RIFT VALLEY RESOURCES CORP.

FINANCIAL STATEMENTS

For the Years Ended

December 31, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rift Valley Resources Corp.

Opinion

We have audited the accompanying financial statements of Rift Valley Resources Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these 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 ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of $1,470,920 during the year ended December 31, 2018 and, as of that date, the Company's accumulated deficit was $3,468,487. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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.

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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

April 30, 2019

RIFT VALLEY RESOURCES CORP.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
		$	$
ASSETS			
Current Assets			
Cash		30,286	21,517
Advances receivable	12	–	477,027
Subscriptions receivable		–	10,125
Amounts receivable		10,542	4,011
		40,828	512,680
Deposits	4	20,850	20,625
		61,678	533,305
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	5	79,522	8,664
Decommissioning liabilities	4	20,850	20,625
		100,372	29,289
SHAREHOLDERS' EQUITY			
Share capital	5, 6	2,999,793	2,331,208
Subscriptions received in advance	13	156,000	3,375
Contributed surplus	7	274,000	167,000
Deficit		(3,468,487)	(1,997,567)
		(38,694)	504,016
		61,678	533,305

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Approved on behalf of the Board:

"Griffin Jones"
Griffin Jones, CEO, Director

"Donald Gordon"
Donald Gordon, CFO, Director

RIFT VALLEY RESOURCES CORP.
(An Exploration Stage Company)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
		$	$
Expenses			
Write-off of advances receivable	12	996,465	–
Consulting fees	5	294,045	136,610
Stock based compensation	6(d), 7	95,000	130,000
Professional fees		20,611	23,922
Travel and promotion		17,669	7,056
Office and miscellaneous		16,212	5,018
Rent and occupancy		15,803	–
Exchange fees		7,850	6,950
Transfer agent		4,497	7,070
Filing Fees		2,768	4,060
Net loss and comprehensive loss for the year		(1,470,920)	(320,686)
Loss per share, Basic and Diluted		(0.07)	(0.03)
Weighted average common shares outstanding		20,759,857	9,912,796

RIFT VALLEY RESOURCES CORP.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	Amount	Subscriptions Received in Advance	Contributed Surplus	Accumulated Deficit	Total
		$	$	$	$	$
Balance, December 31, 2016		1,609,383	–	37,000	(1,676,881)	(30,498)
Shares issued for cash	6(b)	734,625	–	–	–	734,625
Share issue costs	6(b)	(12,800)	–	–	–	(12,800)
Subscriptions received in advance		–	3,375	–	–	3,375
Stock based compensation	7	–	–	130,000	–	130,000
Net loss		–	–	–	(320,686)	(320,686)
Balance, December 31, 2017		2,331,208	3,375	167,000	(1,997,567)	504,016
Shares issued for cash	5, 6(b)	668,585	(3,375)	12,000	–	677,210
Subscriptions received in advance		–	156,000	–	–	156,000
Stock based compensation	7	–	–	95,000	–	95,000
Net loss		–	–	–	(1,470,920)	(1,470,920)
Balance, December 31, 2018		2,999,793	156,000	274,000	(3,468,487)	(38,694)

RIFT VALLEY RESOURCES CORP.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
		$	$
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss		(1,470,920)	(320,686)
Adjustments to Reconcile Net Loss to Net Cash used in Operations:			
Stock based compensation	6(d), 7	95,000	130,000
Write-off of advances receivable	12	996,465	–
Changes in non-cash working capital balances:			
Amounts receivable		(6,531)	(3,651)
Accounts payable and accrued liabilities	5	78,208	(24,118)
Cash used in operating activities		(307,778)	(218,455)
INVESTING ACTIVITIES			
Advances receivable	12	(519,438)	(477,027)
Cash used in investing activities		(519,438)	(477,027)
FINANCING ACTIVITIES			
Share capital received	6(b)	679,985	724,500
Share issue costs		–	(12,800)
Subscriptions received in advance	13	156,000	3,375
Cash provided by financing activities		835,985	715,075
Increase in cash		8,769	19,593
Cash, beginning		21,517	1,924
Cash, ending		30,286	21,517

SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest		–	–
Cash paid for income taxes		–	–
NON CASH TRANSACTION INFORMATION:			
Stock based compensation	6(d), 7	95,000	130,000
Residual value of warrants	6(b)	12,000	–
Common shares issued to settle accounts payable and accrued liabilities	6(b)	7,350	–
Subscriptions receivable		–	(10,125)

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1. NATURE AND CONTINUANCE OF OPERATIONS

Rift Valley Resources Corp. (the "Company" or "Rift Valley") was incorporated under the Laws of the Province of British Columbia on December 14, 2009. On March 20, 2013, Rift Valley amalgamated with Avatar Ocean Technology Inc. ("Avatar"), a reporting issuer and continues under the name Rift Valley Resources Corp. (the "Company" or "Rift Valley"). The address of the Company's corporate office and its principal place of business is 501-525 Seymour Street, Vancouver, British Columbia, Canada. The Company's shares were listed on the Canadian Securities Exchange on August 27, 2013.

The Company began operations on September 19, 2011 and its principal business activity was the acquisition, exploration and development of mineral properties in British Columbia, Canada. The Company impaired its mineral property during the year ended December 31, 2015. As of December 31, 2018 the Company's principal business activity was the evaluation of a wireless service business and other business opportunities.

On April 13, 2017, the Company completed a share consolidation on the basis of five pre-consolidation common shares for each post consolidation common share. As a result, all share amounts presented in these financial statements have been retroactively restated.

The Company has never generated revenue or positive cash flows from operations. For the year ended December 31, 2018, the Company reported a net loss of $1,470,920 (2017 – $320,686), negative cash flow from operating activities of $307,778 (2017 – $218,455) and an accumulated deficit of $3,468,487 (2017 – $1,997,567). This raises significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover its exploration and 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 these financial statements.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2019.

b) Measurement basis

The 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 paragraph (m). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional and presentation currency of the Company is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties and financial instruments, determining the fair value of share based compensation, potential decommissioning liabilities and deferred income tax assets and liabilities. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

b) Use of judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year. The more significant areas where management judgement has been applied are:

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

c) 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. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and is available on demand by the Company for its programs.

d) Deferred finance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Mineral properties

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as mineral property interests and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are offset for impairment and reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over the estimated recoverable reserves. Impairment is assessed at the level of the cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that expenditures on a development are unlikely to be recovered.

The recoverability of mineral property interests and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amounts of properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes; the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Decommissioning liabilities

These provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

h) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of options granted to employees and others providing similar services are measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

i) Share capital

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

k) Income tax

Income tax expense comprises current and deferred income tax. Tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly into equity, in which case the related tax effect is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax expense is calculated using tax rates, laws and government policies that were enacted or substantively enacted at the statements of financial position date.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities are expected to reverse using tax rates and laws enacted or substantively enacted which are expected to apply in the period of reversal.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

l) Change in accounting policies

The Company adopted IFSR 9 on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit. The impact on the classification and measurement of its financial instruments is set out below.

Financial assets

The Company classifies its financial assets in the following categories: at fair market value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company completed an assessment of its financial instruments as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables – amortized cost	Amortized cost
Receivables	Loans and receivables – amortized cost	Amortized cost
Advances receivable	Loans and receivables – amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities – amortized cost	Amortized cost

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 loss allowance for the financial asset is measured 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 loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Other than the adoption of IFRS 9, the Company did not adopt any new or amended accounting standards during the year ended December 31, 2018 which had a significant impact on the Financial Statements.

m) New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards issued but not yet effective (continued)

Standard effective for annual periods beginning on or after January 1, 2019

IFRS 16 – *Leases* - On January 13, 2016 the IASB issued IFRS 16, “Leases”. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, “Revenue from contracts with customers” at or before the date of initial adoption of IFRS 16.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the new standards; however, there may be enhanced disclosure requirements.

4. DEPOSITS

	December 31, 2018	December 31, 2017
	$	$
Mineral property security deposits	20,850	20,625
	20,850	20,625

5. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended December 31, 2018, the Company incurred the following related party transactions:

(a) The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the years ended December 31, 2018 and 2017.

(b) The Company incurred consulting fees to officers and directors in the amount of $116,550 (2017 - $78,450).

(c) The Company incurred stock based compensation costs to executive officers and directors in the amount of $nil (2017 - $105,000).

As at December 31, 2018, included in accounts payable is $1,750 (2017 – $598) due to an officer and director of the Company.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

(a) Authorized Share Capital

The Company is authorized to issue unlimited number of common shares without par value.

(b) Issued and Outstanding Common Shares

	Number of Common Shares	Amount
		$
Balance, December 31, 2016	4,918,330	1,609,383
Issued for cash at $0.05 per share	8,220,000	411,000
Issued for cash at $0.075 per share	4,314,999	323,625
Share issue costs	–	(12,800)
Balance, December 31, 2017	17,453,329	2,331,208
Issued for cash at $0.075 per share	9,074,469	668,585
Balance, December 31, 2018	26,527,798	2,999,793

On May 30, 2017, the Company completed a private placement and issued 8,220,000 common shares for total proceeds of $411,000.

On December 6, 2017, the Company completed a private placement and issued 300,000 common shares for total proceeds of $22,500.

On December 19, 2017, the Company completed a private placement and issued 4,014,999 common shares for total proceeds of $301,125.

On March 29, 2018, the Company issued 1,235,000 common shares for total proceeds of $92,625.

On August 1, 2018, the Company issued 3,764,668 units for total proceeds of $282,350, $7,350 of which was applied to settle accounts payable. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

On September 25, 2018, the Company issued 2,400,001 units for total proceeds of $180,000, $12,000 of which was allocated to the residual value of warrants. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

On November 29, 2018, the Company issued 1,674,800 units for total proceeds of $125,610. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

On October 2, 2018, the Company authorized and approved the creation and issuance of up to 15,000,000 units at a price of $0.075 per share. Each unit is comprised of one common share one half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. As at December 31, 2018, the Company had received $156,000 in subscription proceeds pursuant to this financing.

During the year ended December 31, 2018, the Company incurred share issue costs of $nil (2017 – $12,800).

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(c) Warrants

Each warrant is exercisable for a period of two years at a price of $0.15 per common share. As at December 31, 2018, there were 3,919,733 warrants outstanding with a weighted average remaining contractual life of 1.71 years.

Warrants outstanding and exercisable	Number of Warrants	Exercise Price	Expiry Date
December 31, 2016	780,000	$0.25	April 30, 2017
Expired	(780,000)		
December 31, 2017	–		
Issued August 1, 2018	1,882,334	$0.10	August 1, 2020
Issued September 25, 2018	1,200,000	$0.10	September 25, 2020
Issued November 29, 2018	837,400	$0.15	November 29, 2020
December 31, 2018	3,919,734		

(d) Stock Options

On September 1, 2017, the Company granted an aggregate of 1,300,000 stock options to its officers, directors and consultants. Each stock option is exercisable for a period of five years at a price of $0.10 per common share. All stock options are vested and exercisable upon grant. The fair value of the options granted was $130,000 and was recorded as stock based compensation.

On January 17, 2018, the Company granted an aggregate of 425,000 stock options to its consultants. Each stock option is exercisable for a period of five years at a price of $0.10 per common share. All stock options are vested and exercisable upon grant. The fair value of the options granted was $42,500 and was recorded as stock based compensation.

On December 14, 2018, the Company granted an aggregate of 700,000 stock options to its consultants. Each stock option is exercisable for a period of two years at a price of $0.085 per common share. All stock options are vested and exercisable upon grant. The fair value of the options granted was $52,500 and was recorded as stock based compensation.

Options outstanding and exercisable	Number of options	Exercise Price	Expiry Date
December 31, 2016	–		
Granted September 7, 2017	1,300,000	$0.10	September 1, 2022
December 31, 2017	1,300,000		
Granted January 17, 2018	425,000	$0.10	January 17, 2023
Granted December 12, 2018	700,000	$0.085	December 12, 2020
December 31, 2018	2,425,000		

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(d) Stock Options (continued)

As at December 31, 2018, the options have a weighted average remaining contractual life of 3.25 years.

	September 1, 2017	January 17, 2018	December 12, 2018
Share price on grant date	$0.10	$0.10	$0.085
Expected life (years)	5	5	2
Interest rate	1.97%	1.97%	1.98%
Volatility	318%	318%	220%
Dividend yield	0.00%	0.00%	0.00%

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan which complies with the rules and policies of the Exchange.

(e) Shares held in escrow

As at December 31, 2018 and 2017, there were no shares held in escrow.

7. CONTRIBUTED SURPLUS

	$
Balance, December 31, 2016	37,000
Options granted to directors, management and consultants in 2017 (see Note 6 (d))	130,000
Balance, December 31, 2017	167,000
Options granted to consultants in 2018 (see Note 6 (d))	95,000
Residual value of warrants	12,000
Balance, December 31, 2018	274,000

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2018	2017
	$	$
Loss for the year	1,470,920	320,686
Combined statutory rate	27%	27%
Expected income tax recovery	(397,000)	(83,000)
Change in statutory tax rates and other	-	(20,000)
Permanent differences	26,000	35,000
Share issue costs	-	(3,000)
Adjustment to prior years return versus statutory returns	-	(76,000)
Change in unrecognized deductible temporary differences	371,000	147,000
	-	-

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

(Expressed in Canadian Dollars)

8. INCOME TAXES (continued)

Significant components of the Company's deferred income tax assets are as follows:

	2018	2017
	$	$
Future income tax rates	27%	27%
Future income tax assets:		
Mineral property interests	112,000	112,000
Non-capital loss	857,000	485,000
Share issue costs	2,000	3,000
Deferred tax assets not recognized	971,000	600,000

As at December 31, 2018, the Company has available non-capital losses of approximately $3,176,000 (2017 – $1,798,000) for deduction against future taxable income, and resource-related expenditures of approximately $414,000 (2017 - $414,000) available for deduction against future Canadian taxable income.

Non-capital losses, if not utilized will expire as follows:

2031	$ 31,000
2032	308,000
2033	687.000
2034	67,000
2035	481.000
2036	34,000
2037	190.000
2038	1,378,000
	$ 3,176,000

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (see Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at December 31, 2018, the Company had capital resources consisting of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares.

10. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value because of the current nature.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market data

10. FINANCIAL INSTRUMENTS (continued)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3
	$	$	$
As at December 31, 2018:			
Cash	30,286	–	–
As at December 31, 2017:			
Cash	21,517	–	–

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i)*Currency risk*
The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

(ii) *Interest rate risk*
The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash, government receivables and advances receivable. As at December 31, 2018 there was one counterparty who individually accounted for 100% of the total advances receivable balance. The maximum credit risk exposure associated with advances receivable is the total carrying value. As at December 31, 2018, the Company has recorded a write-off of $996,465 calculated using a lifetime expected credit loss assessment for specifically identifiable balances which are assessed to be impaired.

(iv) *Liquidity risk*
In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and operating activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

11. COMMITMENT

On June 12, 2017, the Company executed a consulting agreement with the former Chief Executive Officer. The agreement provides for a consulting fee of $3,500 per month for a fixed five (5) year period, commencing June 12, 2017.

12. ADVANCES RECEIVABLE

On March 22, 2017, the Company entered into a non-binding letter of intent to acquire 100% of the issued and outstanding common shares of Metrolink Solutions Inc. (“Metrolink”) in exchange for 58,109,592 common shares of the Company.

On September 3, 2018, the Company and Metrolink entered into an amended letter of intent (the “LOI”) that replaces all previous letters of intent. The LOI is for the Company to acquire 100% of the issued and outstanding common shares of Metrolink Solutions Inc., (the “Transaction”), by issuing one common share of the Company in exchange for every one common share of Metrolink subject to a valuation report or fairness opinion approved by the Canadian Securities Exchange. Subject to completion of the Transaction and approval of the Canadian Securities Exchange, the Company will pay a finder’s fee equal to 10% of the total number of shares issued to the shareholders of Metrolink.

In connection with the ongoing negotiations, the Company had advanced $996,465 to Metrolink (December 31, 2017 - $477,027). As at December 31, 2018, the Company determined that the advances were unlikely to be collected and recorded a write-off of $996,465 (2017 - $nil).

13. SUBSEQUENT EVENTS

As at April 30, 2019, the Company had received an additional $307,400 in subscription proceeds pursuant to the financing announced on October 2, 2018.