FAIRMONT RESOURCES INC.

Financial statements

For the years ended October 31, 2018 and 2017

Expressed in Canadian Dollars

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fairmont Resources Inc.

We have audited the accompanying financial statements of Fairmont Resources Inc., which comprise of the statements of financial position as at October 31, 2018 and 2017, and the statements of loss and comprehensive loss, cash flows and shareholders' deficiency for years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Fairmont Resources Inc.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 28, 2019

FAIRMONT RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	October 31, 2018	October 31, 2017
ASSETS		
CURRENT		
Cash	$ 8,216	$ 1,150
Marketable securities (Note 4 and 5)	67,500	–
Amounts receivable	3,777	591
	79,493	1,741
Exploration and evaluation assets (Note 5)	–	817,526
TOTAL ASSETS	$ 79,493	$ 819,267
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT		
Accounts payable	$ 452,690	$ 458,414
Accrued liabilities	196,511	270,627
Success fee liability (Note 11)	856,118	863,305
Due to related parties (Note 7)	427,868	316,932
TOTAL CURRENT LIABILITIES	1,933,187	1,909,278
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	5,898,290	5,732,582
Equity reserves	1,133,998	1,133,998
Share subscription receivable	(6,000)	(6,000)
Accumulated other comprehensive loss (Note 4)	(52,500)	–
Deficit	(8,827,482)	(7,950,591)
TOTAL SHAREHOLDERS' DEFICIENCY	(1,853,694)	(1,090,011)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$ 79,493	$ 819,267

Nature and Continuance of Operations (Note 1)
Subsequent events (Notes 4, 5 and 13)

Approved on behalf of the Board, February 28, 2019:

"Michael Lerner"
Director

"Binyomin Posen"
Director

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

FAIRMONT RESOURCES INC.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Year ended October 31, 2018	2017
OPERATING EXPENSES		
Administration (Note 7)	$ 17,012	$ 41,676
Advertising and promotion	885	42,124
Audit and accounting	71,480	54,870
Consulting	11,167	48,500
Foreign exchange gain	(7,359)	–
Investor Relations	2,167	67,500
Legal	36,288	221,375
Management (Note 7)	114,000	102,000
Office and miscellaneous	306	39,899
Part XII tax	–	34,650
Registration and transfer fees	29,010	17,688
Share based compensation (Note 6)	–	3,573
Success fee (Note 11)	–	846,343
	(274,956)	(1,520,198)
OTHER INCOME		
Gain on disposal of property (Note 5)	145,000	–
Gain on settlement of debt (Note 6)	–	36,725
Impairment of exploration and evaluation assets (Note 5)	(818,945)	(352,875)
Impairment of Grabasa deposit (Note 10)	–	(217,163)
Reversal of legal fees (Note 11)	72,010	–
NET LOSS	(876,891)	(2,053,511)
OTHER COMPREHENSIVE LOSS		
Net change in fair value of marketable securities (Note 4)	(52,500)	–
COMPREHENSIVE LOSS	$ (929,391)	$ (2,053,511)
LOSS PER SHARE, basic and diluted	($0.24)	($0.56)
Weighted average number of shares outstanding – basic and diluted	3,924,866	3,643,467

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended October 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (876,891)	$ (2,053,511)
Adjustments		
Share-based payments	–	3,573
Impairment of Grabasa deposit	–	217,163
Impairment of exploration and evaluation assets	818,945	352,875
Gain on settlement of debt	–	(36,725)
Gain on disposal of exploration and evaluation assets	(145,000)	–
Changes in non-cash working capital items		
Amounts receivable	(3,186)	1,993
Prepaid expenses	–	5,000
Accounts payable and accrued liabilities	23,862	216,201
Success fee liability	(7,187)	863,305
Due to related parties	172,942	118,256
Net cash used in operating activities	(16,515)	(311,870)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	–	339,000
Share issuance cost	–	(1,695)
Net cash from financing activities	–	337,305
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures, net	(1,419)	(43,026)
Funds received for settlement of exploration and evaluation assets	25,000	–
Net cash from (used in) investing activities	23,581	(43,026)
Change in cash	7,066	(17,591)
Cash, beginning	1,150	18,741
Cash, ending	$ 8,216	$ 1,150

SUPPLEMENTAL INFORMATION

	2018	2017
NON CASH TRANSACTIONS		
Shares issued for exploration and evaluation assets (Note 5)	$ -	$ 52,500
Exploration and evaluation assets included in accounts payable and accrued liabilities	$ -	$ 56,500
Shares of public company received on disposal of exploration and evaluation asset (Note 5)	$ 120,000	$ -

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Shares Subscription Receivable	Equity Reserves	Accumulated Other Comprehensive Loss	Deficit	Total Deficiency
Balance at October 31, 2016	3,148,626	$ 5,323,002	$ (6,000)	$ 1,130,425	$ –	$ (5,897,080)	$ 550,347
Shares issued for exploration and evaluation assets	100,000	52,500	–	–	–	–	52,500
Shares issued for cash	356,786	264,000	–	–	–	–	264,000
Share issuance costs	–	(1,695)	–	–	–	–	(1,695)
Shares issued on exercise of warrants	75,000	75,000	–	–	–	–	75,000
Shares issued on settlement of debt	56,500	19,775	–	–	–	–	19,775
Share based payments	–	–	–	3,573	–	–	3,573
Net loss	–	–	–	–	–	(2,053,511)	(2,053,511)
Balance at October 31, 2017	3,736,912	5,732,582	(6,000)	1,133,998	–	(7,950,591)	(1,090,011)
Shares issued on settlement of debt	331,416	165,708	–	–	–	–	165,708
Net loss	–	–	–	–	–	(876,891)	(876,891)
Other comprehensive loss	–	–	–	–	(52,500)	–	(52,500)
Balance at October 31, 2018	4,068,328	$ 5,898,290	$ (6,000)	$ 1,133,998	$ (52,500)	$ (8,827,482)	$ (1,853,694)

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Fairmont Resources Inc. (the "Company") was incorporated on May 25, 2007 under the British Columbia Business Corporations Act. The Company's head office address is Suite 820 – 1130 West Pender Street, Vancouver, BC V6E 4A4, Canada. The registered and records office address is Suite 820 – 1130 west Pender Street, Vancouver, BC V6E 4A4, Canada. The Company was listed on the TSX Venture Exchange under the symbol "FMR". On October 26, 2018, shares of the Company were delisted from the TSX Venture Exchange subsequent to the approval by the shareholders of the Company in its annual general meeting and special meeting on September 21, 2018.

The Company is primarily engaged in the acquisition, exploration and development of mineral properties. As at October 31, 2018, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the exploration and evaluation assets or proceeds from the disposition of the exploration and evaluation asset.

The Company expects to incur further losses, and require additional equity financing, in the development of its business and to meet its obligations. While the Company has been successful at raising additional equity financing in the past, there is no guarantee that it will continue to do so in the future, which casts significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company are presented in Canadian dollars unless otherwise indicated, the functional currency of the Company.

b) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of exploration and evaluation assets and deferred exploration costs, share-based payments and deferred tax valuation allowance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Use of estimates (continued)

Significant assumptions about the future and other sources of estimated uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

1) the carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;
2) the inputs used in the accounting for the deferred tax assets / liabilities; and
3) the inputs used in the accounting for share-based payment expense included in profit or loss.

c) Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income taxes

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

e) Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provision for closure and reclamation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at October 31, 2018 and 2017.

g) Share-based payments

The Company applies the fair value method to share-based payments and all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in equity reserves. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity reserves are credited to share capital.

h) Basic and diluted loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses the exercise of outstanding options and warrants has not been included in this calculation as it would be anti-dilutive.

i) Flow through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

j) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments

Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide objective evidence of impairment, which are recognized in net loss. The Company's amounts receivable are classified as loans and receivables.

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.

Financial liabilities:

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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period or, where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

For all financial assets objective evidence of impairment could include:
• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are 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 through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

l) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and was determined to be the Canadian Dollar. The functional currency determination was conducted through an analysis of the factors identified in International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates (“IAS 21”). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

3. FUTURE ACCOUNTING STANDARDS

The IASB issued a number of new and revised accounting standards that are not yet effective. These standards include the following:

IFRS 9, Financial Instruments – Classification and Measurement - IFRS 9 is replacing IAS 39, Financial Measurements: Recognition and Measurements. IFRS 9 retains but simplifies the mixed measure model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The standard is effective for the Company’s fiscal period beginning November 1, 2018. The Company is still assessing the impact of the adoption of this new standard on its financial statements.

IFRS 15, Revenue - IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. A full retrospective application or a modified retrospective application was required for annual periods beginning on or after January 1, 2018. Currently, the Company does not have any contracts with customers and as such there has been no impact to the financial statements upon adoption.

3. FUTURE ACCOUNTING STANDARDS (CONTINUED)

IFRS 16, Leases – IFRS 16 was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company plans to continue to assess the potential effect of IFRS 16 on its financial statements.

4. MARKETABLE SECURITIES

The Company designates its investment in marketable securities as available-for-sale.

On August 9, 2017 the Company agreed to sell the property to Jourdan Resources Inc. ("Jourdan Resources") and as part of the payment, on July 15, 2018, the Company received 1,500,000 shares of Jourdan Resources with a fair value of $120,000.

During the year ended October 31, 2018, the Company recognized the change in fair value of $52,500 as other comprehensive loss.

Subsequent to October 31, 2018, the Company sold these shares for gross proceeds of $56,300.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation assets:

	Rome Lithium	Buttercup	Lac Bouchette	Forestville	Baie Comeau	Total
	$	$	$	$	$	$
Acquisition costs						
Balance, October 31, 2016	120,000	158,567	205,375	209,526	61,405	754,873
Additions	52,500	–	–	–	–	52,500
ROFR payment	(25,000)	–	–	–	–	(25,000)
Impairment	(147,500)	–	(205,375)	–	–	(352,875)
Balance, October 31, 2017	–	158,567	–	209,526	61,405	429,498
Impairment	–	(158,567)	–	(209,526)	(61,405)	(429,498)
Balance, October 31, 2018	–	–	–	–	–	–
Deferred exploration costs						
Balance, October 31, 2016	–	131,844	–	188,158	–	320,002
Quebec tax credit	–	–	–	(619)	–	(619)
Additions during the period	–	14,227	–	54,418	–	68,645
Balance, October 31, 2017	–	146,071	–	241,957	–	388,028
Additions	–	1,419	–	–	–	1,419
Impairment	–	(147,490)	–	(241,957)	–	(389,447)
Balance, October 31, 2018	–	–	–	–	–	–
Exploration and evaluation assets, October 31, 2017	–	304,638	–	451,483	61,405	817,526
Exploration and evaluation assets, October 31, 2018	–	–	–	–	–	–

5. EXPLORATION AND EVALUATION ASSETS (continued)

Buttercup Property (Quebec)
On January 28, 2014 the Company entered into a purchase agreement with an arm's length party (the "Vendor") to earn a 100% interest in certain mineral claims known as the Buttercup property in the province of Quebec. To acquire the 100% interest, the Company agreed to:

(i) pay $50,000 (paid) to certain suppliers of the Vendor,
(ii) issue a total of 1,000,000 common shares (issued at a value of $50,000); and
(iii) pay a total of $150,000 to the Vendor.

The $150,000 payment is to be paid in an installment of $50,000 within 60 days of receiving final permits to commence commercial production on the property and $100,000 to be paid on commencement of commercial production. Further the net profits from production will be split 80% to the Vendor and 20% to the Company until the Vendor has received a total payment of $3,000,000. Thereafter the Vendor will receive 5% of the net profits and the Company will receive 95%. The Company also issued 100,000 common shares in the capital stock of the Company (issued at a value of $5,000) as a finder's fee for the property.

During the year ended October 31, 2018, the Company determined there were indicators of impairment due to no substantive exploration and evaluation expenditures planned on the property. An impairment of $306,057 was recognized in the statement of loss and comprehensive loss during the year ended October 31, 2018.

Effective August 9, 2018, the Company terminated the purchase agreement.

Lac Bouchette Property (Quebec)
During the year ended October 31, 2017, the Company determined there were indicators of impairment due to no substantive exploration and evaluation expenditures planned on the property. An impairment of $205,375 was recognized in the statement of loss during the year ended October 31, 2017.

Forestville – Baie Comeau Property (Quebec)
On January 21, 2015 the Company acquired a 100% interest in the Forestville and Baie Comeau Quartzite properties (the "Properties"). The properties have been optioned for the purpose of testing the chemical and physical properties of the quartzite as a potential raw material for various products such as: high purity glass, fibre optics, countertops, ferrosilicon and silica metal.

To acquire 100% of the Properties, the Company will:
i) pay 500,000 shares on the date of acceptance of the TSX Venture Exchange (the "Exchange Approval Date") (paid),
ii) pay $6,000 on the Exchange Approval Date (paid),
iii) pay $100,000 in shares on or before January 21, 2016, (on November 29, 2015, 2,000,000 shares were issued at a price of $0.05 per share)
iv) pay $50,000 in shares on or before July 21, 2016, (issued August 8, 2016) and
v) incur $60,000 of exploration expenditures on the Forestville Quartzite Property on or before December 31, 2015 (incurred).

5. EXPLORATION AND EVALUATION ASSETS (continued)

The Company is responsible for keeping the Properties in good standing including the filing of required assessment work and completing regulatory work expenditures or making cash payments in lieu of work 120 days before required under the rules of the jurisdiction. Also, the Company will pay a 2% production royalty in connection with the sale of produced minerals on the Properties, and may repurchase the royalty at a price equal to $0.25 per tonne.

During the year ended October 31, 2018, the Company determined there were indicators of impairment due to no substantive exploration and evaluation expenditures planned on the property. An impairment of $512,888 was recognized in the statement of loss during the year ended October 31, 2018.

Rome Lithium Property (Quebec)

On May 26, 2016 the Company signed an option agreement with a Quebec prospector (the “Prospector”) to acquire a 100% interest in the Rome Lithium property, near Val d’Or, Quebec (the “Property”). Accordingly, Fairmont (the “Optionee”) will issue to the Optionor 500,000 shares (issued) and will pay the Optionor $25,000 (paid).

In order to exercise the balance of the option, Fairmont will be required to:
(i) issue 500,000 shares on or before December 10, 2016 (issued);
(ii) issue 500,000 shares on or before May 26, 2017(issued), (Note 12);
(iii) incur $50,000 of exploration expenditures before May 26, 2017; and
(iv) incur an additional $100,000 before May 26, 2019.

The Property will be subject to a 2% Production Royalty per tonne. The Optionee may purchase one half of the Production Royalty (1%) for one million dollars (Canadian) at any time. On June 14, 2016 the company issued 500,000 shares at $0.19 per share as the first payment for the Rome Lithium property.

On June 22, 2017, the Company signed a Right of First Refusal (ROFR) contract with Jourdan Resources for the Rome Lithium property. Jourdan Resources is a related party due to a common director. The terms of the ROFR required an initial $25,000 refundable payment to the Company. Should the Company not find a better offer within 30 days of signing the ROFR, Jourdan would have paid an additional $25,000 cash and issued the Company an additional 1,500,000 shares. The Company would have also received a 2% Net Smelter Royalty. On August 9, 2017, the ROFR was exercised, and the Company agreed to sell the property to Jourdan, subject to approval from the exchange. By July 22, 2017, no third party had presented a better offer on the property. On August 9, 2017 the Company agreed to sell the property to Jourdan Resources, subject to approval from the exchange.

In June 2017, the Company received the initial deposit of $25,000 from Jourdan Resources.

During the year ended October 31, 2017, the Company determined there were indicators of impairment due to the payments under the option agreement not being received, and no substantive exploration and evaluation expenditures planned on the property. An impairment of $147,500 was recognized in the statement of loss

On July 15, 2018, the Company received remaining $25,000 and was issued 1,500,000 shares of Jourdan Resources with a fair value of $120,000 (Note 4). The Company recognized the payments received as a gain on disposal of property in the statement of loss and comprehensive loss.

6. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares without par value.

Share issuances

Year ended October 31, 2018

On August 23, 2018, the Company closed a debt settlement transaction with certain creditors, pursuant to which the Company settled indebtedness of $165,708 through the issuance of 331,416 common shares. 124,012 of the shares issued were to a former officer, or companies controlled by former directors and officers.

Effective October 1, 2018, the Company consolidated its common shares on a 10 to 1 basis, which resulted in 4,068,328 shares outstanding post-consolidation. The consolidation was approved by the shareholders of the Company on September 21, 2018 and by the Exchange on September 28, 2018. All references to common shares, stock options and warrants in these financial statements have been adjusted to reflect this change.

Year ended October 31, 2017

On December 12, 2016, the Company issued a total of 50,000 common shares at a price of $0.70 as payment on the Rome property (Note 4).

On December 30, 2016 the Company issued a total of 142,500 Flow Through Units at a price of $0.80 for proceeds of $114,000. Each unit consists of one share and one share purchase warrant that can be exercised at $1.50 until December 30, 2018.

On January 20, 2017 the Company issued a total of 214,286 Non-Flow Through Units at a price of $0.70 for proceeds of $150,000. Each unit consists of one share and one share purchase warrant that can be exercised at $1.50 until January 20, 2019.

On March 2, 2017 the Company issued a total of 57,500 common shares at a price of $1.00 on exercise of 57,500 warrants.

On March 24, 2017 the Company issued a total of 17,500 common shares at a price of $1.00 on exercise of 17,500 warrants.

On June 13, 2017, the Company issued a total of 50,000 common shares at a price of $0.35 as payment on the Rome lithium property (Note 4)

On June 13, 2017, the Company issued a total of 56,500 common shares with a fair value of $19,775 as payment on debt of $56,500 owed to a vendor. The transaction resulted in a gain of $36,725.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Stock options

The Company has a rolling stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

The following table summarizes the stock option activity:

	Number of Stock Options	Weighted Average Exercise Price
Balance at October 31, 2016	309,000	$ 2.40
Expired	(127,500)	3.30
Balance at October 31, 2017	181,500	$ 1.80
Expired	(86,500)	1.80
Balance at October 31, 2018	95,000	$ 1.80

As at October 31, 2018, the following incentive stock options are outstanding:

Number of Stock Options	Exercise Price	Expiry Date
95,000	1.80	June 16, 2021

Share-based compensation

In the year ended October 31, 2018, the Company expensed $nil (2017 – $3,573) in share based compensation.

Warrants

The following table summarizes the warrants and agent warrants activity (Note 11).

	Number of Warrants	Weighted Average Exercise Price
Balance at October 31, 2016	430,240	$ 1.00
Issued	356,786	1.50
Expired	(355,240)	1.50
Exercised	(75,000)	1.00
Balance at October 31, 2017 and 2018	356,786	$ 1.50

As at October 31, 2018 the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
142,500	$ 1.50	December 30, 2018
214,286	$ 1.50	January 20, 2019
356,786		

Subsequent to October 31, 2018, these warrants expired unexercised.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Michael Lerner, ("CEO") of the Company is the President of 1820546 Ontario Inc. ('1820546 Inc."), (and by extension the CEO and President) has a contract with the Company. Fees and outstanding amounts due to 1820546 Ontario Inc. relating to management fees consulting services as expensed are detailed in the table below.

The Chief Financial Officer, Mr. Balu Gopalakrishnan, ("CFO") of the Company is the president of Campus Alliance Inc., has a service contract with the Company and is entitled to fees based on this contract relating to accounting services in the normal course of business. These fees are expensed as accounting fees in the general and administrative expenses.

The table below details the fees and amounts due to related parties:

Related Party Fees	**October 31, 2018**	**October 31, 2017**
1820546 Inc. - management fees	$ 110,000	$ -
1820546 Inc. - administrative fees	11,000	-
Michael Dehn (former CEO)	-	87,522
Greg Ball (former CFO)	4,000	9,000
Campus Alliance Inc.	40,000	-
Harvey McKenzie (former Director)	2,500	-
Total related party transactions	**$ 167,500**	**$ 96,522**

Related party payables	**October 31, 2018**	**October 31, 2017**
1820546 Inc.	$ 143,548	$ -
Campus Alliance Inc.	36,850	-
Avanti Management and consulting Ltd., company controlled by the former CEO	244,970	282,338
Harvey McKenzie (former Director)	2,500	-
Fladgate exploration consulting corp., a company controlled by former directors	-	10,594
Greg Ball (former CFO)	-	24,000
Total Related party payables	**$ 427,868**	**$ 316,932**

8. CAPITAL MANAGEMENT

The Company considers its capital to be a component of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

9. FINANCIAL INSTRUMENTS

a) Fair Value

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Company, has exposure to foreign exchange risk as the success fee liability (note 10) is denominated in Euros.

e) Interest Rate Risk

The Company is not exposed to significant interest rate risk.

f) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in Canadian Dollars)

10. GRABASA DEPOSIT

In June 2016, the Company placed a deposit of $217,163 (€150,000) on the assets of Granitos de Badajoz S.A. (Grabasa) in Extremadura region of Spain. The total purchase price of the property was €3,700,000. Due to the inability to find suitable financing, the Spanish courts terminated the offer by the Company for the Grabasa assets on May 26, 2017. As a result, the €150,000 deposit on the property was forfeited.

11. SUCCESS FEE LIABILITY

In connection with the Grabasa purchase, the Company signed a success fee agreement with a Spanish company, Eureka Trading, whereby Eureka would assist in the negotiation of the unsuccessful acquisition of certain assets in Spain belonging to Granitos de Badajoz, S.A. On June 30, 2017, the courts in Spain ordered a success fee of €575,000 ($856,118) in favor of Eureka Trading. On November 20, 2017, the matter was transferred to a Court in Ontario to enforce the ruling of the Spanish Court. As of October 31, 2018, this debt has been assigned by Eureka Trading to a third party.

On May 22, 2018, Eureka Trading assigned the rights of the claim to a third party, and the Company executed a full and final release form, whereby €575,000 ($856,118) is owing to the third party. The Company reversed $72,010 in legal fees payables outstanding on behalf of Eureka Trading that are no longer payable based on the terms of the debt assignment.

Management continue to seek relief from this judgement, however, the likelihood of success of this action cannot be determined. This amount has been accrued in the statement of financial position as at October 31, 2018.

12. INCOME TAXES

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

	2018	2017
Net loss	$ (876,891)	$ (2,053,511)
Expected income tax (recovery)	$ (235,000)	$ (534,000)
Change in statutory rates and other	-	-
Permanent Difference	-	2,000
Share issue cost	1,000	7,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	231,000	63,000
Change in unrecognized deductible temporary differences	3,000	462,000
Total income tax expense (recovery)	$ –	$ –

(Expressed in Canadian Dollars)

12. INCOME TAXES (continued)

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

	2018	2017
Deferred Tax Assets		
Exploration and evaluation assets	$ 381,000	$ 110,000
Non-capital losses	1,155,000	1,423,000
Unrecognized deferred tax assets	(1,536,000)	(1,533,000)
Net deferred income tax assets	$ –	$ –

The Company has non-capital losses for Canadian income tax purposes of approximately $4,300,000 which may be carried forward and applied against taxable income in the future. These losses, if not utilized, will expire starting in 2029 through 2038.

13. SUBSEQUENT EVENTS

On December 31, 2018, the Company settled indebtedness of $288,135 through the issuance of 422,767 common shares.

On February 4, 2019 the Company announced that it has entered into a non-binding letter of intent with Full Spectrum Brands Canada Inc. ("Full Spectrum Brands") (the "LOI"). The LOI outlines certain mutual understandings and principal terms and conditions pursuant to which the Company and Full Spectrum Brands Canada intend to effect a possible transaction that will result in a reverse takeover of the Company by the shareholders of Full Spectrum Brands and the listing of the Company common shares on the Canadian Securities Exchange.