

SCOTCH CREEK VENTURES INC.

INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements for Scotch Creek Ventures Inc. (the "Company") have been prepared by management in accordance with International Financing Reporting Standards (IAS 34). These condensed financial statements, which are the responsibility of management are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors has reviewed and approved these interim financial statements.

The Company's independent auditors have not performed a review of these interim condensed financial statements in accordance with the disclosure requirements of National Instruments 51-102 released by the Canadian Securities Administrators.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

STATEMENT OF FINANCIAL POSITION (Expressed in Canadian Dollars)

	MARCH 31, 2019	DECEMBER 31, 2018
ASSETS		
Current		
Cash	\$ 131,103	\$ 292,184
Accounts receivable	7,392	6,638
Total Current Assets	138,495	298,822
Exploration and Evaluation Assets (Note 5)	148,807	117,338
Total Assets	\$ 287,302	\$ 416,160
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 17,059	\$ 84,498
Promissory Notes (Note 6)	-	35,000
	17,059	119,498
Long Term		
Promissory Note (Note 6)	20,000	20,000
EQUITY		
Share Capital (Note 7)	478,997	478,997
Reserves	22,486	22,486
Deficit	(251,240)	(224,821)
Total Equity	250,243	276,662
Total Liabilities and Equity	\$ 287,302	\$ 416,160

NATURE AND CONTINUANCE OF OPERATIONS (NOTE 1)

The financial statements were approved and authorized for issue by the Board of Directors on May 29, 2019. They were signed on the Company's behalf by:

"David Ryan"
Director

"Logan Anderson"
Director

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	THREE MONTH PERIOD ENDED MARCH 31,2019	THREE MONTH PERIOD ENDED MARCH 31,2018
Expenses		
Directors' fees	3,000 \$	3,000
Interest	663	-
Office and miscellaneous	4,354	44
Management fees (Note 10)	15,000	15,000
Professional fees	2,490	8,500
Travel	912	387
	<u>26,419</u>	<u>26,931</u>
Net Loss and Comprehensive Loss for the Period	(26,419) \$	(26,931)
Loss Per Common Share, Basic and Diluted	(0.00) \$	(0.00)
Weighted Average Number of Common Shares Outstanding		10,530,000

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	THREE MONTH PERIOD ENDED MARCH 31, 2019	THREE MONTH PERIOD ENDED MARCH 31, 2018
Cash Provided By (Used In):		
Operating Activities		
Net loss for the period	\$ (26,419)	\$ (26,931)
Net changes in non-cash operating working capital items:		
Accounts receivable	(754)	(886)
Accounts payable and accrued liabilities	(67,439)	11,125
	<u>(94,612)</u>	<u>(16,692)</u>
Financing Activities		
Promissory Notes	(35,000)	-
	<u>(35,000)</u>	<u>-</u>
Investing Activities		
Exploration and evaluation assets	(31,469)	(6,639)
	<u>(31,469)</u>	<u>(6,639)</u>
Net Increase (decrease) In Cash	(161,081)	(23,331)
Cash, Beginning of Period	292,184	41,131
Cash, End of Period	\$ 131,103	\$ 17,800
Supplemental Cash Flow Information		
Interest paid	\$ 663	\$ -
Income taxes paid	\$ -	\$ -
Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

**SCOTCH CREEK VENTURES INC.
STATEMENT OF CHANGES IN EQUITY**

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	SHARE CAPITAL		RESERVES	DEFICIT	TOTAL EQUITY
	COMMON SHARES	AMOUNT			
Balance December 31,2017	10,530,000	240,900	-	(107,242)	133,658
Loss for the period	-	-	-	(26,931)	(26,931)
Balance March 31, 2018	10,530,000	\$ 240,900	\$ -	(134,173)	\$ (106,727)
Balance December 31,2018	13,835,000	478,997	22,486	\$ (224,821)	\$ 276,662
Loss for the period				(26,419)	(26,419)
Balance March 31, 2019	13,835,000	478,997	22,486	\$ 251,240	250,243

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

a) Nature of Operations

Scotch Creek Ventures Inc. (the "Company") was originally incorporated under the Business Corporations Act of British Columbia on January 9, 2017. The principal business of the Company is the acquisition and exploration of resource properties in North America.

On July 12, 2017, the Company acquired by a cash purchase 14 unpatented lode claims in Esmeralda County Nevada, USA (Note 5).

The address of the Company's corporate office and principal place of business is Suite 510, 744 West Hasting Street Vancouver BC, V6C 1A5, Canada. The Company trades on the Canadian Securities Exchange ("CSE"), and trades under the symbol "SCV".

b) Continuance of Operations

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown in these financial statements and do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

During the three month period ended March 31, 2019, the Company incurred a net loss of \$26,419 (March 31, 2018: \$26,931) and had an accumulated deficit of \$251,240 (December 31, 2018 - \$224,821). The operations of the Company have been funded by the issuance of common shares. Continued operations of the Company are dependent on the Company's ability to complete equity financings. Management's plan in this regard is to secure additional funds through future equity financings, which may be unavailable or unavailable on reasonable terms. These factors may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These interim financial statements, including comparative periods, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". These financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018.

These interim financial statements were authorized for issue by the Board of Directors on May 29, 2019.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

b) Basis of Presentation

These interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The functional currency of the Company is the Canadian dollar, being the currency of the primary economic environment of the entity. The functional currency is also the presentation currency. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. See Note 4 for use of estimates and judgments made by management in the application of IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim financial statements set out below have been applied consistently in all material respects.

Cash and Cash Equivalents

Cash consists of cash held in an interest bearing bank account. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. The Company has no cash equivalents as at March 31, 2019.

Basic and Diluted Loss per Common Share

Basic loss per common share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per common share.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

IFRS 9 became effective for the annual periods beginning on or after January 1, 2018, and replaces IAS 39, Financial Instruments: Recognition and measurement. The new standard provides a model for the classification and measurement of financial instruments, a single forward-looking “expected loss” impairment model, and a reformed approach for hedge accounting. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward into IFRS 9, the Company’s accounting policy with respect to financial liabilities is unchanged.

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- ii) those to be measured at amortized cost.

The Company has classified its financial assets as follows:

- Cash and short term investments are measured at fair value with changes to fair value subsequent to initial recognition being recorded in profit or loss for the period in which they occur.
- Accounts receivable are measured at amortized cost using the effective interest rate method.

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company has not recognized any impairment losses on its accounts receivable.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and subsequently classified as other financial liabilities.

The Company's financial liabilities include accounts payables and accrued liabilities. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

Financial instruments subject to fair value measurement are classified within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets, or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions; and

Level 3 – Applies to assets or liabilities which are not based on observable market data.

Translation of Foreign Currencies

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined and are not subsequently retranslated.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of operations and comprehensive loss in the period in which they arise.

Share-based Payments

Equity-settled share based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense with a corresponding increase to share-based payment reserve in the financial statements.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based Payments (Continued)

The fair value determined at the grant date of equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of shares that will eventually vest. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share-based compensation are transferred to deficit from the share-based payment reserve. Shares are issued from treasury upon the exercise of equity-settled share based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation costs for mineral properties

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is reclassified. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated proven and probable reserves, while those costs for the prospects abandoned are written off.

On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its mineral property costs. Impairment losses or write-downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

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SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and Evaluation Assets (Continued)

Exploration and evaluation costs for mineral properties (Continued)

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title to its properties are in good standing.

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

Impairment of Long-lived Assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized in net income for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

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SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-lived Assets (Continued)

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Rehabilitation Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in net income.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to net income for the period.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share Capital

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the residual value method. Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations in the period they are incurred.

Income Taxes

Income tax expense comprises both current and deferred tax. Current and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current income taxes are the expected taxes payable on taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the following:

i) **Exploration and Evaluation Expenditures**

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off to net loss in the period the new information becomes available.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

4. USE OF ESTIMATES AND JUDGMENTS (Continued)

ii) Impairment

At each reporting period, assets, specifically exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

iii) Share-based Payment Transactions

Management uses the Black-Scholes option pricing model to determine the fair value of employee stock options. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options, future risk-free interest rates and the dividend yield of the Company's common shares.

iv) Title to Mineral Property Interest

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, and title may be affected by undetected defects.

v) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

v) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

vi) Rehabilitation Provision

The application of the Company's accounting policy for rehabilitation is based on internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management.

Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time when the rehabilitation costs are actually incurred.

vii) Determination of Going Concern Assumption

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	<u>CUPZ CLAIMS</u>
Property acquisition costs	
Balance, January 1, 2018	\$ 25,485
Additions during the period	-
Balance, March 31, 2018 and March 31, 2019	<u>\$ 25,485</u>
Deferred exploration expenditures	
Balance, January 9, 2017	\$ -
Additions during the period	
Sampling	3,723
Field Reports	6,370
Geophysics	39,806
Assays	3,147
Mapping	23,043
43-101 Report	<u>6,974</u>
Balance March 31, 2018	<u>\$ 83,063</u>
Sampling and Drill site preparation	<u>31,469</u>
Total Balance March 31, 2019	<u>114,532</u>
Total balance, March 31, 2018	<u>\$ 108,548</u>

Cupz Claims

On July 12, 2017, the Company entered into a purchase agreement with Curellie LLC ("Curellie") of Elko Nevada to acquire a 100% undivided interest in the Cupz unpatented lode claims (Cupz 1-14) located in Esmeralda County Nevada USA.

The terms of the agreement are an outright purchase of the property for \$17,000 with a 3% net smelter return ("NSR") royalty to Curellie.

The Company may at anytime reduce the royalty to 2% by paying \$500,000 to Curellie or to 1% by paying \$1,000,000.

The Company staked an additional 25 contiguous unpatented claims at a cost of \$8,485 to increase the total number of claims to 39 claims covering approximately 806 acres.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

6. PROMISSORY NOTES

On May 23, 2018, the Company issued a two-year promissory note to an arm's length party for \$20,000 which bears interest at a rate of 10% per annum and is due on or before May 23, 2020.

On June 28, 2018, the Company entered into two loan agreements (the "Loans") and issued promissory notes pursuant to the Loans for a total of \$35,000. Under the terms of the Loans, each note bears interest at a rate of 10% per annum and is due within eighteen months from the date of the agreement. The Loans entitle the lenders to convert any portion of the Loans into common shares of the Company at a price of \$0.12 per share at any time prior to the due date. The Loans are due on or before December 28, 2019. The two loans were repaid during the current period.

7. EQUITY

Share Capital

a) Authorized

Unlimited common shares, without par value.
Unlimited preferred shares, without par value.

b) Issued

During the three month periods ended March 31, 2019 and 2018, the Company did not issue any common shares.

No preferred shares were issued and outstanding during the three months ended March 31, 2019, or, the three month period ended March 31, 2018.

c) Escrowed securities

A total of 3,700,001 shares and 3,000,000 warrants are subject to escrow. A total of 10% of the escrowed shares and warrants will be released on the date on which the common shares are listed for trading on a public stock exchange, with the remaining escrowed shares and warrants being released in 15% tranches every 6 months thereafter.

Options

On May 30, 2018, the Company adopted a Stock Option Plan (the "Stock Option Plan") providing for the grant to the Company's officers, directors, employees, permitted consultants, and, management company employees, of options to purchase common shares of the Company. Under the Stock Option Plan, the Company may grant options to purchase up to 10% of the issued and outstanding shares of the Company. No options have been granted to date.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

7. EQUITY (Contd...)

Share Purchase Warrants

The changes in share purchase warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at January 1, 2018 Issued	3,000,000	\$ 0.005
Balance as at March 31, 2018	3,000,000	\$ 0.10
Balance as at December 31, 2018	3,000,000	\$ 0.10
Broker Warrants	297,450	0.12
Balance as at March 31, 2019	3,297,450	\$ 0.10

The Company issued 3,000,000 common share purchase warrants with an exercise price of \$0.005 per warrant pursuant to the unit offering completed on January 31, 2017. On January 21, 2019, the Company amended the terms of 3,000,000 share purchase warrants held by two directors of the Company. The expiration date of these warrants was extended from January 31, 2019 to January 31, 2021. In addition, the exercise price of these warrants was increased to \$0.12 per share.

8. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, and accounts payable and accrued liabilities. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at March 31, 2019, the fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

9. RISK MANAGEMENT

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate, liquidity, and commodity price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar ("CDN\$"). Periodically, the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company holds an interest in 39 unpatented mining claims located in the USA. As a result, the Company is subject to foreign currency and exchange risk on the translation of these transactions and year end balances to the reporting currency. Any gains or losses arising in the period are included in operations for the year.

As at March 31, 2019, the fluctuations in the USD\$ relative to the CDN\$ do not have a significant impact on the net loss for the year or the future estimated cash flows required to maintain its Nevada property.

b) Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in reputable Canadian financial institutions. Management believes that the credit risk concentration with respect to cash is remote.

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and short-term investment is limited because the majority of the Company's cash and short-term investment balances are held by a Canadian chartered bank and the Company has no bank debt.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

9. RISK MANAGEMENT (Continued)

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period and the Company had sufficient liquidity to meet these obligations.

e) Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

10. CAPITAL MANAGEMENT

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition and exploration 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 team to manage its capital.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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 considers its approach to capital management to be appropriate given the relative size of the Company. The Company is not subject to externally imposed capital requirements.

The accompanying notes are an integral part of these financial statements

SCOTCH CREEK VENTURES INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019 (Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the three month period ended March 31, 2019, the Company incurred and paid a total of \$15,000 (March 31, 2018 - \$15,000) in management fees, to two officers and directors of the Company.

The Company also incurred a total of \$3,000 (March 31, 2018 - \$3,000) in directors' fees to two independent directors.

As at March 31, 2019, \$6,500 (March 31, 2018 - \$6,500) was owing to the two independent directors and included in accounts payable and accrued liabilities.

The accompanying notes are an integral part of these financial statements