VETA RESOURCES INC.
(formerly Southeast Asia Mining Corp.)

Consolidated Financial Statements

For the years ended
December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Veta Resources Inc. (formerly Southeast Asia Mining Corp), are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Brian Jennings"
Brian Jennings
CEO

"Marco Guidi"
Marco Guidi
CFO

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Independent Auditors Report

To the Shareholders of Veta Resources Inc.

Opinion

We have audited the consolidated financial statements of Veta Resources Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income (loss) and comprehensive income (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("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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 $1,244,754 during the year ended December 31, 2018, has limited working capital and accumulated losses of $3,212,661 as of December 31, 2018, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 risks 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.

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 of the audit resulting in this independent auditor's report is Chris Milios.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 21, 2019

Veta Resources Inc.

(formerly Southeast Asia Mining Corp)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

		December 31, 2018		December 31, 2017
Assets				
Current Assets				
Cash and cash equivalents *(Note 6)*	**$**	**377,448**	$	164,109
Marketable securities *(Note 7)*		**53,952**		137,329
Receivables *(Note 8)*		**3,034**		5,466
Prepaid expenses		**13,122**		4,685
Total assets	**$**	**447,556**	$	311,589
Liabilities				
Current Liabilities				
Trade and other payables *(Notes 9 and 10)*	**$**	**256,172**	$	160,089
Total Liabilities		**256,172**		160,089
Shareholders' Equity				
Share capital *(Note 11)*		**1,085,638**		-
Reserve for warrants *(Note 12)*		**900,000**		876,000
Reserve for share based payments *(Note 14)*		**1,418,407**		1,243,407
Accumulated deficit		**(3,212,661)**		(1,967,907)
Total Shareholders' Equity		**191,384**		151,500
Total Liabilities and Shareholders' Equity	**$**	**447,556**	$	311,589

Nature of Operations (Note 1)
Commitments and contingencies (Notes 16 and 18)
Subsequent Events (Note 19)

Approved on behalf of the Board of Directors on March 21, 2019

"Chris Irwin" (signed)
Director

"Albert Contardi" (signed)
Director

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

Veta Resources Inc.

(formerly Southeast Asia Mining Corp)

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

(Expressed in Canadian Dollars)

Year ended December 31,	**2018**	2017
Expenses		
Management and consulting fees *(Note 9)*	**$ 128,199**	$ 53,500
Exploration and evaluation expenditures *(Note 16)*	**890,967**	140,527
Share based payments *(Notes 9 and 13)*	**175,000**	-
Office and general	**14,251**	13,795
Professional fees *(Note 9)*	**32,478**	45,065
Shareholder information and regulatory costs	**31,756**	10,837
Foreign exchange (gain)	**(7,888)**	(35,618)
Total expenses	**$ (1,264,763)**	$ (228,106)
Other income		
Interest income	**-**	3,260
Realized gain on marketable securities *(Note 7)*	**24,712**	245,714
Unrealized (loss) on marketable securities *(Note 7)*	**(67,203)**	(21,468)
Gain on forgiveness and settlement of debt *(Notes 11)*	**62,500**	959,294
Total (loss) income and comprehensive (loss) income	**$ (1,244,754)**	$ 958,694
(Loss) income per share		
- Basic	**$ (0.10)**	$ 0.14
- Diluted	**$ (0.10)**	$ 0.14
Weighted average number of shares outstanding (000's):		
- Basic	**12,350**	6,716
- Diluted	**12,350**	6,716

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

Veta Resources Inc.
(formerly Southeast Asia Mining Corp)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Capital Stock		Reserves				
	Number of shares	Amount	Warrants	Share-based payments	Convertible debenture	Accumulated deficit	Total
Balance at December 31, 2016	**3,947,756**	**$ 19,146,793**	**$ 876,000**	**$ 1,243,407**	**$ 711,494**	**$ (22,412,011)**	**$ (434,317)**
Shares issued for settlement of debt	1,375,294	192,541	-	-	-	-	192,541
Shares issued for services	750,000	105,000	-	-	-	-	105,000
Shares issued on conversion of convertible debentures	1,884,000	263,760	-	-	(711,494)	493,452	45,718
Return of capital (Note 11)	-	(716,136)	-	-	-	-	(716,136)
Reduction of deficit (Note 11)	-	(18,991,958)	-	-	-	18,991,958	-
Net income for the year	-	-	-	-	-	958,694	958,694
Balance at December 31, 2017	**7,957,050**	**$ -**	**$ 876,000**	**$ 1,243,407**	**$ -**	**$ (1,967,907)**	**$ 151,500**
Shares issued for cash	6,806,731	1,021,010	-	-	-	-	1,021,010
Cash cost of issuance	-	(11,372)	-	-	-	-	(11,372)
Share cost of issuance	-	(63,381)	-	-	-	-	(63,381)
Finders fee - shares	422,539	63,381	-	-	-	-	63,381
Finders fee - broker warrants	-	(24,000)	24,000	-	-	-	-
Shares issued for settlement of debt	1,250,000	62,500	-	-	-	-	62,500
Shares issued for services	750,000	37,500	-	-	-	-	37,500
Share based payments	-	-	-	175,000	-	-	175,000
Net loss for the year	-	-	-	-	-	(1,244,754)	(1,244,754)
Balance at December 31, 2018	**17,186,320**	**$ 1,085,638**	**$ 900,000**	**$ 1,418,407**	**$ -**	**$ (3,212,661)**	**$ 191,384**

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

Veta Resources Inc.

(formerly Southeast Asia Mining Corp)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Year ended December 31,		**2018**		2017
Operating activities				
Net (loss) income for the year	**$**	**(1,244,754)**	$	958,694
Non-cash items:				
Unrealized loss on marketable securities		**67,203**		21,468
Realized gain on marketable securities		**(24,712)**		(245,714)
Share based payments		**175,000**		-
Gain on forgiveness of debt		**(62,500)**		(959,294)
Shares issued for services		**37,500**		105,000
Net change in non-cash working capital:				
Prepaid expenses		**(8,437)**		(4,685)
Receivables		**2,432**		(4,149)
Trade and other payables		**221,083**		(28,236)
Cash flows (used in) operating activities		**(837,185)**		(156,916)
Investing activities				
Proceeds received from sale of marketable securities		**40,886**		462,531
Cash flows from investing activities		**40,886**		462,531
Financing activities				
Proceeds from issuance of shares		**1,021,010**		-
Share issue costs		**(11,372)**		
Return of capital		**-**		(716,136)
Cash flows from (used in) financing activities		**1,009,638**		(716,136)
Net increase (decrease) in cash and cash equivalents		**213,339**		(410,521)
Cash and cash equivalents, beginning of year		**164,109**		574,630
Cash and cash equivalents, end of year	**$**	**377,448**	$	164,109

Supplemental Information

(i) Shares issued for debt settlement	**$**	**62,500**	$	192,541
(ii) Shares issued for services	**$**	**37,500**	$	105,000
(iii) Shares issued for commission on financing	**$**	**63,381**	$	-
(iv) Shares issued on settlement of convertible debentures	**$**	**-**	$	263,760

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Veta Resources Inc. ("Veta", or "the Company"), formerly Southeast Asia Mining Corp., was incorporated on August 18, 2006 under the Canada Business Corporations Act. Its principal business activity is mineral exploration and evaluation in Chile through its wholly owned subsidiaries Veta Resources Chile SpA, Minera Joy SpA, and Minera Veta SpA ("Veta Chile"). The Company's head office is located at 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1.

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable mineral deposits. The underlying value of the mineral properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development if those properties are proven successful, and future profitable production.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do no guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

The Company is at an early stage of development and, as is common with many exploration companies, it relies on financings to fund its exploration and acquisition activities. The Company had a surplus of current assets over current liabilities of $191,384 at December 31, 2018; had not yet achieved profitable operations; had accumulated losses of $3,212,661 at December 31, 2018; and expects to incur further losses in the development of its business. Veta does not have adequate cash resources to fund its operations over the next twelve months and will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. There can be no certainty as to the ability of the Company to raise sufficient additional financing in order to continue to operate, and accordingly, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Company's Consolidated Financial Statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the IFRS and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized by the Board of Directors of the Company on March 21, 2019.

2.2 Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PREPARATION (continued)

2.3 Use of management estimates, judgments and measurement uncertainty

The preparation of these consolidated financial statements using accounting policies in accordance with IFRS requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

Calculation of share based payments and warrants

The Black-Scholes option pricing model is used to determine the fair value for the share based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company’s provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Functional currency

The Company’s management is required to make judgments as to the currency of the primary economic environment in which an entity operates to determine the functional currency of the entity. The Company has determined the functional currency of the parent company to be the Canadian dollar and Veta Chile to be the US dollar.

Contingencies

See Note 18.

2. BASIS OF PREPARATION (continued)

2.4 Adoption of new and revised standards and interpretations

Adoption of New Standards

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 9 Financial Instruments ("IFRS 9") – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9's key changes include but are not limited to eliminating the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale and (ii) replacing IAS 39's incurred loss model with the expected credit loss model in evaluating certain financial assets for impairment. In implementing IFRS 9, the Company updated the financial instrument classifications within its accounting policy as follows:

	IAS 39	**IFRS 9**
Cash	Loans and receivables	Amortized cost
Cash Equivalents	Fair Value through profit or loss	Fair Value through profit or loss
Marketable securities	Fair Value through profit or loss	Fair Value through profit or loss
Receivables	Loans and receivables, measured at amortized cost	Amortized cost
Trade and other payables	Financial liabilities at amortized cost	Financial liabilities at amortized cost

There was no material impact on the Company's consolidated financial statements upon adoption of this standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary; Veta Resources Chile SpA, a company based in Chile.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

3.2 Exploration and evaluation expenditures

All acquisition, exploration and evaluation costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized to mineral properties or property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base. Consideration received under option agreements is recorded as other income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Decommissioning liability ("Asset retirement obligation" or "ARO")

A legal or constructive obligation incurred to pay for restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities in the past, the resulted amount is probable to be settled by a future outflow of resources and a reliable estimate can be made of the obligation. Discount rates using a pre-tax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing for the underlying cash flows needed to settle the obligation.

The Company has no decommissioning liability as at December 31, 2018 and 2017.

3.4 Share-based payments

Share-based payment transactions
Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Share based payment transactions involving non-employees are measured at the estimated fair value of the goods or services received. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

Equity-settled transactions
The costs of equity-settled transactions with employees are measured by reference to the estimated fair value of the equity instruments at the date on which they are granted

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided, that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Taxation

Income tax expense represents the sum of tax currently payable and deferred income tax.

Current income tax
Current income tax assets and liabilities for the current and prior periods 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 by the date of the statement of financial position.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Taxation (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.6 (Loss) income per share

The basic (loss) income per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted (loss) income 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 year, if dilutive. Diluted (loss) income per share assumes that the proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the year. During the years ended December 31, 2018 and 2017, all of the outstanding stock options and warrants were anti-dilutive.

3.7 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost.

Financial assets classified as FVTPL are measured at fair value with realized and unrealized gains and losses recognized through net loss. The Company's cash equivalents and marketable securities are classified as FVTPL.

Financial assets classified as amortized cost are initially measured at fair value. Subsequently they are measured at amortized cost. The Company's cash, and trade and other receivables are classified as loans and receivables.

Financial assets classified as FVOIC are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary, in which case the losses are recognized in the statement of loss. As at December 31, 2018 and 2017, the Company had no assets classified as FVOIC.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost.

Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period. The Company's trade and other payables and certain convertible debentures are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At December 31, 2018 and 2017, the Company has no financial liabilities classified as FVTPL.

3.9 Impairment of financial assets

The Company assesses at each statement of financial position date whether a financial asset is impaired.

Assets carried at amortized cost

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 asset's 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 the statement of loss and comprehensive 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. Any subsequent reversal of an impairment loss is recognized in the statement of loss and comprehensive loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in the statement of loss and comprehensive loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

FVOIC

If an FVOIC asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in net income or loss, is transferred from equity to the statement of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense. As at December 31, 2018 and 2017, the Company has no obligations that require provisions.

3.12 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, which includes key management and family of key management. Parties are also considered to be related if they are subject to common control or common significant influence, and related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the fair value.

3.13 Foreign currency transactions

Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Canadian dollars which is the group’s presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of (loss) income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Convertible debentures

When convertible debentures are issued, the Company analyzes their terms and conditions and first assesses whether the debenture is an equity or liability instruments using the criteria provided in IAS 32. The Company may also conclude that the convertible debentures have both debt and equity components. Where there is a debt component that meets the definition of a financial liability and also an equity component where the debenture holder has a conversion option, the following paragraphs describe that accounting treatment.

The component parts of convertible debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date.

The conversion right classified as equity is determined by deducting the amount of the liability component from the fair value of the convertible debenture as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion right classified as equity will remain in equity until the conversion right is exercised, in which case, the balance recognized in equity will be transferred to share capital. When the conversion rights remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to accumulated deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion right.

4. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, comprising share capital, reserve accounts, and accumulated deficit which at December 31, 2018 totaled $191,384 (December 31, 2017 - $151,500).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2018. The Company is not subject to any capital requirements.

5. FINANCIAL INSTRUMENTS

Fair value hierarchy and fair value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the 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);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data.

At December 31, 2018 and December 31, 2017, the Company's marketable securities are based on Level 1 inputs.

As at December 31, 2018 and December 31, 2017, the carrying and fair value amounts of the Company's other financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) **Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash and cash equivalents**– Cash and cash equivalents are held with a major Canadian (chartered bank) and a United Kingdom brokerage and therefore the risk of loss is minimal.

b. **Receivables** – The Company is not exposed to significant credit risk from its trade and other receivables.

The Company's maximum exposure to credit risk as at December 31, 2018 and December 31, 2017 is the carrying value of cash and cash equivalents and receivables.

5. FINANCIAL INSTRUMENTS (continued)

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. At December 31, 2018 the Company had a working capital of $191,384 (December 31, 2017 – $151,500). Working capital as at December 31, 2018 consisted of: cash of $377,448, an investment in Metal Tiger common shares of $53,952, receivables of $3,034, prepaid expenses of $13,122, and trade and other payables of $256,172. There can be no assurance the investment in Metal Tiger common shares can be sold at the current market value. The Company had not yet achieved profitable operations, has accumulated losses of $3,212,661 (December 31, 2017 – $1,967,907) and expects to incur further losses in the development of its business.

iii) Price risk

The Company holds the common shares of a London Stock Exchange traded company. The Company has classified this investment as FVTPL and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions. A 10% increase (decrease) in the share price would increase (decrease) net loss by approximately $5,000 (2017 - $14,000).

iv) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

v) Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars, US dollars and UK Pounds. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

A 1% strengthening (weakening) of the Canadian dollar against the UK Pound and US dollar would decrease (increase) net loss by less than $600 (2017 - $1,000), and $100 (2017- $200), respectively.

December 31, 2018	**UK Pounds**	**US Dollars**
Cash	**-**	**4,706**
Investment	**53,952**	**-**
	53,952	**4,706**

December 31, 2017	UK Pound	US Dollars
Cash	114,578	23,448
Investment	137,329	-
	251,907	23,448

(Expressed in Canadian dollars)

6. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance at December 31, 2018, consists of $377,448 on deposit with Canadian financial institutions (December 31, 2017 - $164,109). As at December 31, 2018 and December 31, 2017, the Company has no cash equivalents.

7. MARKETABLE SECURITIES

Marketable securities are comprised of 2,475,000 (December 31, 2017 – 3,475,000) shares of Metal Tiger. The Company has classified this investment as FVTPL.

As at December 31, 2018, the shares were valued at their fair value of $53,952 ($0.02 per share) (December 31, 2017 - $137,329 ($0.04 per share)) based on current market price. The impact to the financial statements of this revaluation to market value resulted in an unrealized loss of $67,203 for the year ended December 31, 2018 (2017 – $21,468).

During the year ended December 31, 2018, the Company sold 1,000,000 (2017 – 12,164,000) shares of Metal Tiger for proceeds of $40,886 (2017 - $462,531). As a result of the sale, the Company recorded a realized gain on sale of marketable securities of $24,712 for the year ended December 31, 2018 (2017 - $245,714).

8. RECEIVABLES

	As at,	
	December 31, 2018	December 31, 2017
Taxes recoverable (i)	**$ 3,034**	$ 5,466
Total Receivables	**$ 3,034**	$ 5,466

(i) The taxes recoverable amount as at December 31, 2018 was not past due.

At December 31, 2018, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2018.

(Expressed in Canadian dollars)

9. RELATED PARTY DISCLOSURES AND KEY MANAGEMENT COMPENSATION

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management includes the following:

	December 31, 2018	December 31, 2017
Employee benefits and consulting fees	**$ 240,000**	$ 72,500
Share based payments	**138,000**	-
Total compensation to key management	**$ 378,000**	$ 72,500

At December 31, 2018, included in trade and other payables is $128,000 (December 31, 2017 - $19,000) due to these key management personnel.

During the year ended December 31, 2018, the Company converted $75,000 of trade debt to 750,000 shares with a related party. The Company also issued 750,000 shares to the Chief Executive Officer of the Company for services provided. Directors and officers subscribed for 668,332 common shares in the July 11, 2018 private placement.

During the year ended December 31, 2018 the Company incurred $12,766 (December 31, 2017 - $26,324) in legal fees with a law firm where a director is a partner.

During the year ended December 31, 2017, the Company also converted $147,216 of trade debt to 294,432 shares and $173,428 debentures to 346,856 shares with entities related to directors of the Company. The Company also issued 750,000 shares to the Chief Executive Officer of the Company for services provided.

10. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities.

The following is an aged analysis of the trade and other payables:

	As at,	
	December 31, 2018	December 31, 2017
Less than one month	**$ 16,768**	$ 36,636
Over one month	**239,404**	123,453
Total Trade and Other Payables	**$ 256,172**	$ 160,089

(Expressed in Canadian dollars)

11. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. On June 8, 2018, the Company consolidated the common shares in the capital of the Company on a 1 for 10 basis. The issued and outstanding common shares consist of the following:

	No. of Shares	Amount
Balance at December 31, 2016	**3,947,756**	**$ 19,146,793**
Shares issued for settlement of debt	1,375,294	192,541
Shares issued for conversion of debentures	1,884,000	263,760
Shares issued for services	750,000	105,000
Return of capital	-	(716,136)
Reduction of deficit	-	(18,991,958)
Balance at December 31, 2017	**7,957,050**	**$ -**
Shares issued for settlement of debt	1,250,000	62,500
Shares issued for services	750,000	37,500
Shares issued for cash	6,806,731	1,021,010
Share issue costs – cash	-	(11,372)
Share issue costs – shares	-	(63,381)
Finders fee – shares	422,539	63,381
Finders fee – broker warrants	-	(24,000)
Balance at December 31, 2018	**17,186,320**	**$ 1,085,638**

Activity during the year ended December 31, 2018:

On July 11, 2018, the Company closed a non-brokered private placement by issuing 5,806,731 common shares at a price of $0.15 per common share for gross proceeds of $871,009. Certain eligible persons (the "Finders") were issued 342,539 common shares equal to 8% of the proceeds raised from subscribers introduced to the Company by such Finders, and also issued 305,205 broker warrants (the "Broker Warrants") equal to 8% of the securities purchased by such subscribers. Each Broker Warrant entitles the holder thereof to purchase one common share for a period of two years at a price of $0.15 per common shares. On August 23, 2018, the Company closed the second tranche of its non-brokered private placement by issuing 1,000,000 common shares at a price of $0.15 per common share for gross proceeds of $150,000. Certain Finders were issued 80,000 common shares equal to 8% of the proceeds raised from subscribers introduced to the Company by such Finders.

On June 19, 2018, the Company completed a debt settlement whereby it satisfied $125,000 of trade payables through the issuance of 1,250,000 common shares of the Company with a fair value of ($0.05 per share). As a result of this transaction a gain on settlement of debt of $62,500 was recorded. The Company also issued 750,000 common shares with a fair value of $37,500 ($0.05 per share) to the Chief Executive Officer of the Company in connection with past services provided.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

Activity during the year ended December 31, 2017:

On December 21, 2017 the Company completed a return of capital distribution of $0.009 per share, for an aggregate cash distribution of $716,136, which was approved at the annual shareholders meeting held on December 3, 2017. The shareholders of the Company also approved the elimination of the deficit at December 31, 2017 of $18,991,958 by way of a corresponding reduction to share capital.

On April 24, 2017 the Company completed a debt restructuring whereby it converted $687,647 of trade debt to 1,375,294 shares of the Company with a value of $192,541 ($0.14 per share – based on the intrinsic value of the Company's net assets at the time of the transaction) resulting in a gain on settlement of debt of $495,106. The Company also converted all outstanding debentures with a face value of $942,000 to 1,884,000 shares of the Company with a value of $263,760 ($0.14 per share – based on the intrinsic value of the Company's net assets at the time of the transaction) resulting in a gain on settlement of debt of $678,260, of which $493,452 was booked directly to deficit, related to convertible debentures classified as equity as described in note 15. The Company also issued 750,000 shares to the Chief Executive Officer of the Company for services provided with a value of $105,000 ($0.14 per share – based on the intrinsic value of the Company's net assets at the time of the transaction).

12. RESERVE FOR WARRANTS

The following table reflects the continuity of warrants for the years ended December 31, 2018 and 2017:

	Number of Warrants	Amount
Balance – December 31, 2016 and 2017	**980,575**	$ 876,000
Broker warrants issued	**305,205**	24,000
Balance – December 31, 2018	**1,285,780**	$ 900,000

The share purchase warrants issued pursuant to the private placement on July 11, 2018 are described in Note 11 above and have a fair value of $24,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.95%	Expected volatility based on comparables	100%
Expected Dividend yield	nil	Expected life-units	2 years

Warrants to purchase common shares carry exercise prices and terms to maturity at December 31, 2018 as follows:

Exercise price $	Number of outstanding warrants	Expiry Date
0.15	305,205	July 11, 2020
2.80	852,154	3 years post liquidity event***
2.00*	85,614	3 years post liquidity event***
2.80**	42,807	3 years post liquidity event***
Total	1,285,780	

* These are broker warrants which are issuable for one common share and ½ purchase share warrant
** To be issued upon exercise of broker warrants
*** Exercisable for three years from the date the shares are listed on a recognized Canadian stock exchange.

(Expressed in Canadian dollars)

13. SHARE BASED PAYMENTS

Share based payments

The Company has an incentive stock option plan ("the Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding capital stock increases.

The Plan provides that it is solely within the discretion of the Board to determine who will receive stock options and in what amounts. In no case, calculated at the time of grant, shall the Plan result in:

- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The maximum number of options which may be reserved for issuance to insiders of the Company shall not exceed 10% of the outstanding shares of the Company;
- The maximum number of options which may be issued to any insider of the Company, together with any previously established or proposed share based payment arrangements, within a 12-month period shall not exceed 5% of the outstanding shares of the Company.
- The maximum number of options, which may be issued to insiders of the Company, together with any previously established or proposed share based payment arrangements within a 12-month period shall not exceed 10% of the outstanding shares of the Company.

As at December 31, 2018, the Company had 168,632 (December 31, 2017 – 795,706) options remaining for issuance under the plan.

Summary of stock option activity is as follows:

	Number of stock options (outstanding and exercisable)	Weighted average exercise price
Beginning, December 31, 2016 and 2017	-	$ -
Granted	1,550,000	$ 0.15
Ending, December 31, 2018	**1,550,000**	**$ 0.15**

The weighted average remaining contractual life for outstanding options is as follows:

Price Range	**Expiry dates**	**Number of Options (outstanding and exercisable)**	**Weighted Average Remaining Life (years)**	**Weighted Average Exercise Price**
$0.15	October 11, 2023	1,550,000	4.86	$ 0.15
$0.15		1,550,000	4.86	$ 0.15

(Expressed in Canadian dollars)

13. SHARE BASED PAYMENTS

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based payments for the stock options granted:

	October 11, 2018
Number of options granted	1,550,000
Weighted average information	
Exercise price	$0.15
Market price	$0.15
Risk-free interest rate	2.38%
Expected life	5 years
Expected volatility based on comparables	100%
Vesting	100% immediately
Expected dividends	0
Fair value of options granted	$ 175,000
Total share based payments	$ 175,000

The weighted average grant-date fair value of options granted during the year ended December 31, 2018 is $0.12 (December 31, 2017 - $nil) per option issued.

14. RESERVE FOR SHARE BASED PAYMENTS

A summary of the changes in the Company's reserve for share based payments for the years ended December 31, 2018 and 2017 is set out below:

	December 31, 2018	December 31, 2017
	Amount ($)	Amount ($)
Balance at beginning of year	**1,243,407**	1,243,407
Share based payments	**175,000**	-
Balance at the end of year	**1,418,407**	1,243,407

15. CONVERTIBLE DEBENTURES

A) SERIES 1

On December 7, 2012 and February 13, 2013, the Company closed the first and second tranches respectively of its brokered private placement of unsecured convertible debentures for total gross proceeds of $983,156, broken down into gross proceeds of $927,296 from the December 7, 2012 tranche and gross proceeds of $55,860 from the February 13, 2013 tranche. These debentures were issued at a 2% discount to face value. Therefore, face value of these debentures issued was $1,003,220. On the maturity date, each debenture would be convertible into units of the Company at a price of $3.50 per unit prior to June 30, 2013 and at a price of $3.00 per unit thereafter. Each unit consisted of one common share in the capital of the Company and one-half of a common share purchase warrant. Each warrant entitled the holder thereof to purchase one common share at a price of $5.00 common share in the event that the maturity date is prior to June 30, 2013, and at a price of $4.00 in the event the maturity date is after June 30, 2013 for a period of two years from the maturity date. The maturity date is the earlier of: the date the Company receives approval for the listing of its common shares on a recognized stock exchange; the date upon which a change of control occurs; and December 31, 2014.

On March 11, 2015, the Company paid dividends of $53,510 by issuing 17,837 common shares with respect to convertible debentures issued on December 7, 2012 with a principal amount of $224,500. Dividends were paid for the period January 1, 2014 to March 11, 2015 and pursuant to the terms of the debentures the common shares were issued at a price of $3.00. On March 11, 2015, the Company also converted the same debentures with a principal amount of $224,500 to 74,833 units of the Company at a conversion price of $3.00 per unit. Each unit consisted of one common share in the capital of the Company and one-half of a common share purchase warrant which entitled the holder thereof to purchase one common share at a price of $4.00 to December 31, 2016.

During the year ended December 31, 2015, the Company entered into Acknowledgement, Forbearance & Direction Agreements (“Forbearance Agreements”) with all other convertible debenture holders issued on December 7, 2012 and February 13, 2013 and not subject to the conversion on March 11, 2015 in the aggregate principal amount of $778,720. Pursuant to the Forbearance Agreements, the convertible debenture holders agreed to waive the right to all dividend payments commencing January 1, 2014 and to negotiate in good faith to amend certain terms of the convertible debenture.

The rate of interest on the debentures (paid on March 11, 2015 and subject to the Forbearance Agreements) is 20% per annum (adjusted rate based on the high risk of the Company), payable quarterly in equal installments on March 31, June 30, September 30 and December 31 of each year in cash or common shares, at the option of the Company.

These debentures were classified as equity and any interest was treated as dividends in these consolidated financial statements.

See Note 11.

15. CONVERTIBLE DEBENTURES (Continued)

B) SERIES 2

On November 21, 2013, the Company closed a non-brokered private placement of unsecured convertible debentures for gross proceeds of $180,105. The debentures were issued at a 2% discount to the face value of $183,780. On the maturity date, each debenture would be convertible into units of the Company at a price deemed to be a 20% discount to the price of securities issued in connection with a qualifying transaction. Each unit consists of one common share in the capital of the Company and one-half of a common share purchase warrant. Each warrant would entitle the holder thereof to purchase one common share for a period of two years from the maturity date at a price deemed to be a 20% premium to the price of securities issued in connection with a qualifying transaction. The maturity date is the earlier of: the date the Company receives approval for the listing of its common shares on a recognized stock exchange; the date upon which a change of control occurs; December 31, 2014. A qualifying transaction is: a private placement of equity securities of the Company or convertible debt instruments of the Company, where the conversion price of such debt securities is determined; a merger, reverse takeover, amalgamation, arrangement or other reorganization by the Company with another unrelated entity; the sale, lease or transfer of all or substantially all of the Company's assets to any other person or persons; or such other transaction that the directors can reasonably determine a value for the securities of the Company.

On March 11, 2015, the Company paid interest of $4,887 by issuing 1,629 common shares with respect to convertible debentures issued on November 21, 2013 with a principal amount of $20,500. Dividends were paid for the period January 1, 2014 to March 11, 2015 and pursuant to the terms of the debentures the common shares were issued at a price of $3.00. On March 11, 2015 the Company converted the same debentures with a principal amount of $20,500 to units of the Company at a price of $2.40 per unit. Each unit consisted of one common share in the capital of the Company and one-half of a common share purchase warrant which entitled the holder thereof to purchase one common share at a price of $3.20 to December 31, 2016.

During the year ended December 31, 2015, the Company entered into Forbearance Agreements with all other holders of convertible debentures issued on November 21, 2013 and not subject to the conversion on March 11, 2015 in the aggregate principal amount of $163,280. Pursuant to the Forbearance Agreements, the convertible debenture holders agreed to waive the right to all interest payments commencing January 1, 2014 and to negotiate in good faith to amend certain terms of the convertible debenture.

The rate of interest on the debentures (paid on March 11, 2015 and subject to the Forbearance Agreements) was 20% per annum (adjusted rate based on the high risk of the Company), payable quarterly in equal installments on December 31, March 31, June 30, and September 30 of each year in cash or common shares, at the option of the Company.

These debentures were classified as a current liability and any interest was treated as dividends in these consolidated financial statements.

See Note 11.

(Expressed in Canadian dollars)

16. EXPLORATION AND EVALUATION EXPENDITURES

The Company has 100% ownership in exploration licenses under two option agreements located in the Southern Coastal Range of Chile. The terms of the option agreements are as follows:

JOY East Property Option
Veta has the option to earn 85% interest in four exploitation licenses pursuant to the following terms: Cash payments of US $30,000 on August 5, 2018 (paid), US $120,000 on August 5, 2019, US $100,000 on August 5, 2020, US $100,000 on August 5, 2021, US $250,000 on February 2022. At the commencement of a feasibility study, the optionor must fund 15% of all project related expenditures or elect to convert its 15% interest to a 2% net smelter royalty ("NSR"). If the optionor elects to convert to a NSR, the NSR can be purchased by the Company at any time for US $500,000 per annum over four years (total US $2 million).

JOY West Property Option
Veta has the option to earn 100% interest in the several mineral exploration licenses pursuant to the following terms: Cash payments US $40,000 on June 15, 2018 (paid), US $30,000 on December 15, 2018 (paid), US $30,000 on January 15, 2019 which earns 85% (earned subsequent to year end). To earn an additional 15%, or 100% in total the additional option terms are as follows: US $100,000 on December 15, 2019 and a 1% NSR which can be purchased by the Company for US $750,000 four years subsequent to earning 100%, or US $1 million thereafter.

17. SEGMENTED INFORMATION

Operating Segments

At December 31, 2018 the Company's operations comprise a single operating segment exploring and evaluating properties in Chile.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

Geographic Information

Veta's geographic information is as follows:

	December 31, 2018	December 31, 2017
Identifiable assets		
Canada	**$ 393,604**	$ 59,682
UK	**53,952**	251,907
	$ 447,556	$ 311,589

(Expressed in Canadian dollars)

18. INCOME TAXES

Income Tax Provision

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Combined statutory income tax rate	**26.50%**	26.50%
Income tax recovery at statutory rates	**$ (356,000)**	$ 254,000
Difference in foreign jurisdiction tax rates	**-**	-
Non-deductible expenses and other	**47,000**	(25,000)
Tax benefits of losses and temporary differences not recognized	**309,000**	(229,000)
Income tax provision	**$ -**	$ -

The Canadian statutory income tax rate of 26.5% (2017 – 26.5%) is comprised of the federal income tax rate at approximately 15% (2017 – 15%) and the provincial income tax rate of approximately 11.5% (2017 – 11.5%).

Deferred Income Tax

The primary differences which give rise to the deferred income tax assets and liabilities using the deferred tax rate of 26.50% (2017 – 26.50%) at December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred tax assets	**$**	$
Share issuance costs and other	**62,000**	-
Exploration expenditures	**1,882,000**	1,016,000
Non-capital losses carried forward	**7,588,000**	7,349,000
	9,532,000	8,365,000
Less: deferred tax asset not recognized	**(9,532,000)**	(8,365,000)
Net deferred tax assets	**-**	-
Deferred tax liabilities	**-**	-
Net deferred tax liability	**-**	-

(Expressed in Canadian dollars)

18. INCOME TAXES (Continued)

The Company has available for carry forward non-capital losses in Canada of $7,588,000 (2017 - $7,349,000) to offset future taxable income. As at December 31, 2018, the non-capital loss carry forwards expire as follows:

	Canada
	$
2028	1,758,000
2029	1,127,000
2030	1,647,000
2031	1,053,000
2032	641,000
2033	721,000
2034	174,000
2035	114,000
2036	114,000
2038	239,000
	7,588,000

19. SUBSEQUENT EVENTS

Subsequent to year end and pursuant to the JOY West Property Option Agreement, the Company paid US $30,000 to the optionor and earned an 85% interest in the JOY West Property.