# MONTEREY MINERALS INC.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
## (Unaudited)

### Nine Months Ended September 30, 2018 (Q3)

(Expressed in Canadian dollars)

**Monterey Minerals Inc.**

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(Unaudited)
September 30, 2018 (Q3)

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## MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements ("consolidated financial statements") of Monterey Minerals Inc. are the responsibility of the management and Board of Directors of the Company. The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the financial statement notes. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are compliant with *IAS 34 - Interim Financial Reporting* as issued by the International Accounting Standards Board.

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

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

James Macintosh
President and CEO

Julio DiGirolamo
CFO and Corporate Secretary

December 13, 2018

**Monterey Minerals Inc.**

**Condensed Interim Consolidated Statements of Financial Positions**

As at September 30, 2018 and December 31, 2017

(Unaudited)

*(Expressed in Canadian dollars)*

| | Note | September 30, 2018 | December 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | **$ 467,129** | $ 335,648 |
| Loans receivable | 8, 12 | **16,500** | 28,943 |
| Prepaid expenses | 12 | **23,288** | 12,000 |
| Current Assets | | **506,917** | 376,591 |
| Mineral property | 9 | **30,000** | 10,000 |
| **Total Assets** | | **$ 536,917** | $ 386,591 |
| **Liabilities** | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued expenses | 12 | **$ 24,582** | $ 25,208 |
| Loans payable | 10 | **-** | 518 |
| | | **24,582** | 25,726 |
| **Shareholders' Equity** | | | |
| Share Capital | 5 | **1,001,107** | 587,094 |
| Reserves | 5 | **58,500** | - |
| Deficit | | **(547,272)** | (226,229) |
| | | **512,335** | 360,865 |
| **Total Liabilities and Shareholders' Equity** | | **$ 536,917** | $ 386,591 |

*Nature and Continuance of Operations (Note 1)*

*The accompanying notes are integral to these financial statements.*

Approved and authorized for issue on December 13, 2018

/s/ James Macintosh

President and CEO

**Monterey Minerals Inc.**
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**
For the Three and Nine Months Ended September 30, 2018 and 2017
(Unaudited)
*(Expressed in Canadian dollars)*

| | **For the Three Months Ended September 30, 2018** | **For the Three Months Ended September 30, 2017** | **For the Nine Months Ended September 30, 2018** | **For the Nine Months Ended September 30, 2017** |
|---|---|---|---|---|
| **Expenses** | | | | |
| Listing expense (Note 4) | **$ -** | $ - | $ 188,727 | $ - |
| Consulting (Note 12) | **1,750** | 7,530 | 1,750 | 7,530 |
| Transfer agent & filing Fees | **51,309** | - | 53,035 | 2,465 |
| Exploration (Note 9) | **-** | - | - | 31,602 |
| Share-based compensation (Note 5) | **58,500** | - | 58,500 | - |
| General and administration (Note 12) | **16,313** | 3,263 | 19,031 | 3,262 |
| Total Expenses | **127,872** | 10,793 | 321,043 | 44,859 |
| Net Loss and total comprehensive loss for the period | **$ (127,872)** | $ (10,793) | $ (321,043) | $ (44,859) |
| Basic and diluted loss per common share | **(0.01)** | (0.00) | (0.02) | (0.01) |
| Weighted average number of common shares outstanding | **15,994,167** | 11,975,001 | 15,729,884 | 7,676,250 |

*The accompanying notes are integral to these financial statements.*

**Monterey Minerals Inc.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Unaudited)

*(Expressed in Canadian dollars, except the number of shares)*

| | Common Shares | | | | |
|---|---|---|---|---|---|
| | | Amount | Reserve | Deficit | Total |
| | Number | $ | $ | $ | $ |
| **Balance, December 31, 2016** | **4,200,500** | **52,503** | - | **(72,372)** | **(19,869)** |
| Issuance of common shares | 7,774,501 | 418,200 | - | - | 418,200 |
| Share issuance costs | - | (6,540) | - | - | (6,540) |
| Net Loss for the period | - | - | - | (44,859) | (44,859) |
| **Balance, September 30, 2017** | **11,975,001** | **464,163** | **-** | **(117,231)** | **346,932** |
| Issuance of common shares | 2,463,577 | 122,931 | | - | 122,931 |
| Net Loss for the period | - | - | - | (108,998) | (108,998) |
| **Balance, December 31, 2017** | **14,438,578** | **587,094** | **-** | **(226,229)** | **360,865** |
| Common shares issued on reverse takeover (Note 4) | 5,914,478 | 414,013 | - | - | 414,013 |
| Share-based compensation | - | - | 58,500 | - | 58,500 |
| Net loss for the period | - | - | - | (321,043) | (321,043) |
| **Balance, September 30, 2018** | **20,353,056** | **1,001,107** | **58,500** | **(547,272)** | **512,335** |

*The accompanying notes are integral to these financial statements.*

**Monterey Minerals Inc.**

**Condensed Interim Consolidated Statements of Cash Flows**

For the Three and Nine Months Ended September 30, 2018 and 2017

(Unaudited)

*(Expressed in Canadian dollars)*

| | **For the Nine Months Ended September 30, 2018** | **For the Nine Months Ended September 30, 2017** |
|---|---|---|
| **Net loss and total comprehensive loss for the period** | $ (321,043) | $ (44,859) |
| None-Cash Items: | | |
| Stock-based compensation (Note 5) | 58,500 | - |
| Listing expense (Note 4) | 188,727 | - |
| | (73,816) | (44,859) |
| Operating Activities: | | |
| Changes in non-cash working capital: | | |
| Prepaid expenses | 8,441 | - |
| Accounts payable & accrued expenses | (69,925) | (240) |
| Cash flows used in operating activities | (135,300) | (45,099) |
| Investing Activities: | | |
| Mineral property acquisition | (20,000) | (10,000) |
| Loans receivable | 13,943 | (22,624) |
| Cashflows used in investing activities | (6,057) | (32,624) |
| Financing Activities: | | |
| Cash acquired in RTO (Note 4) | 273,356 | - |
| Loans payable | (518) | 4,000 |
| Proceeds from subscriptions in common stock, net of issuance costs | - | 411,659 |
| Cash flows from financing activities | 272,838 | 415,658 |
| Increase in cash | $ 131,481 | $ 337,935 |
| Cash, beginning of the period | 335,648 | 3 |
| Cash, end of the period | $ 467,129 | $ 337,938 |

No cash was paid for interest or income taxes during the periods.

*The accompanying notes are integral to these financial statements.*

## 1. Nature and Continuance of Operations

Monterey Minerals Inc. (the "Company") was incorporated on May 9, 2014 under the laws of British Columbia, Canada. Its head office is located at 890-1140 West Pender Street, Vancouver, BC, V6E 4G1, Canada. On June 26, 2018, Monterey Minerals Inc. ("Former Monterey") and Landsdown Holdings Ltd. ("Landsdown.") entered into a Share Exchange Agreement (the "SEA") under which the transaction was completed. This resulted in the Landsdown shareholders acquiring control of the Company, after which the Company effected a change in directors, management and business. The address of the registered office is Suite 2702, 401 Bay Street Toronto, Ontario, M5H 2Y4.

Former Monterey acquired Landsdown through a reverse acquisition transaction described in note 4. Under the terms of the SEA, Former Monterey acquired all of the issued and outstanding common shares of Landsdown based on one share of the Company for each share of Landsdown. Landsdown is engaged in the business of mineral property exploration and was incorporated pursuant under the laws of British Columbia, Canada on August 9, 2015. Landsdown is deemed to be the continuing entity for financial reporting purposes and therefore its historical operations, assets and liabilities are included as the comparative figures as at September 30, 2018.

Prior to the SEA, on October 19, 2016, Former Monterey incorporated four wholly-owned subsidiaries: 1093681 BC Ltd., 1093682 BC Ltd., 1093683 BC Ltd., and Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) ("Subcos") setup for proposed arrangement transactions. Former Monterey set the share distribution record date of a plan of an arrangement at close of business on April 18, 2018 whereby each Subcos would issue 1,010,549 common shares to shareholders of the Company. Blue Aqua Holdings Ltd. was spun out effective June 12, 2018 with the remaining Subcos spun out on August 28, 2018.

These financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At September 30, 2018, the Company had not yet achieved profitable operations and had accumulated losses of $547,272 since its inception. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The recovery of the amounts comprising mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## 2. Basis of Presentation

Statement of Compliance

The condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 have been prepared in accordance with IAS 34 - Interim Financial Reporting of 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").

## 2. Basis of Presentation (Continued)

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measure at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information

## 3. Significant Accounting Policies

a) Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for financial instruments classified in accordance with measurement standards under IFRS. All dollar amounts presented are in Canadian dollars unless otherwise specified. These financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

b) Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs. Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of mineral properties</u>

Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

<u>Determination of functional currency</u>

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

<u>Income taxes</u>

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

**3. Significant Accounting Policies (Continued)**

Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

c) Financial Instruments

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its consolidated financial statements beginning January 1, 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and lost ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company's consolidated financial statements.

d) Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

e) Mineral properties

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

## 3. Significant Accounting Policies (Continued)

e) Minerals properties (continued)

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

f) Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

g) New standards and interpretations not yet applied

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below.

*IFRS 16, “Leases”*

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of assessing the impact of this pronouncement. The extent of the impact has not yet been determined.

## 4. Reverse Acquisition Transaction

On June 26, 2018, Former Monterey entered into a Share Exchange Agreement (“SEA”) with Landsdown Holdings Ltd. (“Landsdown”) under which a proposed reverse acquisition transaction was completed. Under the terms of the SEA, the Company acquired all of the issued and outstanding common shares of Landsdown based on one share of the Company for each common share of Landsdown. Upon closing, Landsdown shareholders held approximately 74.6% of the outstanding shares of the Company. In substance, the Transaction involves Landsdown shareholders obtaining control of the Company; accordingly the Transaction is considered to be a reverse takeover transaction (“RTO”) with Landsdown acquiring control of the Company. As the Company did not meet the definition of a business under IFRS prior to the Transaction, the future consolidated financial statements of the combined entity will represent the continuation of Landsdown. The Transaction will be accounted for as a share-based payment whereby Landsdown acquired the net assets of the Company and the Company’s status as a Reporting Issuer.

For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 Business Combinations (“IFRS 3”) since the Company, prior to the acquisition did not constitute a business. The transaction is accounted for in accordance with IFRS 2 Share-based Payment (“IFRS 2”) whereby Landsdown is deemed to have issued shares in exchange for the net assets of Former Monterey together with its Reporting Issuer status at the fair value of the consideration received by Landsdown.

For the Three and Nine Months ended September 30, 2018 and 2017 *(Expressed in Canadian dollars)*

## 4. Reverse Acquisition Transaction (Continued)

The accounting for this transaction resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Monterey Minerals Inc., but are considered a continuation of the financial statements of the legal subsidiary, Landsdown Holdings Ltd.

(ii) Since Landsdown is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Since the share and share-based consideration allocated to the former shareholders of the Company on closing the Transaction is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of the Company acquired on closing is expensed in the unaudited consolidated statement of comprehensive loss as listing fee expense.

The listing fee expense in the amount of $188,727 is comprised of the fair value of common shares of the Company retained by the former shareholders of Former Monterey less the net assets of Former Monterey at June 26, 2018.

The listing fee expense is summarized as follows:

Net working capital acquired:

| | | |
|---|---|---|
| Accounts payable | $ | 66,299 |
| Preferred share liability | | 3,000 |
| Cash | | (273,356) |
| Loans receivable | | (1,500) |
| Prepaid expenses | | (19,729) |
| | $ | (225,286) |
| Common shares issued (5,914,478 shares at $0.07 per share) | $ | 414,013 |
| **Listing fee expense** | **$** | **188,727** |

The Company has estimated the fair value of the equity instruments deemed to be issued by the Company. The fair value of the 5,914,478 common shares amounted to $414,013, based upon a recent private placement financing of Landsdown at $0.07 per share.

## 5. Share Capital and Reserves

Authorized – Unlimited Common shares without par value; and

Issued and Outstanding as at September 30, 2018: 20,353,056 (December 31, 2017: 14,438,578)

During the nine months ended September 30, 2018, 5,914,478 common shares were issued in connection with the reverse acquisition transaction (Note 4).

During the nine months ended September 30, 2017, the Company issued a total of 7,774,501 common shares for proceeds of $418,200 and incurred share issuance costs of $6,540.

The Company granted 1,300,000 options on August 15, 2018 which have an exercise price of $0.15 per option and expire on August 15, 2023. Share-based compensation of $58,5000 (December 31, 2017: $nil) has been recorded in connection with the issuance of these options. The 1,300,000 options were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk free interest rate – 2.18%-; expected life – 5 years; expected volatility – 100.00%; forfeiture rate – nil and expected dividends – nil.

## 6. Capital Disclosures

The Company defines its capital as shareholders' equity. 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 and exploration and development of mineral properties. 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 properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## 7. Financial and Capital Risk Management

The three levels of the fair value hierarchy are:

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 or indirectly; and
Level 3 - inputs that are not based on observable market data.

The Company enters into financial instruments to finance its operations in the normal course of business. The fair values of cash, loan receivable, accounts payable and loan payable approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at September 30, 2018 as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash | $ 467,129 | - | - | $ 467,129 |
| | $ 467,129 | - | - | $ 467,129 |

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with Schedule A financial institution, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

## 7. Financial and Capital Risk Management (Continued):

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

## 8. Loans Receivable

The Company has demand loans receivable of $16,500 as at September 30, 2018 (December 31, 2017: $28,943). $15,000 of the loans receivable (December 31, 2017: nil) bear interest at 12% per annum and is due on demand. The remaining amounts are unsecured and due upon demand without interest.

## 9. Mineral property

The Company's mineral property interests are comprised of properties located in Canada.

On February 17, 2017, the Company entered into an option agreement with Ridge Resources Ltd. ("Ridge", a company controlled by a director of the Company), Crucible Resources Ltd, 477291 B.C. Ltd, MVR Consulting Inc. and Timothy Arthur Johnson (collectively, the "Vendors") whereby the Vendors granted the Company the right to acquire a 100% interest in and to the Cobalt Property. In order to acquire the 100% interest in the Property, the Company shall pay cash and issue shares as follows:

(a) Cash payment of $10,000 within 10 days of execution of this agreement (Paid during the year ended December 31, 2017);

(b) Cash payments of:
   (i) $20,000 on or before February 17, 2018 (paid in February 2018); and
   (ii) $30,000 on or before February 17, 2019; and

(c) The issuance of 1,800,000 common shares of the Company as follows:
   (i) 400,000 shares of the Company upon Exchange acceptance of this agreement ("Approval Date");
   (ii) 600,000 shares of the Company - 12 months from the Approval Date; and
   (iii) 800,000 shares of the Company - 24 months from the Approval Date.

During the nine months ended September 30, 2018, the Company incurred mineral property acquisition costs of $20,000 (2017 – $10,000).

During the nine months ended September 30, 2018, the Company incurred geological expense of $nil (2017 – 31,602).

## 10. Loans Payable

As at September 30, 2018, the Company had demand loans payable of $nil (December 31, 2017: $518). The amounts owed are unsecured and due upon demand without interest.

## 11. Segmented Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.

For the Three and Nine Months ended September 30, 2018 and 2017 *(Expressed in Canadian dollars)*

## 12. Related Party Transactions

The Company incurred the following charges with directors and/or officers of the Company and/or companies controlled by them during the nine months ended September 30, 2018 and 2017:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Consulting | $ 1,750 | $ 7,530 |
| General & Administration | $ 5,250 | - |
| | $ 7,000 | $ 7,530 |

As of September 30, 2018, included in loans receivable is $15,000 due from an entity related with a director of the Company. Included in accounts payable and accrued expenses is $17,225 due to officers or directors of the Company or entities controlled by them (December 31, 2017 - $4,225). Included in prepaid expenses is $nil (December 31, 2017 - $12,000) paid to a company controlled by a director of the company.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

## 13. Arrangement Agreement

On September 30, 2016, Former Monterey signed letters of intent ("LOIs") with each of Landsdown Holdings Ltd., GCK Forestry Ltd., 2265040 Ontario Inc. (o/a EVI Tech Group) and Railhead Resources Ltd. (the "Purchasers") to form four (4) wholly owned subsidiaries ("Subcos") to effect transactions in which Subcos would purchase all of the issued and outstanding capital stock from each of the respective Purchasers' shareholders (the "2016 PoA").

On November 29, 2016, Former Monterey received court approval for its Arrangement Agreement (the "Arrangement") with each of its four wholly-owned subsidiaries 1093681 BC Ltd., 1093682 BC Ltd., 1093683 BC Ltd., and Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) (the "Subcos"), pursuant to which, amongst other things, will result in transfer the Letters of Intent and $1,000 (the "Assets") to each of 1093681, 1093682, 1093683, and 1093684 in consideration for shares of each Subcos.

Former Monterey set the share distribution record date of the Arrangement at close of business on April 18, 2018 whereby each Subcos would issue 1,010,549 common shares to shareholders of the Company.

On June 12, 2018, the spin out of Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) ("Blue Aqua") from the Company was completed. On August 1, 2018 the spin out of 1093681 B.C. Ltd., 1093682 B.C. Ltd. and 1093683 B.C. Ltd. from the Company was completed.