MK2 Ventures Ltd.

Condensed Interim Financial Statements

For the six months ended December 31, 2018

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed interim financial statements of MK2 Ventures Ltd. for the six months ended December 31, 2018 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

MK2 Ventures Ltd
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	December 31, 2018	June 30, 2018 (Audited)
ASSETS		
Current assets		
Cash	**$ 1,235,556**	$ 1,427,306
GST receivable	**3,989**	2,266
Prepaid expenses	**6,708**	6,208
TOTAL ASSETS	**$ 1,246,253**	$ 1,435,780
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 3 & 8)	**$ 36,385**	$ 15,968
TOTAL LIABILITIES	**36,385**	15,968
SHAREHOLDERS' EQUITY		
Share capital	**55,490,679**	55,490,679
Reserves	**585,900**	-
Accumulated deficit	**(54,866,711)**	(54,070,867)
TOTAL SHAREHOLDERS' EQUITY	**1,209,868**	1,419,812
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,246,253**	$ 1,435,780

These condensed interim financial statements were authorized for issue by the Board of Directors on February 26, 2019. They are signed on behalf of the Board of Directors by:

"Hani Zabaneh"
Director

"Garrett Ainsworth"
Director

The accompanying notes form an integral part of these condensed interim financial statements.

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MK2 Ventures Ltd
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended		For the six months ended	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
EXPENSES				
General and administrative costs	**$ 14,388**	**$ 3,076**	**$ 18,694**	$ 5,414
Management fees (note 8)	**22,500**	**10,000**	**45,000**	25,000
Consulting fees (note 8)	**67,875**	**-**	**118,875**	-
Professional fees	**11,992**	**8,151**	**17,711**	11,030
Shareholder information and investor relations	**-**	**-**	**-**	1,417
Stock based compensation	**-**	**-**	**585,900**	-
Transfer agent, regulatory and listing fees	**4,614**	**5,429**	**9,664**	7,093
	121,369	**26,656**	**795,844**	55,383
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**$ 121,369**	**$ 26,656**	**$ 795,844**	$ 55,383
Basic and diluted loss per share for the period attributable to common shareholders	**$ 0.00**	**$ 0.00**	**$ 0.03**	$ 0.00
Weighted average number of common shares outstanding	**31,783,303**	**27,783,303**	**31,783,303**	27,383,303

The accompanying notes form an integral part of these condensed interim financial statements.

MK2 Ventures Ltd
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Cash flows provided by (used in):		
OPERATING ACTIVITIES		
Net loss from continuing operations for the period	**$ (795,844)**	$ (55,383)
Item not effecting cash:		
Stock based compensation	**585,900**	-
Net changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	**(2,223)**	(6,781)
Accounts payable and accrued liabilities	**20,417**	(11,495)
Net cash flows used in operating activities	**(191,750)**	(73,659)
Net decrease in cash	**(191,750)**	(73,659)
Cash, beginning of period	**1,427,306**	1,007,154
Cash, end of period	**$ 1,235,556**	$ 933,495

The accompanying notes form an integral part of these condensed interim financial statements.

MK2 Ventures Ltd
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital				
	Number of shares	**Amount**	**Reserves**	**Accumulated deficit**	**Total**
Balance at June 30, 2017	**27,383,303**	**$ 54,943,504**	**$ -**	**$ (53,968,252)**	**$ 975,252**
Net loss for the period	-	-	-	(55,383)	(55,383)
Balance at December 31, 2017	**27,383,303**	**$ 54,943,504**	**$ -**	**$ (54,023,635)**	**$ 946,525**
Balance at June 30, 2018	**31,383,303**	**$ 54,943,504**	**$ -**	**$ (54,070,867)**	**$ 1,419,812**
Stock based compensation	-	-	585,900	-	585,900
Net loss for the period	-	-	-	(795,844)	(795,844)
Balance at December 31, 2018	**31,783,303**	**$ 55,490,679**	**$ 585,900**	**$ (54,866,711)**	**$ 1,209,868**

The accompanying notes form an integral part of these condensed interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

MK2 Ventures Ltd. (the "Company" or "MK2") was incorporated under the provincial laws of Alberta on July 24, 1989 and continued in the province of British Columbia on March 31, 2006. The Company's office is located at Suite 918 – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The Company is listed on the NEX Exchange, a branch of the TSX Venture Exchange (the "Exchange") and trades under the symbol "MK.H".

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At December 31, 2018, the Company had cash of $1,235,556 (June 30, 2018 - $1,427,306) and working capital of $1,209,868 (June 30, 2018 - $1,419,812). The Company currently has no active business and is not generating any revenues. It has incurred losses and negative cash flows from operations since inception and has an accumulated deficit of $54,866,711 as at December 31, 2018 (June 30, 2018 - $54,070,867). Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. These uncertainties cast significant doubt on the ability of the Company to continue as a going concern.

The Company's ability to continue its operations is dependent on its ability to identify a new business opportunity and its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the next twelve months and in the future. These condensed interim financial statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and comply with IAS 34. The condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency. This condensed interim financial report does not include all of the information required of a full audited annual financial report and it is therefore recommended that this report be reading conjunction with the annual financial statements of the Company for the year ended June 30, 2018. The accounting policies as reported in Note 2 of the audited annual financial statements for the year ended June 30, 2018 have been applied in preparing these condensed interim financial statements

(b) Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 2018 and June 30, 2018, the Company's accounts payable and accrued liabilities are comprised of the following:

	December 31, 2018	June 30, 2018
Trade payables and accrued liabilities	**$ 25,456**	$ 15,968
Due to related parties (note 8)	**10,929**	-
	$ 36,385	$ 15,968

(Expressed in Canadian Dollars)

4. COMMON SHARES

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

On April 19, 2017, June 8, 2017 and June 27, 2017, the Company issued 13,000,000 common shares pursuant to the exercise of warrants for total gross proceeds of $650,000.

On June 1, 2018, the Company issued 4,400,000 units at a price of $0.125 per unit for proceeds of $550,000. The Company incurred $2,825 of share issuance costs. Each unit consists of one common share and one share purchase warrant exercisable at $0.15 for a period of 12 months. The warrants were assigned a residual value of $nil in accordance with the Company's accounting policy.

5. OPTIONS AND WARRANTS

(a) Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the options granted are fixed by the Board of Directors, and are not to exceed ten years. The exercise prices of the options are determined by the Board of Directors, but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the options are granted, less any discount permitted by the Exchange. Options granted under the plan may vest immediately on grant, or over a period as determined by the Board of Directors or, in respect of options granted for investor relations services, as prescribed by Exchange policy.

A continuity schedule of the Company's outstanding stock options for the periods ended December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	**-**	**$ -**	-	$ -
Granted	2,050,000	0.30	-	-
Outstanding, end of period	2,050,000	**$ 0.30**	-	$ -

On July 11, 2018, the Company granted 2,050,000 stock options at an exercise price of $0.30 per common share for a period of three years ending July 11, 2021. Stock based compensation expense of $585,900 was recognized, being the fair value determined using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate of 2.02%; Expected life of 3 years; Expected volatility of 183% and dividend yield of Nil. The options vested immediately.

(b) Warrants

At December 31, 2018, the Company had outstanding common share purchase warrants exercisable to acquire common shares of the Company as follows:

Expiry date	**Warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
June 1, 2019	4,400,000	$ 0.15	0.42

(Expressed in Canadian Dollars)

6. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to continue its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company's capital includes the components of its shareholders' equity (deficiency).

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash. In order to preserve cash, the Company does not pay any dividends.

The Company's investment policy is to invest its cash in highly liquid investments, which are readily convertible into known amounts of cash with maturities of one year or less from the original date of acquisition or when it is needed, and selected with regard to the expected timing of expenditures from continuing operations.

The Company is not subject to any externally imposed capital requirements.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements.

7. FINANCIAL INSTRUMENTS

(a) Classifications

The Company's financial assets and liabilities are classified as follows:

		December 31, 2018		June 30, 2018
Financial assets:				
Fair value through profit and loss				
Cash	**$**	**1,235,556**	$	1,427,306
Financial liabilities:				
Other financial liabilities				
Accounts payable and accrued liabilities	**$**	**36,385**	$	15,968

The accounts payable and accrued liabilities include amounts due to and from related parties and excludes sales tax receivable.

(b) Fair value information

The fair values of the Company's cash accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments and belong to level 1 of the fair value hierarchy.

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of inputs used in measuring fair value as follows:

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

At December 31, 2018, the Company had no financial assets measured and recognized on the statement of financial position at fair value belonging in Level 2 or Level 3 of the fair value hierarchy.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

The Company's related parties consist of its key management personnel, including its directors and officers, entities controlled by key management personnel and entities that have significant influence over the Company. During the normal course of business, the Company enters into transactions with its related parties that are considered to be arm's length transactions and made at normal market prices and on normal commercial terms.

(a) Key management compensation for the six months ended December 31, 2018 and 2017 were as follows:

	December 31, 2018	September 30, 2017
Short-term benefits	$ 118,875	$ 15,000
Share-based payments	528,739	-
	$ 647,614	$ 15,000

(b) During the three and six months ended December 31, 2018, the Company incurred $37,875 and $66,750 (December 31, 2017 - $Nil and $Nil), respectively, for management fees provided by an officer of the Company. During the three and six months ended December 31, 2018, the Company incurred $30,000 and $52,125 (December 31, 2017 - $Nil and $Nil), respectively, for services provided by the VP of Exploration and Development of the Company. Amounts owing related to these fees at December 31, 2018 is $10,000 (June 30, 2018 - $nil) and is included in accounts payables and accrued liabilities.

During the three and six months ended December 31, 2018, the Company incurred $Nil and $Nil (December 31, 2017 - $15,000 and $15,000), respectively, for management fees provided by an entity controlled by the Company's former Chief Executive Officer.