August 29, 2011, the Company entered into an option agreement with Calibre Mining Corp. to earn a 65% interest in the Rosita project. To exercise the option, the Company must perform the following:

(i) Issue 200,000 common shares as follows:

- 40,000 common shares within 5 business days of the TSX approval of the option agreement (issued);
- 40,000 common shares on or before October 3, 2012 (issued);
- 40,000 common shares on or before October 3, 2013 (issued);
- 40,000 common shares on or before October 3, 2014 (issued); and
- 40,000 common shares on or before October 3, 2015 (issued).

(ii) Incur $4,000,000 of exploration expenditures on the property as follows:

- $500,000 on or before October 3, 2012 (incurred);
- An additional $750,000 on or before October 3, 2013 (incurred);
- An additional $1,250,000 on or before October 3, 2014 (incurred); and
- An additional $1,500,000 on or before October 3, 2015 (incurred).

On June 30, 2014, the Company entered into a royalty agreement with Forbes & Manhattan, Inc. ("Forbes") for the settlement of accounts payable totaling $508,500. The royalty is a 0.5% net smelter royalty ("NSR") multiplied by the Company's participating interest in the Rosita Project at the time. The royalty becomes effective upon the Company earning the 65% interest in the Rosita Project (completed in November 2015). The Company may reacquire the NSR by paying $1,508,500 to Forbes.

In November 2015, the Company fulfilled the requirements under the option agreement and it had earned its 65% interest in the Rosita project. Pursuant to the option agreement, upon earn-in, an automatic joint-venture was created between Rosita and Calibre and in November 2016, the Company and Calibre memorialized an agreement (the "JV Agreement") with an effective date of November 23, 2015. For accounting purposes, the Company has determined that the JV Agreement does not meet the criteria set forth in IFRS 11, *Joint Arrangements*.

Pursuant to the option agreement, at the earn-in date, Calibre was to transfer title of the Rosita project to the Company. Such transfer is ongoing but not yet completed as of December 31, 2018.

Marilyn Three Properties

On August 11, 2018, the Company acquired a 100% interest in 104 mining claims and patents located near Grand Falls, Newfoundland comprised of approximately 6,448 acres. In exchange for the interest in the claims, the Company paid $35,000 and issued 2,500,000 common shares (refer to Note 9). The seller retains a 2% net smelter royalty (NSR), and the Company has the option to acquire one-half of the NSR for $1,000,000.

6. Accounts Payable and Accrued Liabilities

	2018 $	2017 $
Trade payables	28,723	216,751
Accrued liabilities	11,100	12,000
	39,823	228,751

7. Loan Payable

As at December 31, 2018, the Company owes $27,090 (2017 - $6,090) to a shareholder of the Company which is unsecured, non-interest bearing, and due on demand.

8. Related Party Transactions

(a) As at December 31, 2018, the Company owed $50,301 (2017 - $60,301) to a company controlled by the former Chief Financial Officer of the Company which is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2018, the Company incurred management fees of $nil (2016 - $60,000) to a company controlled by the former Chief Financial Officer of the Company, which has been recorded in general and administrative expense.

(b) As at December 31, 2018, the Company owed $132,183 (2017 - $87,752) to a company controlled by the Chief Executive Officer of the Company which is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2018, the Company incurred management fees of $48,000 (2017 - $48,000) and conference fees of $25,000 (2017 - $nil) to a company controlled by the Chief Executive Officer of the Company, which has been recorded in general and administrative expense.

(c) During the year ended December 31, 2018, the Company granted stock options with a fair value of $53,424 (2017 - $nil) to officers and directors of the Company.

9. Share Capital

Authorized: Unlimited common shares without par value

Share transactions for the year ended December 31, 2018:

(a) During the year ended December 31, 2018, the Company issued 5,075,000 common shares for proceeds of $279,125 pursuant to the exercise of share purchase warrants. As part of the exercise of share purchase warrants, the fair value of $123,527 was transferred from warrant reserve to share capital.

(b) On October 24, 2018, the Company issued 2,500,000 common shares with a fair value of $75,000 in consideration for the Marilyn Three mineral property acquisition. Refer to Note 5.

Share transactions for the year ended December 31, 2017:

(c) On August 30, 2017, the Company issued 2,780,000 common shares at $0.03 per share for proceeds of $83,400. In connection with this issuance, the Company incurred share issuance costs of $6,672 and issued 222,400 finders' warrants, with each warrant exercisable into one common share of the Company at $0.05 per share until August 30, 2018. The fair value of the finders' warrants was $3,044, calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.23%, no expected dividends, volatility of 157%, and an expected life of one year.

(d) On July 31, 2017, the Company issued 1,700,000 common shares at $0.03 per share for proceeds of $51,000. In connection with this issuance, the Company incurred share issuance costs of $4,080 and issued 81,600 finders' warrants, with each warrant exercisable into one common share of the Company at $0.05 per share until July 31, 2018. The fair value of the finders' warrants was $1,642, calculated using the Black-Scholes option pricing model assuming a risk-free rate of 1.19%, no expected dividends, volatility of 151%, and an expected life of one year.

(e) On December 20, 2017, the Company issued 600,000 common shares for proceeds of $33,000 pursuant to the exercise of share purchase warrants. As part of the exercise of share purchase warrants, the fair value of $14,604 was transferred from warrant reserve to share capital.

10. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees, and consultants of the Company to a maximum of 10% of the issued and outstanding common shares, and not exceeding 5% granted to any individual. The stock options have a maximum term of five years and cannot be assigned or transferred.

(Expressed in Canadian dollars)

10. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2016	3,991,725	0.18
Expired	(1,782,675)	0.32
Outstanding, December 31, 2017	2,209,050	0.15
Issued	2,000,000	0.06
Expired	(1,100,000)	0.15
Outstanding, December 31, 2018	3,109,050	0.09

Additional information regarding stock options as at December 31, 2018 is as follows:

Range of exercise prices $	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.06	2,000,000	2.7	0.06
0.11	1,000,000	2.7	0.11
0.28	9,050	0.2	0.28
0.50	100,000	0.8	0.50
	3,109,050	2.6	0.09

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	2018	2017
Risk-free interest rate	2.12%	–
Expected life (in years)	3	–
Expected volatility	172%	–

The total fair value of stock options vested during the year ended December 31, 2018 was $76,320 (2017 - $nil) which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the year ended December 31, 2018 was $0.04 (2017 - $nil) per option.

11. Share Purchase Warrants

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2016	17,888,200	0.06
Issued	304,000	0.05
Exercised	(600,000)	0.055
Expired	(524,900)	0.39
Outstanding, December 31, 2017	17,067,300	0.055
Exercised	(5,075,000)	0.055
Expired	(11,992,300)	0.055
Outstanding, December 31, 2018	–	–

12. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments, which include cash, amounts receivable, accounts payable and accrued liabilities, loan payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. In addition to Canadian dollars, the Company conducts transactions in Nicaraguan Cordoba. A 10% change in the foreign exchange rate would not have a material effect on the Company's consolidated financial statements.

(d) Interest Rate Risk

Interest rate risk is the risk from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company is not exposed to any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(Expressed in Canadian dollars)

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, warrant reserve, and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2017.

14. Segment Disclosures

The Company operates in one business segment, being the acquisition and exploration and evaluation of mineral assets. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for the years ended December 31, 2018 and 2017.

The Company's net assets are segmented geographically as follows:

December 31, 2018	Canada $	Nicaragua $	Total $
Property and equipment	-	9,939	9,939
Exploration and evaluation assets	110,000	2,234,702	2,344,702
	110,000	2,244,641	2,354,641

December 31, 2017	Canada $	Nicaragua $	Total $
Property and equipment	-	6,004	6,004
Exploration and evaluation assets	-	2,003,547	2,003,547
	-	2,009,551	2,009,551

15. Income Taxes

The tax effect of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2018 $	2017 $
Statutory income tax rate	27.0%	27.8%
Income tax recovery at statutory rate	(47,192)	(67,412)
Tax effect of:		
Permanent differences and other	21,919	(45,911)
True-up of prior year balances	–	603,779
Expiry of tax losses	9,000	97,800
Change in unrecognized deferred income tax assets	114,955	(546,795)
Deferred income tax provision	98,682	41,461

(Expressed in Canadian dollars)

15. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2018 $	2017 $
Deferred income tax assets		
Non-capital losses carried forward	5,031,781	4,926,922
Share issuance costs	4,905	6,937
Equipment	–	205
	5,036,686	4,934,064
Deferred income tax liabilities		
Resource pools	357,613	271,264
Net deferred income tax assets	4,679,073	4,662,800
Unrecognized deferred income tax assets	(5,035,613)	(4,920,658)
Net deferred income tax liability	(356,540)	(257,858)

As at December 31, 2018, the Company has non-capital losses carried forward of approximately $18,634,000, which are available to offset future years' taxable income. These losses expire as follows:

	Canada $	Nicaragua $
2019	–	14,000
2027	996,000	–
2028	1,182,000	–
2029	889,000	–
2030	2,748,000	–
2031	4,914,000	–
2032	2,582,000	–
2033	2,017,000	–
2034	1,445,000	–
2035	1,240,000	–
2036	279,000	–
2037	250,000	–
	78,000	–
	18,620,000	14,000

The Company also has available mineral resource related expenditure pools totalling $947,753, which may be deducted against future taxable income on a discretionary basis.