



CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

**For the Years Ended
December 31, 2018 and 2017**



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Monterey Minerals Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Monterey Minerals Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the 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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$469,296 during the year ended December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with



the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

SDVC LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 17, 2019



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**Year Ended
December 31, 2018**

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Monterey Minerals Inc.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
Assets		
Current		
Cash and cash equivalents	\$ 328,685	\$ 335,648
Loans receivable (Note 9)	21,000	28,943
Prepaid expenses and deposits	25,212	12,000
Government remittances recoverable	2,341	-
Total Assets	\$ 377,238	\$ 376,591
Liabilities		
Current		
Accounts payable and accrued expenses (Note 14)	\$ 23,156	\$ 25,208
Loans payable (Note 12)	-	518
Total Liabilities	23,156	25,726
Shareholders' Equity		
Share Capital (Note 6)	1,001,107	587,094
Reserves (Note 6)	58,500	-
Deficit	(705,525)	(236,229)
Total Shareholder's Equity	354,082	350,865
Total Liabilities and Shareholders' Equity	\$ 377,238	\$ 376,591

Nature of Operations and Going Concern (Note 1)
Change in Accounting Policy (Note 4)
Reverse Acquisition Transaction (Note 5)
Lease Commitments (Note 17)
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Approved and authorized by the Board of Directors on April 17, 2019.

/s/James Macintosh

President and CEO

Monterey Minerals Inc.
Consolidated Statement of Loss and Comprehensive Loss
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Expenses		
Listing expense (Note 5)	\$ 188,727	\$ -
Mineral acquisition & exploration (Note 4, 11)	78,647	61,466
Share-based payments (Note 6)	58,500	-
Transfer agent & filing fees	55,148	8,445
Consulting (Note 14)	42,025	80,705
General and administration (Note 14)	39,550	13,241
Travel	6,699	-
Net loss and comprehensive loss for the year	\$ (469,296)	\$ (163,857)
Basic and diluted loss per common share	(0.03)	(0.02)
Weighted average number of common shares outstanding	17,484,939	9,915,109

Monterey Minerals Inc.
Consolidated Statement of Changes in Shareholders' Equity
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Share Capital Number of Shares	Share Capital Amount	Reserve	Deficit	Total Shareholders' Equity
	(#)	(\$)	(\$)	(\$)	(\$)
Balance, December 31, 2016	4,200,500	52,503	-	(72,372)	(19,869)
Issuance of common shares	10,238,078	541,131	-	-	541,131
Share issuance costs	-	(6,540)	-	-	(6,540)
Net Loss for the year	-	-	-	(163,857)	(163,857)
Balance, December 31, 2017	14,438,578	587,094	-	(236,229)	350,865
Common shares issued on reverse takeover (Note 5, 6)	5,914,478	414,013	-	-	414,013
Share-based payments (Note 6)	-	-	58,500	-	58,500
Net loss for the year	-	-	-	(469,296)	(469,296)
Balance, December 31, 2018	20,353,056	1,001,107	58,500	(705,525)	354,082

Monterey Minerals Inc.
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating Activities		
Net loss	\$ (469,296)	\$ (163,857)
Non-cash items:		
Share-based payments (Note 6)	58,500	-
Listing expense (Note 5)	188,727	-
	(222,069)	(163,857)
Changes in non-cash working capital:		
Prepaid expenses and deposits	6,517	(12,000)
Government remittances recoverable	(2,341)	-
Accounts payable and accrued expenses	(71,351)	9,535
Net cash used in operating activities	(289,244)	(166,322)
Investing Activities:		
Net advances on loans receivable	9,443	(24,624)
Net cash provided by (used in) in investing activities	9,443	(24,624)
Financing Activities:		
Cash acquired on RTO (Note 5)	273,356	-
Repayments on loans payable	(518)	(7,999)
Proceeds from subscriptions in common stock	-	534,590
Net cash provided by financing activities	272,838	526,591
(Decrease) increase in cash	\$ (6,963)	\$ 335,645
Cash and cash equivalents, beginning of the year	335,648	3
Cash and cash equivalents, end of the year	\$ 328,685	\$ 335,648

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

Monterey Minerals Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2018 and 2017 *(Expressed in Canadian dollars)*

1. Nature of Operations and Going Concern

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. 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. The address of the Company's registered office is Suite 2702, 401 Bay Street Toronto, Ontario, M5H 2Y4. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol MREY.

On June 26, 2018, Monterey Minerals Inc. ("Former Monterey") and Landsdown Holdings Ltd. ("Landsdown.") completed a share exchange public listing transaction pursuant to a Share Exchange Agreement (the "SEA"). This resulted in the former Landsdown shareholders acquiring control of the Company, after which the Company effected a change in directors, management and business.

Under the terms of the SEA, Former Monterey acquired all of the issued and outstanding common shares of Landsdown based on a 1:1 share exchange ratio. Based on the distribution of shareholdings on completion of the SEA, Landsdown is deemed to be the continuing entity for financial reporting purposes and therefore its historical financial statements are included as the comparative figures as at year ended December 31, 2017. The transaction constituted a reverse acquisition as more fully described in note 5.

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.

Going Concern

These consolidated 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. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern, and, therefore be required to realized its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in these consolidated financial statements. Such adjustments could be material.

At December 31, 2018, the Company had not yet achieved profitable operations and had accumulated losses of \$705,525 (December 31, 2017 – \$236,229). Comprehensive loss for the year ended December 31, 2018 was \$469,296 (2017 – \$163,857). The Company expects to incur further losses in the development of its business, all of which raise material uncertainties 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; all of which are uncertain.

2. Basis of Presentation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2018. The policies set out below are based on IFRS issued and outstanding as of April 17, 2019, the date the Board of Directors approved the statements.

3. Significant Accounting Policies

a) Basis of Measurement

The 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Functional and Presentation Currency

The consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

c) Significant Accounting and Estimates and Judgements

The preparation of consolidated 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. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates:

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

- Income taxes - measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements; and
- Capital reserves – the inputs used in accounting for share-based payment transactions, including stock options and warrants.

Critical accounting judgments:

- Assessment of former Monterey as a business in scope of IFRS 3 - as more fully described in note 5, the Company was party to a Share Exchange Agreement during the year. This required management to make a determination as to whether it met the definition of a business pursuant to IFRS 3 – Business Combinations;

Significant Accounting Policies (Continued)

- Recognition of deferred income tax assets - 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;
- Going concern - management must make an assessment as to the going concern basis of accounting and uncertainties associated with the Company's ability to raise additional capital and/or obtain financing to advance the exploration properties; and
- 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 are made by management and external consultants considering current costs, technology and enacted legislation.

d) Basis of consolidation

The consolidation financial statements incorporate the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. An investor controls an investee if the investor has the power over the investee, has the exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

e) 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 loss ("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.

Instruments classified as FVTPL are measured as fair value with unrealized gains and losses recognized in profit or loss. Instruments classified at amortized cost are measured at amortized cost using the effective interest method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Monterey Minerals Inc.**Notes to the Consolidated Financial Statements**Year ended December 31, 2018 and 2017 *(Expressed in Canadian dollars)***3. Significant Accounting Policies (Continued)**

Transaction costs associated with financial instruments carried at FVTPL are expensed as incurred, while transactions costs associated with all other financial instruments are included in the initial carrying amount of the asset or liability.

The table below summarizes the classification changes upon transition from IAS 39 to IFRS as at January 1, 2018

Original under IAS 39			New under IFRS	
Financial Instrument	Classification	Carrying amount	Classification	Carrying amount
Cash	FVTPL	335,648	FVTPL	335,648
Loans receivable	Loans and receivables	28,943	Amortized cost	28,943
Accounts payable and accrued liabilities	Other liabilities	(25,726)	Amortized cost	(25,726)

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

f) 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.

g) Mineral properties

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

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.

h) 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.

3. Significant Accounting Policies (Continued)

i) Share-based compensation transactions

Shared-based compensation transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based compensation transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, such as share-based payments to employees, they are measured at fair value of the share-based payment. Share-based payments to employees of the subsidiaries are recognized as cash settled share-based compensation transactions.

Equity-settled transactions

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

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

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

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

The dilutive effect of outstanding options (if any) is reflected as additional dilution in the computation of loss per share.

j) Income taxes

Income tax on the consolidated statements of loss for the years presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

3. Significant Accounting Policies (Continued)

Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

k) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. 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.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at December 31, 2018 and December 31, 2017.

l) 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. Change in Accounting Policy

The Company has changed its accounting policy for mineral acquisition costs such that effective January 1, 2018 all mineral property acquisition costs are expensed. Previously the company capitalized all mineral property acquisition costs. The Company has retrospectively applied this policy for its December 31, 2017 financial statements and restated its 2017 comparative balances. This retrospective application has reduced the mineral property balance on the statement of financial position for 2017 from \$10,000 to nil and has increased the mineral property acquisition and exploration expense on the statement of loss and comprehensive loss from \$51,466 to \$61,466.

Monterey Minerals Inc.**Notes to the Consolidated Financial Statements**Year ended December 31, 2018 and 2017 *(Expressed in Canadian dollars)***5. Reverse Acquisition Transaction**

Former Monterey	Number of common shares	Amount
Balance, June 26, 2018	5,914,478	\$ 547,213

Landsdown	Number of common shares	Amount
Balance, June 26, 2018	14,438,578	\$ 587,094

On June 26, 2018, Former Monterey entered into a Share Exchange Agreement (“SEA”) with Landsdown Holdings Ltd. (“Landsdown”) under which a 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 outstanding. Upon closing, former Landsdown shareholders held approximately 71% of the outstanding shares of the Company. In substance, the Transaction involves former Landsdown shareholders obtaining control of the Company; accordingly, the Transaction is considered to be a reverse acquisition transaction under which Landsdown is identified as the accounting acquirer.

As Former Monterey did not meet the definition of a business under IFRS 3 Business Combinations (“IFRS 3”) prior to the Transaction, the future consolidated financial statements of the combined entity will represent the continuation of Landsdown. The transaction is therefore 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.

The accounting for this transaction in the following:

- (i) The consolidated financial statements of the combined entity are issued under the legal parent, Monterey Minerals Inc., but are considered a continuation of the financial statements of the legal subsidiary and accounting acquirer, 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.
- (iii) The identifiable assets and liabilities of Former Monterey are recognized at fair value at the acquisition date, with the excess of the fair value of the equity interest consideration paid over the fair value of the net assets acquired being charged to the consolidated statements of loss and comprehensive loss as a listing expense.
- (iv) The fair value of the equity interest consideration paid is determined based on the percentage ownership Former Monterey (the legal parent's) shareholders have in the consolidated entity after the transaction. This represents the fair value of the shares that Landsdown would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Landsdown acquiring 100% of the common shares in Former Monterey. The fair value of the consideration paid in the reverse-acquisition is therefore equivalent to the fair value of the 5,914,478 Monterey shares deemed to have been issued by Landsdown and controlled by Former Monterey shareholders, estimated to be \$414,013 based on the fair market value of \$0.07 per share, being the price of a recent financing of Former Monterey.

Monterey Minerals Inc.**Notes to the Consolidated Financial Statements**Year ended December 31, 2018 and 2017 *(Expressed in Canadian dollars)*

5. Reverse Acquisition Transaction (Continued)

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

6. Share Capital and Reserves

Authorized – Unlimited Common shares without par value; and Issued and Outstanding as at December 31, 2018: 20,353,056 (December 31, 2017: 14,438,578)

During the year ended December 31, 2018, 5,914,478 common shares were issued in connection with the reverse acquisition transaction (Note 5).

During the year ended December 31, 2017, the Company issued a total of 10,238,078 common shares for proceeds of \$541,131 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 payments of \$58,500 (December 31, 2017: \$Nil) have 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. This grant represented all stock option activity during the years ended December 31, 2018 and 2017 and all 1,300,000 stock options remained outstanding at December 31, 2018.

7. 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. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2018. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Monterey Minerals Inc.

Notes to the Consolidated Financial Statements

Year ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

8. Financial Instruments and Risk Exposures and 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 December 31, 2018 as follows:

		Level 1	Level 2	Level 3	Total
Financial Assets					
Cash	\$	328,685	-	-	\$ 328,685
	\$	328,685	-	-	\$ 328,685

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity price risk). Risk management is carried out by the Company's management team, with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance on overall risk management.

Credit risk

Credit risk is the risk of loss associates with a counterparty's inability to fulfil its payment obligations. 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 a Schedule A financial institution, which from time to time may exceed federally insured limits. The Company is further exposed to credit risk through its loans receivable. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. 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. As at December 31, 2018, the Company had working capital of \$ 354,082 (2017 - \$350,864).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rate risk, foreign exchange rate risk and commodity price 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.

Monterey Minerals Inc.**Notes to the Consolidated Financial Statements**Year ended December 31, 2018 and 2017 *(Expressed in Canadian dollars)***8. Financial Instruments and Risk Exposures and Management (Continued)**Foreign exchange risk

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

Commodity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. 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.

9. Loans Receivable

The Company has two loans receivable as at December 31, 2018:

Loan receivable one has principal balance outstanding of \$15,000, is unsecured, bears interest at 12% per annum and is due on demand.

Loan receivable two has principal balance outstanding of \$6,000, is unsecured, is non-interest bearing and is due on demand.

10. Accounts payable and accrued expenses

Accounts payable and accrued expenses are principally comprised of amounts outstanding relating to general operating activities.

	December 31, 2018	December 31, 2017
	(\$)	(\$)
Accounts payable	14,156	18,208
Accrued expenses	9,000	7,000
Total accounts payable and accrued expenses	23,156	25,208

The Company's trade and other payables are subject to standard trade terms of 30 – 60 days.

11. Mineral Property Interests

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 to Ridge of:
 - (i) \$20,000 on or before February 17, 2018 (paid during the year ended December 31, 2018); and
 - (ii) \$30,000 on or before February 17, 2019; and

Monterey Minerals Inc.**Notes to the Consolidated Financial Statements**Year ended December 31, 2018 and 2017 *(Expressed in Canadian dollars)***11. Mineral Property Interests (Continued)**

- (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 year ended December 31, 2018, the Company incurred mineral property acquisition costs and geological/exploration expenses of \$78,647 (December 31, 2017 – \$61,466).

12. Loans Payable

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

13. 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.

14. Related Party Transactions

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the fair value and approved by the Board of Directors in strict adherence to conflict of interest law and regulations.

The Company incurred the following charges with directors and/or officers of the Company and/or companies controlled by them for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(\$)	(\$)
Consulting – President and CEO	21,950	16,950
Consulting – Venex Capital (controlled by a director)	10,975	-
Accounting – Cronin Services (controlled by a director)	9,863	-
Exploration – Cronin Capital (controlled by a director)	9,042	-
Rent – Bunker Hill Mining (controlled by a director)	6,297	-
Consulting – Front Street (controlled by a director)	3,775	-
	61,902	16,950

As at December 31, 2018, included in accounts payable and accrued liabilities is \$9,494 (December 31, 2017 - \$nil) due to Cronin Capital and \$2,362 (December 31, 2017 - \$nil) due to Cronin Services.

Key management includes the President, CEO and CFO. For the year ended December 31, 2018, salaries and benefits of \$nil (December 31, 2017 - \$nil) were paid to key management.

15. 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").

Monterey Minerals Inc.**Notes to the Consolidated Financial Statements**Year ended December 31, 2018 and 2017 *(Expressed in Canadian dollars)***15. Arrangement Agreement (Continued)**

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.

16. Income Taxes

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

	December 31, 2018	December 31, 2017
	(\$)	(\$)
Loss before income taxes	(469,296)	(163,857)
Statutory rates	26.5%	26.5%
Expected income tax recover at statutory rates	(124,364)	(43,422)
Temporary differences and other	53,600	-
Share issuance cost recognized through equity	-	(1,733)
Share based payment expense	14,575	-
Current and prior tax attributes not recognized	56,189	45,155
Deferred income tax recovery	-	-

Details of deferred tax asset are as follows:

	December 31, 2018	December 31, 2017
	(\$)	(\$)
Non-capital losses carried forward	108,811	72,802
Share issuance costs	1,040	1,387
Exploration and evaluation	36,815	16,289
Total deferred tax assets	146,666	90,477
Less: valuation allowance on deferred tax assets	(146,666)	(90,477)
Deferred tax assets	-	-

The Company has approximately \$430,577 of non-capital losses available, which begin to expire in 2025 through to 2038 and may be applied against future taxable income for income tax purposes. The Company also has approximately \$139,000 of Canadian cumulative exploration and development costs which are available for deduction, indefinitely, against future taxable income for income tax purposes.

At December 31, 2018, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in future years.

17. Lease Commitments

Monterey leases its Canadian premises under a non-cancellable operating lease that expires in May 2022. Its current year lease expense is \$6,390, which includes related operating costs charged. Future minimum lease payments, by year, and the aggregate, are as follows:

Monterey Minerals Inc.**Notes to the Consolidated Financial Statements**Year ended December 31, 2018 and 2017 *(Expressed in Canadian dollars)*

17. Lease Commitments (Continued)

Year	Amount
	(\$)
2019	9,769
2020	9,854
2021	9,854
2022	4,106
	33,583

18. Subsequent Events

1. On February 21, 2019 the Company completed its purchase of the Cobalt Mountain Project and now owns a 100% undivided interest in the property. As per the Option agreement with the Vendors (see Note 11), the Company issued 1,800,000 shares to the Vendors upon completion.
2. On February 28, 2019 the Company purchased Ridge Street Investments Pty Ltd. ("Ridge Street") which owns two prospective tenements on the eastern flank of the Pilbara Basin. The Company acquired 100% of Ridge Street for 8,000,000 common shares of the Company.
3. On February 28, 2019 the Company granted 875,000 options which have an exercise price of \$0.12 per option and expire on February 28, 2024.
4. On April 2, 2019 the Company completed the purchase of CTTR Mining Tenements Pty Ltd. ("CTTR Mining") which owns seven prospective tenements in the Pilbara Basin. The Company acquired 100% of CTTR Mining for 7,000,000 common shares of the Company.