Lovitt Resources Inc.

Consolidated Financial Statements

For the years ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

D&H Group LLP
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Independent Auditor's Report

To the Shareholders of Lovitt Resources Inc.

Opinion

We have audited the consolidated financial statements of Lovitt Resources Inc. (the “Company”), which comprise the consolidated statements of financial position as at March 31, 2019 and March 31, 2018, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows 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 March 31, 2019 and March 31, 2018, 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit of $ 5,942,676 and a working capital deficiency of $ 1,535,312. 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

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 identified above 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.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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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 related 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.
- 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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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 Gordon Cummings.

"D&H Group LLP"

Vancouver, B.C.
July 29, 2019

Chartered Professional Accountants

Lovitt Resources Inc.
Consolidated Statements of Financial Position
March 31, 2019 and 2018
(Expressed in U.S. Dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash	30,010	635
Amounts receivable	2,588	1,480
Current portion of note receivable (Note 3)	9,132	-
Prepaid expenses	4,714	-
	46,444	2,115
Note receivable (Note 3)	43,347	-
Property, plant and equipment (Note 4)	183,751	184,727
Mineral properties (Note 5)	589,761	560,361
	863,303	747,203
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	16,984	46,213
Accrued interest payable (Note 12)	311,994	258,763
Deposit (Note 13)	83,026	-
Note payable (Note 6)	4,293	4,445
Demand loans (Note 7)	1,165,459	1,012,233
	1,581,756	1,321,654
Shareholders' equity (deficiency)		
Share capital (Note 8)	4,312,197	4,312,197
Contributed surplus	935,727	935,727
Currency translation reserve	(23,701)	(25,535)
Deficit	(5,942,676)	(5,796,840)
	(718,453)	(574,451)
	863,303	747,203

Nature of operations and going concern - see Note 1

The accompanying notes are an integral part of these consolidated financial statements.

These consolidated financial statements were approved for issue by the Board of Directors on July 29, 2019 and are signed on its behalf by:

"C.Lorne Brown", Director *"Dominic Lapenna"*, Director

Lovitt Resources Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

	2019 $	2018 $
Expenses		
Depreciation of property, plant and equipment (Note 4)	2,161	2,425
General and administrative (Note 12)	51,803	84,135
Interest on demand loans (Note 12)	55,290	47,363
Management fees (Note 12)	120,081	137,163
	229,335	271,086
Loss before other items	(229,335)	(271,086)
Other items		
Miscellaneous items	577	212
Gain on sale of property, plant and equipment	82,922	3,750
	83,499	3,962
Net income (loss) for the year	(145,836)	(267,124)
Other comprehensive income (loss) for the year		
Foreign currency translation	1,834	(5,548)
Comprehensive income (loss) for the year	(144,002)	(272,672)
Net income (loss) per share - basic and diluted	(0.01)	(0.03)
Weighted average number of common shares outstanding	9,324,951	9,324,951

The accompanying notes are an integral part of these consolidated financial statements.

Lovitt Resources Inc.
Consolidated Statements of Changes in Equity
For the years ended March 31, 2019 and 2018
(Expressed in U.S. Dollars)

	Number of common shares #	Common shares amount $	Preferred shares amount $	Contributed surplus $	Currency translation reserve $	Deficit $	Total shareholders' equity (deficiency) $
Balance at March 31, 2017	9,324,951	4,312,196	1	935,727	(19,987)	(5,529,716)	(301,779)
Comprehensive income for the year	-	-	-	-	(5,548)	(267,124)	(272,672)
Balance at March 31, 2018	9,324,951	4,312,196	1	935,727	(25,535)	(5,796,840)	(574,451)
Comprehensive income for the year	-	-	-	-	1,834	(145,836)	(144,002)
Balance at March 31, 2019	9,324,951	4,312,196	1	935,727	(23,701)	(5,942,676)	(718,453)

The accompanying notes are an integral part of these consolidated financial statements.

Lovitt Resources Inc.

Consolidated Statements of Cash Flows

For the years ended March 31, 2019 and 2018

(Expressed in U.S. Dollars)

	2019 $	2018 $
Cash flows from (used in) operating activities		
Net income (loss) for the year	(145,836)	(267,124)
Items not affecting cash		
Depreciation of property, plant and equipment	2,161	2,425
Gain on sale of property, plant and equipment	(82,922)	(3,750)
Write-off of accounts payable	-	1,925
Write-off of prepaid expenses	-	1,573
Changes in non-cash working capital		
Decrease (increase) in		
Amounts receivable	(1,108)	(12)
Note receivable	(52,479)	
Security deposit	-	3,722
Prepaid expenses	(4,714)	-
Increase (decrease) in		
Accounts payable and accrued liabilities	(29,229)	32,764
Accrued interest payable	53,231	48,056
Note payable	(152)	131
	(261,048)	(180,290)
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(2,548)	(21,362)
Prepayment for sale of property, plant and equipment	83,026	-
Expenditures on mineral properties	(29,400)	(16,921)
Proceeds from sale of property, plant and equipment	84,285	24,587
	135,363	(13,696)
Cash flows from financing activities		
Demand loan proceeds	153,226	155,715
Repayment of demand loans	-	(13,176)
	153,226	142,539
Effect of exchange rate changes	1,834	(5,548)
Increase (decrease) in cash during the year	29,375	(56,995)
Cash, beginning of year	635	57,630
Cash, end of year	30,010	635

The accompanying notes are an integral part of these consolidated financial statements.

Supplemental cash flow information - see Note 14

1. Nature of operations and going concern

The Company is incorporated under the *Company Act* (British Columbia). The Company holds land and mineral interests located in Wenatchee, Washington, U.S.A. The Company finances its operations by selling land.

The Company's principal office is located at Suite 217 - 179 Davie Street, Vancouver, B.C., V6Z 2Y1.

These consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of material adverse conditions as set out below that may cast significant doubt on the validity of this assumption. At March 31, 2019, the Company has no source of operating cash flow and a deficit of $ 5,942,676 (March 31, 2018 - $ 5,796,840). At March 31, 2019, the Company had a working capital deficiency of $ 1,535,312 (March 31, 2018 - $ 1,319,539) and expects to incur further losses in the development of its business.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. In order to ensure its ability to continue operating, the Company expects to sell land and any remaining non-mining equipment to finance a mineral exploration and development program. However, there is no assurance that any such activity will generate funds that will be available for investments or operations.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of, liabilities which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. Significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the year ended March 31, 2019, using significant accounting policies outlined below.

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

2. Significant accounting policies - continued

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Lovitt Mining Company, Inc. (a U.S. corporation). Lovitt Mining Company, Inc.'s financial statements include the accounts of its wholly owned subsidiary, Gold King Inc. (a U.S. corporation). All significant inter-company balances and transactions have been eliminated.

Critical judgments and sources of estimation uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involved judgments or assessments made by management.

ii) Management is required to assess the functional currency of each entity in the Company. In concluding that the U.S. dollar is the functional currency of the parent and its subsidiaries, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined that there were no impairment indicators present in respect of its mineral properties and as a result no impairment test was performed.

iv) Although the Company takes steps to verify title to exploration and evaluation assets 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.

2. Significant accounting policies - continued

v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 11.

vi) Judgment is required to determine when transfer of control occurs relating to the sale of the Company's land and other property, plant and equipment. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether the significant risks and rewards and legal title have been transferred to the purchaser.

Estimation uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year:

i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

ii) The assessment of any impairment of mineral properties and property, plant and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful life of assets.

iii) The cost estimates are updated periodically during the life of a mine to reflect known developments (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations, and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at March 31, 2019 and 2018, there were no decommissioning liabilities.

Cash equivalents
The Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents. There are no cash equivalents at March 31, 2019 and 2018.

Property, plant and equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation and, where necessary, write-downs for impairment. Land is reclassified as held for sale upon being listed for sale.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful lives of the assets, at a rate between 20% and 50% commencing when the related asset is available for use.

2. Significant accounting policies - continued

Mineral properties
Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until there is reasonable certainty as to the existence of economically recoverable mineral reserves and the property to which they relate is placed into production, sold or abandoned. Costs are amortized against future production from the property. Costs of abandoned properties are written off at the earlier of the decision to abandon the property or the expiry date of assessment work on the property. Administrative costs and other exploration costs that do not relate to any specific property are expensed as incurred. Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values.

Decommissioning liability
Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations.

On initial recognition, the estimated fair value of a decommissioning liability is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. Costs for restoration of site damage which is created on an ongoing basis during the exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax-risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The decommissioning liability is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

Impairment of non-financial assets
Impairment tests for non-financial assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-financial asset's recoverable amount is calculated. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. If the carrying value of a non-financial asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-financial asset to its recoverable amount.

Share capital
Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Non-cumulative preferred shares without mandatory redemption features are accounted for in accordance with the substance of the contractual arrangement and, as such, are classified as equity.

Dividends paid on preferred shares classified as equity are recorded against the deficit and are included in the statement of changes in equity.

2. Significant accounting policies - continued

Equity financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the contributed surplus included in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Revenue recognition

The Company recognizes revenues from sales of land and other property, plant and equipment when it transfers control over the asset to the purchaser. Control is transferred when the Company has right to payment and when significant risks and rewards and legal title have been transferred to the purchaser, when collection of sales proceeds is reasonably assured and when all other obligations have been fulfilled.

Interest and other revenue is recognized in the period the amounts are earned and when collection is reasonably assured.

Foreign currency translation

Functional and presentation currency

The financial statements of the parent and its subsidiaries are prepared in the local currency of their home jurisdictions, being the Canadian dollar and the U.S. dollar, respectively. Consolidation of the parent and subsidiaries includes re-measurement from the local currency to the functional currency. The parent’s and the subsidiaries’ functional currency, being the currency of the primary economic environment in which the companies operate, is the U.S. dollar. These consolidated financial statements are presented in U.S. dollars.

2. Significant accounting policies - continued

Exchange rates published by the Bank of Canada were used to translate the accounts in preparing the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Loss per share
Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Current and deferred income taxes
Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in profit and loss, except for income taxes relating to items recognized directly in equity or other comprehensive loss.

Current income taxes, if any, are the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to amounts payable or receivable relating to previous years.

Deferred income taxes are provided using the liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

2. Significant accounting policies - continued

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Amounts receivable, note receivable, accounts payable and accrued liabilities, accrued interest payable, note payable and demand loans are classified as amortized cost.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in comprehensive income (loss) in the period in which they arise. Cash is classified as FVTPL.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income (loss) in the period in which they arise. At March 31, 2019 and 2018, the Company has not classified any financial instruments as FVOCI.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive income (loss).

(Expressed in U.S. Dollars)

2. Significant accounting policies - continued

New standards and interpretations adopted

i) The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of April 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The table below summarizes the classification and carrying amount changes upon transition from IAS 39 to IFRS as at April 1, 2018.

	Original under IAS 39		New under IFRS 9	
	Classification	Carrying amount	Classification	Carrying amount
Cash	FVTPL	635	FVTPL	635
Accounts receivable	FVTPL	1,480	Amortized cost	1,480
Accounts payable and accrued liabilities	Other financial liabilities	46,213	Amortized cost	46,213
Accrued interest payable	Other financial liabilities	258,763	Amortized cost	258,763
Note payable	Other financial liabilities	4,445	Amortized cost	4,445
Demand loans	Other financial liabilities	1,012,233	Amortized cost	1,012,233

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit or to the opening deficit on April 1, 2018.

(ii) Effective on January 1, 2018, the Company adopted IFRS 15 Revenue from contracts with customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The Company recognizes revenue when it transfers control over an asset to a purchaser. Based on the Company's current operations, there was no change in the amount of revenue recognized in the financial statements as a result of adopting IFRS 15.

New standard and interpretation not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt this standard before its effective date. The Company continues to evaluate the impact of this standard on its consolidated financial statements.

2. Significant accounting policies - continued

IFRS 16 - *Leases.* The standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

3. Note receivable

On January 4, 2019 the Company sold a land parcel and settled part of the consideration with a $ 54,000 note receivable. The note bears interest at an annual rate of 6% and will be paid over sixty-two monthly instalments of $ 1,000 commencing February 1, 2019. The purchaser has the option to prepay all or part of the note.

(Expressed in U.S. Dollars)

4. Property, plant and equipment

	Land	Equipment	Computer equipment	Vehicles	Total
	$	$	$	$	$
Cost:					
Balance as at March 31, 2017	177,810	50,405	30,005	900	259,120
Additions	-	525	-	20,837	21,362
Disposals	-	-	-	(20,837)	(20,837)
Balance as at March 31, 2018	177,810	50,930	30,005	900	259,645
Additions	-	1,091	1,456	-	2,547
Disposals	(1,362)	-	-	-	(1,362)
Balance as at March 31, 2019	176,448	52,021	31,461	900	260,830
Accumulated depreciation:					
Balance as at March 31, 2017	-	43,620	27,973	900	72,493
Depreciation for the year	-	1,409	1,016	-	2,425
Balance as at March 31, 2018	-	45,029	28,989	900	74,918
Depreciation for the year	-	1,289	872	-	2,161
Balance as at March 31, 2019	-	46,318	29,861	900	77,079
Carrying amount:					
At March 31, 2018	177,810	5,901	1,016	-	184,727
Carrying amount:					
At March 31, 2019	176,448	5,703	1,600	-	183,751

(Expressed in U.S. Dollars)

5. Mineral properties

	2019 $	2018 $
Lovitt Mineral Property - Washington, U.S.A.	1	1
Golden King and MacBeth claims - Washington, U.S.A.	1	1
Deferred exploration costs	589,759	560,359
	589,761	560,361

As at March 31, 2019, deferred exploration costs were as follows:

	$
Geology and consulting	255,640
Assay fees	23,455
Travel	119,025
Supplies and permits	38,389
Field expenditures	153,250
Total	589,759

As at March 31, 2018, deferred exploration costs were as follows:

	$
Geology and consulting	250,364
Assay fees	23,067
Travel	114,348
Supplies and permits	36,680
Field expenditures	135,900
Total	560,359

The Lovitt Mineral Property represents a 100% undivided interest in 200 acres with mineral rights. The Golden King and MacBeth claims represent a 100% undivided interest in 40 acres with mineral rights. The mineral interest is subject to a 5% net smelter royalty, payable to a former minority investor of Lovitt Mining Company Inc., as an incentive to a buyout concluded in 2004.

Mineral properties include nominal acquisition costs as they were written down in prior years. In 2019, the Company incurred $ 29,400 (2018 - $ 16,921) of exploration costs.

6. Note payable

The Company has a promissory note payable of $ 4,293 (2018 - $ 4,445) to a corporation owned by a director of the Company. The note bears interest at 5% per annum, is not collateralized, and has no fixed terms of repayment.

(Expressed in U.S. Dollars)

7. Demand loans

	2019 $	2018 $
No required monthly payments; interest calculated at 5% per annum; not collateralized, due on demand	94,380	94,380
Loan from a director of the Company and his immediate family - no required monthly payments; interest calculated at 5% per annum; not collateralized, due on demand	-	612,853
Loan from a Corporation owned by a director of the Company - no required monthly payments; interest calculated at 5% per annum; not collateralized, due on demand	716,079	-
No required monthly payments; interest calculated at 5% per annum; not collateralized, due on demand	25,000	25,000
No required monthly payments; interest calculated at 5% per annum; not collateralized, due on demand	330,000	280,000
	1,165,459	1,012,233

8. Share capital

Authorized - unlimited number of common shares without par value
- 100,000,000 preferred shares with par value of $ 0.00001 per share

(a) *Reconciliation of changes in share capital*
No private placements occurred during the 2019 and 2018 fiscal years.

(b) *Warrants*
No warrants are outstanding as at March 31, 2019 and 2018

(c) *Share option plan*
The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

The Company had no share options outstanding as at March 31, 2019 and 2018.

(Expressed in U.S. Dollars)

8. Share capital - continued

(d) *Preferred shares*:

	Number	$ Amount
Balance as at March 31, 2019 and 2018	75,160	1

Preferred shares issued are comprised of 75,160 non-cumulative preferred series A issue 1 shares with a face value of $ 10 each, and a 5% annual coupon rate.

9. Segmented information

As at March 31, 2019 and 2018 the Company's identifiable assets, revenue and net income (loss) in each of the geographic areas is as follows:

2019 $	Identifiable assets	Revenue	Net income (loss)
United States	846,060	-	41,686
Canada	17,243	-	(187,522)
	863,303	-	(145,836)

2018 $	Identifiable assets	Revenue	Net income (loss)
United States	745,694	-	(51,121)
Canada	1,509	-	(216,003)
	747,203	-	(267,124)

10. Financial instruments and risk management

a) Fair value

Fair value hierarchy
IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 - quoted prices 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 - inputs for the asset or liability that are not based upon observable market data.

The fair value of cash is based on Level 1 inputs for the fair value hierarchy.

10. Financial instruments and risk management - continued

The fair value of financial instruments at March 31, 2019 and 2018 are summarized as follows:

				$
	March 31, 2019		March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Fair value through profit or loss				
Cash	30,010	30,010	635	635
Amortized cost				
Amounts receivable	2,588	2,588	1,480	1,480
Note receivable	52,479 -	52,479	-	-
Accounts payable and accrued liabilities	16,984	16,984	46,213	46,213
Accrued interest payable	311,994	311,944	258,763	258,763
Note payable	4,293	4,293	4,445	4,445
Demand loans*	1,165,459	1,165,459	1,012,233	1,012,233

*The amounts shown for fair value represent the amount of funds required for immediate settlement.

b) Financial risk management
The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Cash, amounts receivable and note receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company limits its exposure to credit loss by placing its cash with major financial institutions and dealing with credit worthy parties.

Liquidity risk
The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, in addition to listing assets that it can sell. The Company intends also to raise additional financing through the issuance of capital and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. See also Note 1.

Interest rate risk
Note payable and demand loans bear interest at fixed rates, or do not bear interest, and therefore do not expose the Company to interest rate cash flow risk.

Foreign exchange risk
The Company is subject to foreign exchange rate risk as the Company incurs transactions and has assets and liabilities denominated in Canadian dollars, whereas the parent and subsidiaries' functional and reporting currency is the U.S. dollar.

(Expressed in U.S. Dollars)

10. Financial instruments and risk management - continued

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. The Company's portfolio of properties has exposure to predominantly gold. The price of this commodity will affect the value of the Company and the potential value of its properties.

11. Income taxes

The Company has non-capital losses for Canadian income tax purposes of approximately $ 556,000 (CAD $ 743,000) available to reduce future years' taxable income. The Company also has net operating loss carryforwards for tax purposes of approximately $ 2,855,000 (2018 - $ 2,808,000) available for deduction against future taxable income in the United States. The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses will expire as follows: $ 836,000 in 2029, $ 305,000 in 2030, $ 564,000 in 2031, $ 539,000 in 2032, $ 259,000 in 2033, $ 181,000 in 2034, $ 265,000 in 2035, $ 123,000 in 2036, $ 222,000 in 2037, $ 56,000 in 2038 and $ 61,000 in 2039.

The Company has undepreciated Mineral Property Cost for US tax purposes of $ 461,427. These available deductions have no expiry date and can be offset against future taxable income. The potential tax benefit of these amounts has not been reflected in these accounts.

The significant components of the Company's unrecognized deferred income taxes are as follows as at March 31, 2019 and 2018:

	2019 $	2018 $
Deferred income tax assets		
Benefit of loss carryforwards	750,000	736,000
Benefit of resources tax pool	169,000	229,000
	919,000	965,000

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes:

	2019 $	2018 $
Income taxes (recovery) at statutory income taxes rates (2019 - 27%; 2018 - 26%)	(39,000)	(32,000)
Effect of foreign income taxed at different rates	8,000	(11,000)
Effect of income tax rate changes in US	-	(365,000)
Unrecognized benefit of income	31,000	408,000
Actual income tax rate recovery	-	-

12. Related party disclosures

Key management compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

As at March 31, 2019, accounts payable includes $ 660 (2018 - $ 660) owed to a director and members of his immediate family and $ 8,493 (2018 - $ 8,793) owed to two corporations owned by a director.

As at March 31, 2019, accrued interest payable includes $ 107,621 (2018 - $ 74,114) due to a director and members of his immediate family and a corporation owned by the director. Accrued interest payable also includes $ 6,645 (2018 - $ 6,217) due to corporations controlled by directors.

As at March 31, 2019, demand loans includes loans outstanding of $ 716,079 (2018 - $ 612,853) to a director and members of his immediate family, and a Corporation owned by the director. See also Note 6 for note payable to related party.

During the year ended March 31, 2019, the Company was charged $ 120,000 (2018 - $ 135,691) for accounting, consulting, salary and benefits, management services and casual labour provided by directors and members of their immediate families and by a corporation owned by a director of the Company.

During the year ended March 31, 2019, the Company paid $ 6,882 (2018 - $ 7,018) for office rent to a director. Also, during the year ended March 31, 2019, the Company was charged $ 32,993 (2018 - $ 24,663) for interest on the outstanding loans from a director of the Company (and members of his immediate family) and by corporations controlled by a management personnel and directors during the year ended March 31, 2019.

13. Deposit

On January 28, 2019, the Company received a deposit in respect of a proposed land sale which is subject to regulatory and Board approval.

14. Supplemental cash flow information

During 2019, $ 120,000 (2018 - $ 121,170) of non-cash management fees were recorded as an increase to demand loans and $ Nil (2018 - $ 2) of patronage dividends receivable were written off as an increase to general and administrative expenses.

15. Capital management

The Company manages as capital its share capital and loans. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds operations and exploration activities from the issuance of shares generally through private placements, obtaining loans and selling its assets held for sale and property, plant and equipment.

There were no changes to the Company's approach to capital management during 2019 or 2018. The Company is not subject to externally imposed capital requirements.