BLUE AQUA HOLDINGS LTD.

(formerly 1093684 B.C. Ltd.)

FINANCIAL STATEMENTS

(Unaudited)

For the Three Months Ended December 31, 2017 (Q1)

(Expressed in Canadian dollars)

Blue Aqua Holdings Ltd.
Index to Financial Statements
As at December 31, 2017

CONTENT	PAGE

NOTICE OF NON-REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), the Company hereby informs all readers that the accompanying unaudited condensed interim financial statements of the Company have not been reviewed the its auditor and have been prepared by and are the responsibility of management and Board of Directors for all financial statement information and reporting.

The attached unaudited condensed financial statements for the interim period ended December 31, 2017 (Q1) have not been reviewed by the Company's auditor and should be read in conjunction with the Company's audited financial statements for the year ended September 30, 2017, as filed on SEDAR.

MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements ("financial statements") of Blue Aqua Holdings Ltd. are the responsibility of the management and Board of Directors of the Company. The 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 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.

Ron Ozols, President

"Ron Ozols"

Vancouver, BC
September 17, 2018

Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.)
Statement of Financial Positions
As at
(Expressed in Canadian dollars)

	September 30, 2017 $	September 30, 2017 $
Assets	**—**	—
Liabilities		
Current Liabilities:		
Accounts payable	**352**	352
	352	352
Shareholders' Deficit		
Share Capital	**1**	1
Deficit	**(353)**	(353)
	(352)	(352)
Total Liabilities and Shareholders' Deficit	**—**	—

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 10)

The accompanying notes are integral to these financial statements.

Approved and authorized for issue by the Board of Directors on September 17, 2018:

"Carl Chow"
Director and CEO

"Patrick Brown"
Director and CFO

Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.)
Statement of Loss
December 31, 2017
(Expressed in Canadian dollars)

	Three months ended December 31, 2017 $	October 19, 2016 (Inception) to December 31, 2017 $
Expenses:		
Administration	—	353
Net loss and comprehensive loss for the period	—	(353)
Basic and diluted loss per common share	$ —	$ (3.53)
Weighted average number of common shares outstanding	100	100

The accompanying notes are integral to these financial statements.

Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.)

Statement of Changes in Shareholders' Deficit

(Expressed in Canadian dollars except the number of shares)

	Common Shares			
	Number	**Amount $**	**Deficit $**	**Total $**
Balance, October 19, 2016				
(Date of Incorporation) – Issuance to Incorporator - $0.01	100	1	—	1
Net Loss for the period	—	—	(353)	(353)
Balance, December 31, 2016	**100**	**1**	**(353)**	**(352)**
Balance, September 30, 2017	**100**	**1**	**(353)**	**(352)**
Net Loss for the period	—	—	—	—
Balance, December 31, 2017	**100**	**1**	**(353)**	**(352)**

The accompanying notes are integral to these financial statements.

Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.)
Statement of Cash Flows
(Expressed in Canadian dollars)

	Three months ended December 31, 2017 $	October 19, 2016 (Inception) to December 31, 2016 $
Net loss and comprehensive loss for the period	—	(353)
Operating Activities:		
Changes in non-cash working capital items:		
Increase in accounts payable	—	352
Cash flows used in operating activities	—	(1)
Financing Activities:		
Proceeds from incorporator shares	—	1
Cash flows provided by financing activities	—	1
Increase in cash and cash equivalents	—	—
Cash & cash equivalents, beginning of the year	—	—
Cash & cash equivalents, end of the year	—	—
Supplemental Disclosure:		
Cash paid during the period for interest	—	—
Cash paid during the period for income taxes	—	—

The accompanying notes are integral to these financial statements.

1. Nature and Continuance of Operations:

The company was incorporated as 1093684 B.C. Ltd. (the "Company" or “Blue Aqua”) on October 19, 2016 under the laws of British Columbia, Canada. On March 28, 2018, the Company changed its name to Blue Aqua Holdings Ltd. Its head office and registered office is located at 5728 East Boulevard, Vancouver, Vancouver, BC, V6M 4M4.

On December 31, 2017, the Company was a wholly-owned subsidiary of Monterey Minerals Inc., a reporting issuer in the Provinces of British Columbia and Alberta. (Note 6)

Blue Aqua is in the mining and exploration sector.

These interim unaudited financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business of exploration of mining.

The development of its business may take many years to be in successful and the amount of resulting income, if any, is difficult to determine with any certainty. From inception on October 19, 2016 to December 31, 2017, the Company had not commenced any operations, had no profits, a deficit of $353 and a working capital deficit of $352 and expects to incur losses in the development of its business, all of which casts material uncertainty about the Company’s ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation:

Statement of Compliance -

These interim financial statements for the period ended December 31, 2017 were prepared in accordance with the International Financial Reporting Standards ("IFRS") and their interpretation by the IASB. The accounting policies set out below are in effect in the financial statements for the period ended December 31, 2017 have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

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. 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 -

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Financial assets and liabilities are classified into one of the following categories based on the purpose for which they were acquired:

- Financial asset or financial liability at fair value through profit or loss; and
- Other financial liabilities

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset and liability. All transactions related to financial instruments are recorded on a settlement date basis.

3. Significant Accounting Policies *(continued)*

c) Financial instruments (Continued) -

Financial asset or financial liability at fair value through profit or loss ("FVTPL"):

A financial asset or liability classified at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets and liabilities are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

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) Income taxes -

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on 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 recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

f) 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. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company will adopt IFRS 9 and 15 that became effective for annual periods beginning on or after January 1, 2018.

4. Share Capital and Reserves

Authorized:

- unlimited common shares without par value

Issued and outstanding as at December 31, 2017 and September 30, 2017:

- one hundred (100) common shares

No share issuances occurred during the three months ended December 31, 2017. (Note 9)

5. Accounts Payable

As at December 31, 2017, the Company had $352 (September 30, 2017: $352) in accounts payable.

6. Arrangement

On September 30, 2016, prior to incorporation of the Company, Monterey Minerals Inc. (“Monterey”) signed a letter of intent (“LOI”) with Railhead Resources Ltd. (the “Purchaser”) to form a newly incorporated wholly-owned subsidiary (Subco) to a facilitate transaction in which Subco would purchase all of the issued and outstanding capital stock from the Purchaser’s shareholders and be spun-out from Monterey as a separate reporting issuer pursuant to a court approved plan of arrangement. Blue Aqua was incorporated as the Subco of Monterey to conduct this transaction.

On November 29, 2016, Monterey received court approval for its 2016 Plan of Arrangement (“2016 PoA”) pursuant to which the LOI and $1,000 deposit (the “Assets”) are to be transferred to Blue Aqua and subsequently divested (spun out) pursuant to the 2016 PoA. The LOI has no determinable fair market value. As of December 31, 2017, the Assets have not been transferred to the Company and the spin out from Monterey has not been completed. (See Notes 4 and 10)

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. 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. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned business and pay for administrative costs, the Company will need to raise additional funds. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

8. 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 accounts 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, 2017 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	$ -	-	-	$ -
	$ -	-	-	$ -

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

<u>Foreign exchange risk</u>
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.

<u>Credit risk</u>
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.

<u>Interest rate risk</u>
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.

8. 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.

9. Related Party Transactions

There were no related party transactions incurred during the three months ended December 31, 2017.

10. Subsequent Events

On March 28, 2018, the Company changed its name to Blue Aqua Holdings Ltd.

In April and May 2018, the Company incurred management fee expense and payable of $10,000 ($5,000 per month) owing to Carl Chow, a director, that was settled on June 12, 2018 through the issuance of 500,000 common shares of the Company.

In June 2018, the Company was loaned a total of $10,030 by Carl Chow, a director of the Company. These loans are due on demand without interest or terms of repayment.

On June 12, 2018, the spin out of the Company from Monterey was completed through the authorization of the issuance of 1,010,549 common shares to Monterey shareholders and the 100 incorporator shares were returned to treasury and cancelled pursuant to divesting the Company from Monterey under the Arrangement. (see Note 6)