



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE OF NO REVIEW OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instruments 51-102, Part 4, Subsection 4.3 (3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the condensed interim consolidated financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared and are the responsibility of the Company's management.

The Company's auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

Trueclaim Exploration Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at March 31, 2019 and December 31, 2018

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Assets		
<i>Current assets</i>		
Cash	1,538,827	1,593,545
Receivables	55,910	52,057
Prepays	5,356	8,034
	<hr/> 1,600,093	<hr/> 1,653,636
<i>Non-current assets</i>		
Intangible assets (Note 3)	-	-
Total Assets	<hr/> 1,600,093	<hr/> 1,653,636
Liabilities		
<i>Current liabilities</i>		
Trade payables and accrued liabilities (Note 9)	290,722	298,331
Total Liabilities	<hr/> 290,722	<hr/> 298,331
Shareholders' Equity		
Share capital (Note 4)	9,939,107	9,939,107
Contributed surplus (Note 5(b))	2,061,805	2,061,805
Warrants (Note 4)	1,902,550	1,902,550
Accumulated deficit	(12,594,091)	(12,548,157)
Total Shareholders' Equity	<hr/> 1,309,371	<hr/> 1,355,305
Total Liabilities and Shareholders' Equity	<hr/> 1,600,093	<hr/> 1,653,636

Commitments (Note 10)

Contingent liabilities (Note 12)

Subsequent event (Note 13)

Approved by the Board of Directors

“Byron Coulthard”

Director

“Matthew Fish”

Director

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

Trueclaim Exploration Inc.

Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

	March 31, <u>2019</u>	March 31, <u>2018</u>
	\$	\$
Operating Expenses		
Administrative expenses	11,934	14,722
Management and consulting fees (Note 9)	29,550	127,000
Professional fees	4,450	47,017
	<u>45,934</u>	<u>188,739</u>
Loss from operations	(45,934)	(188,739)
Gain on settlement of debt	-	(111,675)
Loss on sale of intangible assets (Note 3)	-	-
Impairment of intangible assets (Note 3)	-	-
	<u>(45,934)</u>	<u>(77,064)</u>
Net income (loss) and comprehensive income (loss) for the period		
	<u>(45,934)</u>	<u>(77,064)</u>
Net income (loss) per share (Note 2)		
Basic	(0.00)	(0.02)
Diluted	(0.00)	(0.02)
	<u>(0.00)</u>	<u>(0.02)</u>
Weighted average number of common shares - Basic	35,937,753	3,330,953
	<u>35,937,753</u>	<u>3,330,953</u>
Weighted average number of common shares - Diluted	35,937,753	3,330,953
	<u>35,937,753</u>	<u>3,330,953</u>

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

Trueclaim Exploration Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

	Share Capital	Contributed Surplus	Warrants	Shares Subscribed but Not Issued	Accumulated Deficit	Total Equity
	\$	\$	\$	\$	\$	\$
Balance – January 1, 2018	8,861,507	2,061,805	-	-	(11,922,579)	(999,267)
Net income (loss) per the period	-	-	-	-	(77,064)	(77,604)
Capital stock issued	-	-	-	-	-	-
Warrants issued	-	-	-	-	-	-
Finders' warrants issued	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-
Expired warrants	-	-	-	-	-	-
Balance – March 31, 2018	8,861,507	2,061,805	-	-	(11,999,643)	(1,076,331)
Balance – January 1, 2019	9,939,107	2,061,805	1,902,550	-	(12,548,157)	1,355,305
Net income (loss) for the period	-	-	-	-	(45,934)	(45,934)
Capital stock issued	-	-	-	-	-	-
Warrants issued	-	-	-	-	-	-
Finders' warrants issued	-	-	-	-	-	-
Shares issue costs	-	-	-	-	-	-
Expired warrants	-	-	-	-	-	-
Balance – March 31, 2019	9,939,107	2,061,805	1,902,550	-	(12,594,091)	1,309,371

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

Trueclaim Exploration Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

	March 31, <u>2019</u>	March 31, <u>2018</u>
Cash provided by (used in):	\$	\$
Operating activities		
Net income (loss) and comprehensive income (loss) for the period	(45,934)	(77,064)
Share-based compensation	-	-
Gain on settlement of debt	-	(111,675)
Loss on sale of intangible assets	-	-
Impairment of intangible assets	-	-
Changes in items of non-cash working capital:		
Receivables	(3,853)	(29,415)
Prepays	2,678	(225,000)
Trade payables and accrued liabilities	(7,609)	440,575
	<hr/>	<hr/>
	(54,718)	(2,579)
Investing activities		
Intangible assets	-	-
	<hr/>	<hr/>
	-	-
Financing activities		
Capital stock issued	-	-
Warrants issued	-	-
Share issue costs	-	-
	<hr/>	<hr/>
	-	-
Increase (decrease) in cash	<hr/>	<hr/>
	(54,718)	(2,579)
Cash – Beginning of period	<hr/>	<hr/>
	1,593,545	2,634
Cash – End of period	<hr/>	<hr/>
	1,538,827	55

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

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

1. Nature of Operations

Trueclaim Exploration Inc. (the “Company”) is a Canadian company which was engaged in the acquisition, exploration and development of resource properties in Canada and the United States.

The Company is a public company which is listed on the TSX Venture Exchange (the “Exchange”) under the stock symbol “TRM”. The business address of its registered office is #575 – 510 Burrard Street, Vancouver, BC, V6C 3A8.

These condensed interim consolidated financial statements, as at and for the three months ended March 31, 2019, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 – “Interim Financial Reporting” using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with IFRS, have been omitted or condensed. The consolidated financial statements were approved by the Board of Directors for issue on May 29, 2019.

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments classified as ‘fair value through profit and loss’ (“FVTPL”) which have been measured at fair value. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

All amounts are expressed in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

Consolidation

The financial statements of the Company consolidate the accounts of Trueclaim Exploration Inc. and its wholly owned subsidiaries, Trueclaim Resources Inc. and Northern Skye Resources Ltd. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies.

Cash

Cash includes cash on hand, deposits held with banks and amounts held in trust with lawyers.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

Impairment

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Intangible assets

The Company records its interests in mining properties and areas of geological interest at cost as intangible assets in the consolidated statements of financial position. Each individual mining property is defined as a cash generating unit. Exploration and evaluation costs relating to these interests and projects are capitalized until the properties to which they relate are placed into production, sold or allowed to lapse. During the period ended March 31, 2019, a total of \$nil (December 31, 2018 – \$15,828) of costs were incurred for exploration, evaluation and acquisitions of mining properties. Management reviews the carrying values of intangible assets on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers at an agreed upon date.

The fair value of the tax benefit received by the subscriber is recorded as a liability which is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense.

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

Income tax

Current income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of income (loss) and comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred tax assets and liabilities represent income taxes expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company's consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets also represent income taxes expected to be recoverable on unclaimed losses carried forward.

Deferred taxes are calculated using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, with some exceptions described below. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Neither deferred tax liabilities, nor deferred tax assets, are recognized as a result of temporary differences that arise from the initial recognition of goodwill or a transaction, other than a business combination, that affects neither accounting profit nor taxable profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax asset and liabilities are measured using the enacted or substantively enacted tax rates as of the statement of financial position date that are expected to be in effect when the differences reverse or when unclaimed losses are utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for asset recognition, a deferred tax asset is recognized.

Deferred tax is recognized in the consolidated statements of comprehensive loss, unless it relates to items recognized directly in equity, in which case the deferred tax related to those items is also recognized directly in equity.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

Income (loss) per share

The basic income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. The diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. During the year ended December 31, 2018, all of the outstanding stock options and warrants were anti-dilutive. During the period ended March 31, 2019, all of the stock options and warrants were anti-dilutive.

Share capital

Share-based compensation

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments. These amounts are recorded at the fair value of the equity instrument granted.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the consolidated financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The most significant estimates relate to determining fair value of share-based payments to non-employees and impairment testing of the Company's intangible assets, and taxes.

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 - Financial Instruments ("IFRS 9"). In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: recognition and measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

The new hedge accounting guidance aligns hedge accounting more closely with an entity's risk management objectives and strategies. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it allows more hedging strategies used for risk management to qualify for hedge accounting and introduces more judgement to assess the effectiveness of a hedging relationship, primarily from a qualitative standpoint. The Company has elected to continue with IAS 39 for hedging. This does not have an effect on our reported results.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Receivables	Loans and receivables (amortized cost)	Amortized Cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized Cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's March 31, 2019 consolidated financial statements has been updated as follows:

Financial assets

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

i. Financial assets recorded at FVTPL

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

ii. Amortized cost

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

Financial liabilities

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

i. Amortized cost

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

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

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

ii. **Financial liabilities recorded FVTPL**

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

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

2. Summary of Significant Accounting Policies and Significant Judgments and Estimates (Continued)

Adoption of New and Revised Standards and Interpretations

IFRS 15 – Revenue from Contracts with Customers: The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company's consolidated financial statements. The Company adopted this standard on January 1, 2018 and it did not have a material impact on the financial statements as the Company is currently not generating operating revenues.

Leases

In January 2016, the IASB issued IFRS 16 – “Leases” (“IFRS 16”), which replaces IAS 17 – “Leases”, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has determined that the new standard did not have a material impact on its consolidated financial statements.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

3. Intangible Assets

	Mineral Properties
Cost	\$
As at January 1, 2018	6,333,554
Additions	15,838
Disposals	(250,324)
As at December 31, 2018	<u>6,099,068</u>
Additions	-
Disposals	-
As at March 31, 2019	<u>6,099,068</u>
Impairment	
As at January 1, 2018	(6,042,091)
Impairment for the year	(56,977)
As at December 31, 2018	<u>(6,099,068)</u>
Impairment in the year	-
As at March 31, 2019	<u>(6,099,068)</u>
Net book value	
As at December 31, 2018	<u>-</u>
As at March 31, 2019	<u>-</u>

Mineral Properties

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Scadding Area mining properties	-	-
Black Diamond mining property	-	-
Berry Desboues Township mining property	-	-
Hebecourt Township mining property	-	-
	<u>-</u>	<u>-</u>

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

3. Intangible Assets (Continued)

Scadding Area Mining Properties

The Company had interests in leases and mineral property options which are contiguous in the area of Scadding, Ontario. These leases/claims were acquired for gold exploration purposes.

The leased property consisted of an option to earn a 51% interest in certain provincial mining leases and mineral claims located in the district of Sudbury in the Province of Ontario. The Scadding claims were acquired by management for gold exploration purposes.

In 2016, the Company entered into a joint venture agreement with Northern Sphere Mining Corp. (“NSM”) for a joint venture project on the Company’s Scadding property. Under the terms of the agreement, Northern Sphere has earned an 80% interest in the Property and has paid Trueclaim \$75,000. Northern Sphere has the right to earn up to a 90% interest in the Property by developing the Property into gold production. Northern Sphere may purchase the remaining 10% interest for a purchase price of \$2,000,000. As result of disposing 80% in the Scadding property, the Company recognized an impairment loss of \$4,654,489 on the remaining 20% interest of the property in the year 2016.

Sale of Scadding Area Mining Properties

On September 13, 2018, the Company entered into a purchase and sale agreement with Northern Sphere Mining Corp. with the Company’s Scadding property. Under the terms of the agreement, Northern Sphere acquired the remaining 20% and 10.2% interests in the Scadding Property held by the Company for \$nil proceeds. Included in the terms of the agreement, Northern Sphere agreed to indemnify the Company of an amount of up to 50% of the amount of potential liabilities related to the Company’s issuance of flow-through shares in the year 2011, to a maximum amount of \$200,000. As result of disposing its interest the Scadding property, the Company recognized a gain of \$18,555 on the remaining 20% and 10.2% interests of the property during the year ended December 31, 2018. Trueclaim will no longer be subject to any commitments going forward with respect to the Scadding mineral properties.

Black Diamond Mining Property

The Company had an option to acquire 100% working interest in a mineral property option in the area of Gila County, Arizona. These claims were acquired for silver exploration purposes. The Black Diamond property was subject to a 10% net smelter return royalty, which can be reduced to 1% subject to the Company completing a series of payment requirements to the claim holder.

On July 1, 2015, the Company entered into a joint venture agreement with Northern Sphere Mining Corp. (“NSM”). The Company received \$180,000 in consideration for an 80% interest in the Black Diamond Property. NSM will bring the mine into silver production and take over all commitments going forward on this property. As a result of the joint venture, the Company recognized a loss on the sale of the property of \$823,463 and an impairment loss of \$446,640 on the remaining 20% interest of the property.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

3. Intangible Assets (Continued)

Sale of Black Diamond Property

On September 13, 2018, the Company entered into a purchase and sale agreement with Northern Sphere Mining Corp. with the Company's Black Diamond property. Under the terms of the agreement, Northern Sphere acquired the remaining 20% interest in the Black Diamond Property held by the Company for \$nil proceeds. As result of disposing its interest in the Black Diamond property, the Company recognized a loss of \$45,000 on the remaining 20% interest of the property during the year ended December 31, 2018. Trueclaim will no longer be subject to any commitments going forward with respect to the Black Diamond mineral properties.

Berry Desboues and Hebecourt Mining Properties

The Company had renewed the option agreements in September 2017 for the Berry-Desboues and Hebecourt mining properties in Quebec with the Optionor and the Company was required to fulfill the following:

Berry Desboues Mining Property

1. The Company must issue 300,000 common shares to the Optionor on or before September 29, 2021;
2. The Company must make additional cash payments of \$190,000 CAD to the Optionor on or before September 29, 2021; and
3. The Company must incur an aggregate of \$800,000 CAD in mineral exploration costs on or before September 29, 2021.

Hebecourt Mining Property

1. The Company must issue 300,000 common shares to the Optionor on or before September 29, 2021;
2. The Company must make additional cash payments of \$90,000 CDN to the Optionor on or before September 29, 2021; and
3. The Company must incur an aggregate of \$475,000 CDN in mineral exploration costs on or before September 29, 2021;

Termination of Berry Desboues Property and Hebecourt Property Option Agreements

Effective September 28, 2018, the Company terminated the Option Agreements with Frank Tagliamonte for the Berry Desboues Property and the Hebecourt Property which are located in Quebec, Canada. The Company's subsidiary Northern Skye Resources Ltd., transferred all the mining claims for the Berry Desboues and Hebecourt properties to Frank Tagliamonte and therefore, the Company will no longer be subject to any commitments going forward with respect to these two mineral properties. As a result of the termination of the Option Agreements and transfer of the mining claims, the Company recognized an impairment loss on the disposition of these mineral properties of \$56,977 during the year ended December 31, 2018.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

4. Share Capital

Authorized

Unlimited number of common shares without par value

Issued

Common Shares	Note	March 31, 2019		December 31, 2018	
		<u>Number</u>	<u>Amount (\$)</u>	<u>Number</u>	<u>Amount (\$)</u>
Beginning of period		35,937,753	9,939,107	3,330,953	8,861,507
Common shares issued	4a	-	-	32,606,800	3,260,680
Less: Fair value of warrants	4a	-	-	-	(1,555,018)
Share issue costs	4c	-	-	-	(628,062)
Balance		35,937,753	9,939,107	35,937,753	9,939,107

Warrants	Note	March 31, 2019		December 31, 2018	
		<u>Number</u>	<u>Amount (\$)</u>	<u>Number</u>	<u>Amount (\$)</u>
Beginning of period		34,975,280	1,902,550	-	-
Warrants expired	4b	-	-	-	-
Warrants issued	4b	-	-	32,606,280	1,555,018
Finders' warrants issued	4b	-	-	2,369,000	347,532
Balance		34,975,280	1,902,550	34,975,280	1,902,550

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

4. Share Capital (Continued)

a) Common Shares

(i) On October 19, 2017, the Company's common shares were consolidated on a 10-1 basis whereby the issued and outstanding common shares decreased from 33,309,764 to 3,330,953. The TSXV approved the share consolidation and the common shares commenced trading with a new CUSIP number of October 20, 2017.

(ii) On May 4, 2018, the Company completed a non-brokered private placement (the "Financing") by issuing 32,606,800 units ("Units") at a price of \$0.10 per Unit for gross proceeds of \$3,260,680. Included in the gross proceeds is a total of 4,566,800 common shares with a gross value of \$456,680 raised in the private placement financing were issued to settle certain debt of the Company included in accounts payable and accrued liabilities. Each Unit consists of one common share and one common share purchase warrant ("Warrant"), with each Warrant being exercisable to acquire one common share of the Company at a price of \$0.12 until May 3, 2023, subject to a hold period expiring on September 4, 2018. The Company intends to use the net proceeds of the Financing for general corporate purposes.

The fair value of the warrants was \$1,555,018 and calculated using the Black Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 144.1556%; (iii) risk free rate of 1.71%; and (iv) with an expected life of 5.0 years; (v) share price of \$0.16.

(iii) In connection with the Financing, the Company paid \$236,900 and issued 2,369,000 finder's warrants ("Finder's Warrants") to eligible finders. Each Finder's Warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.12 per share until May 3, 2023, subject to a hold period expiring on September 4, 2018.

b) Warrants

(i) During the year ended December 31, 2017, a total of 500,000 warrants expired. The value of the expired warrants of \$10,875 has been transferred to contributed surplus.

(ii) On May 4, 2018, in connection with the Private Placement Financing, the Company issued a total of 32,606,800 common share purchase warrants ("Warrant"), with each Warrant being exercisable to acquire one common share of the Company at a price of \$0.12 until May 3, 2023, subject to a hold period expiring on September 4, 2018. The fair value of the warrants issued was \$1,555,018 and was calculated using the Black Scholes option pricing model.

(iii) In connection with the Financing, the Company issued 2,369,000 finder's warrants ("Finders' Warrants") to eligible finders. Each Finders' Warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.12 per share until May 3, 2023, subject to a hold period expiring on September 4, 2018. The fair value of the finders' warrants was \$347,532 calculated using the Black Scholes pricing model pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 208.8865%; (iii) risk free rate of 1.87%; and (iv) with an expected life of 2.5 years; (v) share price of \$0.16.

c) Share issue costs

The Company incurred share issue costs totaling \$280,530,062 with respect to the issuance of the Units and 347,532 with respect to the issuance of the finders' Warrants for the aggregate proceeds of \$3,260,680 of the private placement financing completed on May 4, 2018.

Trueclaim Exploration Inc.

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5. Stock Options

a) Stock Option Plan

The Company has a stock option plan, which allows the Company to issue options to certain directors, officers, employees and consultants of the Company. Options issued under the plan shall not exceed 10% of shares issued and outstanding at the time of granting of the options. Options granted under the plan may have a maximum term of five years. The exercise price of options granted under the plan will not be less than the market price of the shares (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date), less the applicable discount permitted by the rules of the Exchange. Stock options granted under the plan vest immediately subject to vesting terms, which may be imposed at the discretion of the directors.

During the year ended December 31, 2016, 2,300,000 stock options were granted at an exercise price of \$0.05 (pre-consolidation) over 5 years. Shares based compensation of \$30,926 was calculated using the Black-Scholes model with assumptions of volatility of 168%, risk-free interest rate of 0.61%, dividend rate of 0%, and market price of \$0.015. These stock options expire on March 31, 2021. During the year ended December 31, 2017, a total of 130,000 (pre-consolidation: 1,300,000) stock options expired. On October 19, 2017, the Company's issued and outstanding common shares were consolidated on a 10-1 basis, and as a result the outstanding stock option outstanding are adjusted on a 10: 1 basis similarly as well.

There were no stock option transactions during the three months ended March 31, 2019.

	<u>March 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>
Beginning of year	100,000	\$ 0.50	100,000	\$ 0.50
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance - end of year	<u>100,000</u>	<u>0.50</u>	<u>100,000</u>	<u>0.50</u>

b) Contributed surplus

The fair value of stock options that vest immediately are recorded as an increase to contributed surplus upon issuance of the options. The fair value of stock options that do not vest immediately are recorded as an increase to contributed surplus over the vesting period. On exercise of a stock option, the fair value previously recorded in contributed surplus is removed and recorded as share capital.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended March 31, 2019 and 2018

5. Stock Options (Continued)

The following is the change in contributed surplus for the three months ended March 31, 2019 and the year ended December 31, 2018:

	March 31, <u>2019</u>	December 31, <u>2018</u>
	\$	\$
Opening balance, January 1	2,061,805	2,061,805
Issuance of stock options	-	-
Exercised stock options	-	-
Exercised finders' options	-	-
Expired warrants	-	-
Ending balance	<u>2,061,805</u>	<u>2,061,805</u>

6. Financial Instruments

Fair values

The fair values of financial assets and liabilities included in the statements of financial position are as follows:

	March 31, <u>2019</u>	December 31, <u>2018</u>
	\$	\$
Cash (Level 1)	1,538,827	1,593,545
Receivables	55,910	52,057
Trade payables and accrued liabilities	(290,722)	(298,331)

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the observable inputs used to value the instrument:

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

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment considering factors specific to an asset or liability and may affect placement within the fair value hierarchy.

The carrying value of cash and cash, receivables, and trade payable and accrued liabilities approximate fair value due to their short-term nature. The Company does not have any non-recurring fair value measurements.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

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For the three months ended March 31, 2019 and 2018

7. Financial Risk Factors

Foreign exchange risk

The Company had no revenue, operating expenses, monetary assets or liabilities that were denominated in a foreign currency. Certain expenditures in respect of the Black Diamond mining property were incurred in US dollars.

Credit risk

The Company did not have any commercial customers during the periods presented and is exposed to minimal credit risk through its bank.

Interest rate risk

The Company is exposed to minimal market interest rate fluctuations with respect to its cash and cash equivalents on hand.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2019, the Company had current assets of \$1,600,093 (December 31, 2018 - \$1,653,636) and current liabilities of \$290,722 (December 31, 2018 - \$298,331). During the year ended December 31, 2018, the Company raised gross aggregate proceeds, net of issue costs of \$2,804,200 in capital financing to sustain its operations during the year ended December 31, 2018 (See Note 4).

8. Segment Reporting

The Company is only involved in the business of the exploration of minerals. Segment information is provided on the basis of geographic segments as the Company manages its business through two geographic regions - Canada and the United States of America.

Total assets by geography:

	March 31, 2019		
	Canada	USA	Total
	\$	\$	\$
Total assets	1,600,093	-	1,600,093

Total assets by geography:

	December 31, 2018		
	Canada	USA	Total
	\$	\$	\$
Total assets	1,653,636	-	1,653,636

Trueclaim Exploration Inc.

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For the three months ended March 31, 2019 and 2018

9. Related Party Transactions

During the three months ended March 31, 2019, the Company incurred key management compensation expenses in the amount of \$29,550 (March 31, 2018 - \$18,000). Key management of the Company comprises the Chief Executive Officer and the Chief Financial Officer.

During the three months ended March 31, 2019, the Company incurred legal services provided by a Director in the amount of \$nil (March 31, 2018 - \$nil).

The above related party transactions were conducted in the normal course of business and were measured at the agreed to amounts which were agreed by the related parties.

During the three months ended March 31, 2019, the Company's trade payable and accrued payable balances included \$nil (March 31, 2018 - \$697,560) payable to related parties.

On May 4, 2018, in connection with the non-brokered private placement, the Company issued 850,000 common shares to settle \$85,000 of debt to certain related parties, at a price of \$0.10 per common share.

On May 4, 2018, in connection with the non-brokered private placement, the Company issued 200,000 common shares to a Director of the Company at a price of \$0.10 per common share.

10. Commitments

Issuance of flow-through shares

The Company is partially financed through the issuance of flow-through shares, requiring that the Company spend the proceeds for qualified mining exploration expenses. Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work, subject to penalties if the conditions are not respected. Although the Company is committed to taking all the necessary measures, refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

During the year ended December 31, 2011, the Company received \$770,000 following an issuance of flow-through units and renounced \$769,547 of its tax deductions relating to flow-through expenditures. The Company had until December 31, 2012 to make qualified mining exploration expenses totaling \$769,547 and incurred \$240,796 of qualifying expenditures. As at March 31, 2019, the Company had accrued \$422,772 for penalties, interest and shareholder indemnities relating to the unspent flow through amounts (December 31, 2018 – \$418,749) and recorded interest of \$4,023 (December 31, 2018 - \$16,106) during the period ended March 31, 2019. In accordance in the terms of the Scadding Property Purchase Agreement with Northern Sphere (see Note 3), Northern Sphere agreed to indemnify the Company of an amount of up to 50% of the amount of the potential liabilities, regarding the flow-through expenditures, to a maximum amount of \$200,000.

Trueclaim Exploration Inc.

Notes to Condensed Interim Consolidated Financial Statements

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11. Capital Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares, through short-form prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. As at March 31, 2019, the Company is not subject to externally imposed capital requirements.

12. Contingent Liabilities

Mineral Properties

The Company had certain commitments with respect to its mineral properties located in Canada and in the USA, which are described in detail in Note 3 Intangible Assets. However, as at March 31, 2019 and December 31, 2018, as a result of the sale and disposition of all of its mineral properties in Canada and the USA, the Company is no longer subject to the terms, conditions and commitments associated with those mineral properties for the issuance of common shares, the payment of the cash amounts, and the incurrence of any of the mineral exploration costs obligations going forward for any of the mineral properties.

Leases

As at March 31, 2019, the Company is not committed to any other operating leases or long-term lease obligations related to its business operations at this time except as disclosed herein.

13. Subsequent Event

On March 15, 2019, the Company announced that it has entered into a binding Letter of Intent effective March 8, 2019 with New Wave Holdings Corp. ("New Wave"), an arm's length privately-held corporation, to acquire a 100% interest in New Wave via a business combination transaction that would constitute a reverse take-over of Trueclaim (the "Transaction"). The Transaction contemplates the de-listing for trading of the common shares of Trueclaim (the "Trueclaim Shares") from the TSX Venture Exchange (the "TSXV") and the intended listing for trading of the shares (the "Resulting Issuer Shares") of the resulting issuer (the "Resulting Issuer") on the Canadian Securities Exchange (the "CSE"). The final structure of the Transaction will be determined by New Wave and Trueclaim to accommodate tax considerations, accounting treatment, and applicable legal and regulatory requirements. Upon completion of the Transaction, the Resulting Issuer will continue to carry on the business of New Wave. The closing of the Transaction is subject to Trueclaim and New Wave negotiating and executing definitive documentation, the satisfactory completion of due diligence, conditional approval to list the Resulting Issuer Shares on the CSE, and the receipt of all other necessary regulatory, shareholder and third-party consents and approvals. If it proceeds, the Transaction is expected to close in summer of 2019.