ME RESOURCE CORP.

Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ME Resource Corp.

Opinion

We have audited the financial statements of ME Resource Corp. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as “the financial statements”).

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

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 information included in Management’s Discussion and Analysis.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 2, 2019

ME RESOURCE CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash		$ -	$ 383
Receivables		149	2,675
Prepaid expenses		1,595	-
		1,744	3,058
Note receivable		1	1
		$ 1,745	**$ 3,059**
LIABILITIES			
Current liabilities			
Bank indebtedness		$ 23	$ -
Trade payables and accrued liabilities	4	328,452	296,608
Due to related parties	7	904,871	612,771
Current portion of deferred revenue	5	-	90,354
Total Liabilities		1,233,346	999,773
SHAREHOLDERS' DEFICIENCY			
Share Capital	6	5,861,105	5,861,105
Other reserves	6	1,904,826	1,859,646
Deficit		(8,997,532)	(8,717,425)
		(1,231,601)	(996,674)
		$ 1,745	**$ 3,059**

Nature and Continuance of Operations 1

On behalf of the Board of Directors

"Ravinder Kang " *" Navchand Jagpal"*

The accompanying notes are an integral part of these financial statements

ME RESOURCE CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		Year Ended December 31,	
	Note	**2018**	**2017**
Revenue	5	$ 90,354	$ 87,221
Operating expenses			
Consulting	7	248,500	253,948
Filing fees		11,212	22,811
General and administrative	7	22,384	15,696
Professional fees		38,185	28,868
Research		-	65,500
Stock-based compensation	6,7	45,180	120,167
		(370,461)	(506,990)
Other Items			
Provision for uncollectible taxes		-	(6,596)
Net loss and comprehensive loss		**$ (280,107)**	**$ (426,365)**
Basic and diluted comprehensive loss per share		**$ (0.00)**	**$ (0.01)**
Weighted average number of shares outstanding			
- **Basic and diluted**		**63,671,935**	**63,617,551**

The accompanying notes are an integral part of these financial statements

ME RESOURCE CORP.
STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(*expressed in Canadian dollars*)

	Number of Shares		Amount	Reserves							Deficit		Total
					Share – based payments		Loans		Warrant				
Balance, December 31, 2016	**62,621,935**	**$**	**5,756,105**	**$**	**1,688,597**	**$**	**5,121**		**45,761**	**$**	**(8,291,060)**	**$**	**(795,476)**
Shares issued for cash	1,050,000		105,000		-		-		-		-		105,000
Share – based compensation	-		-		120,167		-		-		-		120,167
Net loss for the year	-		-		-		-		-		(426,365)		(426,365)
Balance, December 31, 2017	**63,671,935**		**5,861,105**		**1,808,764**		**5,121**		**45,761**		**(8,717,425)**		**(996,674)**
Share – based compensation	-		-		45,180		-		-		-		45,180
Net loss for the year	-		-		-		-		-		(280,107)		(280,107)
Balance, December 31, 2018	**63,671,935**	**$**	**5,861,105**	**$**	**1,853,944**	**$**	**5,121**	**$**	**45,761**	**$**	**(8,997,532)**	**$**	**(1,231,601)**

The accompanying notes are an integral part of these financial statements

ME RESOURCE CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended December 31,	
	2018	**2017**
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the year	$ (280,107)	$ (426,365)
Items not involving cash:		
Stock-based compensation	45,180	120,167
Accrued consulting fees	240,000	240,000
Changes in non-cash working capital:		
Receivables	(149)	-
Prepaid expenses	1,080	4,827
Accounts payable and accrued liabilities	31,844	62,343
Deferred revenue	(90,354)	(87,221)
Net cash used in operating activities	(52,506)	(86,249)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from (repayments to) related parties	52,100	(65,910)
Proceeds from the issuance of common shares	-	105,000
Net cash provided by financing activities	52,100	39,090
Change in cash	(406)	(47,159)
Cash, beginning of the year	383	47,542
Cash (bank indebtedness), end of the year	**$** (23)	**$** 383

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

1. NATURE AND CONTINUANCE OF OPERATIONS

ME Resource Corp., (the "Company") was incorporated under the Business Corporation Act (British Columbia) on October 16, 2009. The Company's shares are traded on the Canadian Securities Exchange under the symbol MEC.

The Company's head and registered office address is 6038, 131 Street, Surrey, BC V3X3N4.

The Company's principal line of business was research and development of a process to economically transform wasted or stranded natural gas to engineered fuels or clean power.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2018, the Company is not able to finance day-to-day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares. Should the Company be unable to continue as going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 2, 2019.

2. BASIS OF PRESENTATION

Statement of Compliance

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

2. BASIS OF PRESENTATION (Continued)

Basis of Measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, the Company's functional currency. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Significant Accounting Judgments and Assumptions

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

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

Significant Judgments

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed consolidated interim financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the recoverability of the Company's deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Share-Based Payments

Share-based payments to employees are measured at the fair value of the stock options granted and recognized over the vesting periods. Share-based payments to non-employees are measured at fair value of goods or services received or the fair value of the equity instruments issued, if it is determined using the Black-Scholes option pricing model, taking into account the terms and conditions upon which stock options are granted. At each reporting date, the amount recognized as expense is adjusted to reflect the actual number of stock options that are expected to vest.

Loss per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. As at December 31, 2018, the Company's diluted loss per share was the same as the basic loss per share as the Company did not have any potentially dilutive instruments.

Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

<u>(i) Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL. The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

(ii) Measurement

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gain and losses on derecognition are general recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Current Income Tax

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

Deferred Tax

Deferred tax is recorded by providing for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

New Accounting Standards

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: i. Identify the contract with the customer; ii. Identify the performance obligations in the contract; iii. Determine the transaction price; iv. Allocate the transaction price to the performance obligations in the contracts; and v. Recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for various consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenues are also introduced. The adoption of this standard on January 1, 2018 did not have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 16 – Leases

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all eases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 is effective for years beginning after January 1, 2019. The Company does not anticipate the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

4. TRADE PAYABLES AND ACCRUED LIABILITIES

		December 31, 2018		December 31, 2017
Accounts payable	$	235,621	$	263,377
Salaries payable		25,604		20,066
Accrued liabilities		67,227		13,165
	$	328,452	$	296,608

5. REVENUE FROM LICENCING

a) On January 22, 2014, the Company entered into a license and distribution agreement (the "Agreement") with Well Power Inc. ("WPI"). Under the Agreement, WPI obtained the exclusive right to distribute and deploy the Company's MRU100 units in Texas for five years. WPI paid a non-refundable licensing fee of $400,000 during the year ended December 31, 2014.

   The revenue is recognized over the term of the Agreement (five years) on a straight-line basis and the difference between money received and revenue recognize is recorded as deferred revenue. For twelve months year ended December 31, 2018, $80,000 was recognized as revenue (2017 - $80,000).

b) On August 31, 2014, the Company entered into an exclusive license for additional territories (the "Additional Agreement") with WPI. Under the Additional Agreement, WPI obtained the exclusive right to distribute and deploy the Company's MRU100 units in Montana with the same term as the Agreement above.

The Company received $21,751 during the year ended December 31, 2014 and another $10,000 during the year ended December 31, 2015 in relation to this Additional Agreement. The revenue will be recognized over the term of the agreements (five years) on a straight-line basis. For twelve months ended December 31, 2018, $10,354 was recognized as revenue (2017 - $7,221).

As at December 31, 2018, the Company's deferred revenue was$ Nil (December 31, 2017: $90,354).

(Expressed in Canadian dollars)

6. SHARE CAPITAL

Authorized

The authorized capital of the company consists of unlimited common shares without par value and an unlimited number of preferred shares without par value.

Stock options

The Company has a stock option plan which provides that the Board of Directors of the Company may grant to directors, officers, employees, and consultants to the Company, non-transferable options to purchase common shares. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. The term of any options granted under the plan may not exceed 5 years. Vesting terms and conditions are established by the Board of Directors.

On March 11, 2016, the Company granted incentive stock options to various directors, officers and consultants to purchase up to an aggregate of 5,890,000 common shares in the capital stock of the Company, exercisable for a period of five years, at a price of $0.20 per share. Twenty percent of these options were vested at the grant date and then a further 20% each anniversary thereafter.

During the year ended December 31, 2018, the Company recorded share-based compensation of $45,180 (2016 - $120,167).

The Company's stock options are summarized as follows:

	Number		**Weighted average exercise price**
Balance, December 31, 2018, 2017 and 2016	5,890,000	$	0.20

As at December 31, 2018 and 2017, the following options were outstanding:

Number of options		**Expiry date**		**Exercise price**	**Remaining contractual life (years)**
Outstanding	*Exercisable*				
5,890,000	3,534,000	March 11, 2021	$	0.20	2.19

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant Reserve

The warrant reserve records the fair value of warrants issued until such time they are exercised, at which time the corresponding amount is transferred to share capital.

Loans Reserve

The loan reserve records the debt discount on a loan which is issued with interest at below market rates of interest.

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The Company incurred the following transactions with directors and key management personnel during the years ended December 31, 2018 and 2017 was as follows:

		December 31, 2018		**December 31, 2017**
Consulting fees charged by a director	$	60,000	$	60,000
Consulting fees charged by a company related to the Chief Executive Officer ("CEO")		120,000		120,000
Consulting fees charged by the Chief Financial Officer ("CFO")		60,000		60,000
Stock based compensation vested for directors and officers		20,955		51,005
Rent and related fees charged by a Company related to the CEO		-		3,000
	$	260,955	$	294,005

As at December 31, 2018, there are balances totalling $447,121 (December 31, 2017: $300,021) owed to companies related to the Company's CEO. As at December 31, 2018, there is a balance of $198,750 (December 31, 2017: $138,750) owed to the Company's CFO. As at December 31, 2018, there are balances totalling $259,000 (December 31, 2017: $174,000) owed to directors of the Company.

Amounts owed to related parties bear no specific terms of interest or repayment.

8. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is its cash held in bank accounts. Cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank, there is a concentration of credit risk. However, this risk is managed by using a bank that has a high credit quality as determined by rating agencies.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient holdings of cash and cash equivalents to meet its short-term exploration and evaluation requirements and anticipated operating cash flows.

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's subsidiaries are exposed to currency risk as they incur expenditures that are denominated in US dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates. A 10% fluctuation in the US dollar would not have a material impact on the results of the Company.

Interest Rate Risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

(Expressed in Canadian dollars)

8. FINANCIAL RISK AND CAPITAL MANAGEMENT

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The business operated by the Company currently is in the development stage; as such, the Company is dependent on external financing to fund activities. To carry out planned operations and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

Financial instruments

The fair value of the Company's assets and liabilities approximate the carrying amount.

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

No transfers occurred between the levels during the year. The Company's financial instruments are exposed to credit risk, liquidity risk, and market risks, which include currency risk and interest rate risk.

9. INCOME TAXES

A reconciliation of income taxes for the years ended December 31, 2018 and 2017 at statutory rates is as follows:

		December 31, 2018		December 31, 2017
Net loss for the year	$	(288,107)	$	(426,365)
Enacted statutory tax rate		27%		26%
Expected income tax recovery		(78,000)		(111,000)
Non-deductible expenditures		12,000		31,000
Adjustment to prior year provision		-		(11,000)
Impact of change in enacted tax rate		(25,000)		-
Change in unrecognized tax assets		91,000		91,000
	$	-	$	-

(Expressed in Canadian dollars)

9. INCOME TAXES (continued)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

		December 31, 2018		**December 31, 2017**
Non-capital losses	$	754,000	$	663,000
		754,000		663,000
Unrecognized deferred tax assets		(754,000)		(663,000)
	$	-	**$**	-

The Company has approximately $2,800,000 of non-capital losses available to offset future taxable income. These losses will expire from 2029 to 2038.