# CLIFFMONT RESOURCES LTD.

FOR THE YEAR ENDED
SEPTEMBER 30, 2018

*(Expressed in Canadian Dollars)*

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cliffmont Resources Ltd.

We have audited the accompanying consolidated financial statements of Cliffmont Resources Ltd., which comprise the consolidated statements of financial position as at September 30, 2018 and 2017 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.\

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cliffmont Resources Ltd. as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Cliffmont Resources Ltd.'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada — Chartered Professional Accountants

January 18, 2019

A member of Nexia International

# CLIFFMONT RESOURCES LTD.
**Statements of Financial Position**
**(Expressed in Canadian dollars)**

| | | September 30, 2018 | | September 30, 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | $ | 8,760 | $ | 20,642 |
| Taxes recoverable (Note 4) | | 4,870 | | 3,486 |
| Total Assets | $ | 13,630 | $ | 24,128 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (Notes 5,10) | $ | 545,475 | $ | 559,105 |
| Short-term loans (Note 5) | | - | | 139,065 |
| Convertible loan (Note 10) | | - | | 196,950 |
| Total Liabilities | | 545,475 | | 895,120 |
| **Shareholders' Deficiency** | | | | |
| **Share capital** (Note 6) | | 32,553,618 | | 32,043,689 |
| **Subscriptions received** (Note 6) | | - | | 37,500 |
| **Reserves** (Note 7) | | 1,392,034 | | 1,392,034 |
| **Equity component of convertible loan** (Note 10) | | - | | 12,174 |
| **Deficit** | | (34,477,497) | | (34,356,389) |
| Total Shareholders' Deficiency | | (531,845) | | (870,992) |
| Total Liabilities and Shareholders' Deficiency | $ | 13,630 | $ | 24,128 |

**Nature of Operations and Going Concern** (Note 1)

Approved and authorized for issuance by the Board on January 18, 2019.

*"Jeff Tindale"* , Director

*"Nick Demare"* , Director

The accompanying notes are an integral part of these financial statements

# CLIFFMONT RESOURCES LTD.

**Statements of Income (Loss) and Comprehensive Income (Loss)**
**(Expressed in Canadian dollars)**

| | Year Ended September 30 | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **General and Administration Expenses** | | |
| Interest on short-term loans (Note 5) | 2,615 | 10,627 |
| Interest on convertible loan (Note 10) | 3,692 | 14,649 |
| Office, website and administration | 1,010 | 330 |
| Professional fees (Note 10) | 69,648 | 11,593 |
| Rent | - | 2,400 |
| Transfer agent and filing fees | 52,971 | 8,309 |
| Total General and Administrative expenses | (129,936) | (47,908) |
| Foreign exchange gain (loss) | (3,346) | 4,497 |
| Gain on sale of subsidiaries and abandonment of branch (Note1) | - | 1,156,745 |
| Forgiveness of payables | - | 42,438 |
| **Total Other Items** | (3,346) | 1,203,680 |
| **Net (Loss) Income and Comprehensive (Loss) Income** | (133,282) | 1,155,772 |
| **Basic and Diluted (Loss) Earnings Per Common Share** | (0.04) | 0.58 |
| **Weighted Average Number of Common Shares Outstanding – Basic and Diluted** | 3,209,081 | 1,977,039 |

The accompanying notes are an integral part of these financial statements

## CLIFFMONT RESOURCES LTD.

**Statements of Changes in Shareholders' Deficiency**
**(Expressed in Canadian dollars)**

**Year Ended September 30, 2017**

| | Share Capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | # of Shares* | Amount | Share-based Payments | Equity Component of Convertible Loan | Subscriptions Received | Deficit | Total Shareholders' Deficiency |
| **Balance, October 1, 2016** | 1,977,039 | $ 32,043,689 | $ 1,392,034 | $ 12,174 | - | $ (35,512,161) | $ (2,064,264) |
| Subscriptions received | - | - | - | - | 37,500 | - | 37,500 |
| Net income for the year | - | - | - | - | - | 1,155,772 | 1,155,772 |
| **Balance, September 30, 2017** | 1,977,039 | $ 32,043,689 | $ 1,392,034 | $ 12,174 | 37,500 | $ (34,356,389) | $ (870,992) |

**Year Ended September 30, 2018**

| | Share Capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | # of Shares* | Amount | Share-based Payments | Equity Component of Convertible Loan | Subscriptions Received | Deficit | Total Shareholders' Deficiency |
| **Balance, October 1, 2017** | 1,977,039 | $ 32,043,689 | $ 1,392,034 | $ 12,174 | 37,500 | $ (34,356,389) | $ (870,992) |
| Private placement | 6,799,053 | 509,929 | - | - | (37,500) | - | 472,429 |
| Transfer on settlement | - | - | - | (12,174) | - | 12,174 | - |
| Loss for the year | - | - | - | - | - | (133,282) | (133,282) |
| **Balance, September 30, 2018** | 8,776,092 | $ 32,553,618 | $ 1,392,034 | $ - | - | $ (34,477,497) | $ (531,845) |

* On July 26, 2018, the Company held an Annual General and Special Meeting where it received shareholder approval to consolidate all of its issued and outstanding common shares on the basis of one (1) new common share for twenty (20) old common shares. On August 22, 2018, the Company received notification from the TSX Venture Exchange that effective August 24, 2018, the Company's common shares will commence trading on a consolidated basis. The number of common shares and per share amounts stated above, and throughout these statements, including comparative figures, have been retroactively restated to reflect the Company's consolidated common shares.

# CLIFFMONT RESOURCES LTD.
**Statements of Cash Flows**
**(Expressed in Canadian dollars)**

| | Year Ended September 30 | |
|---|---|---|
| | **2018** **$** | **2017** **$** |
| **Cash Flows from Operating Activities** | | |
| Net (loss) income for the year | (133,282) | 1,155,772 |
| Adjustments for items not involving cash: | | |
| Accrued interest | 6,307 | 25,276 |
| Foreign exchange | 3,334 | (4,497) |
| Gain on sale of subsidiaries and abandonment of branch | - | (1,156,745) |
| Forgiveness of payables | - | (42,438) |
| Changes in non-cash working capital items | | |
| Increase in taxes recoverable | (1,384) | (75) |
| Increase in accounts payable and accrued liabilities | 30,493 | 3,489 |
| **Cash Used in Operating Activities** | (94,532) | (19,218) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from private placement | 82,650 | - |
| Subscriptions received in advance | - | 37,500 |
| **Cash Provided by Financing Activities** | 82,650 | 37,500 |
| **Change in Cash During the Year** | (11,882) | 18,282 |
| **Cash, Beginning of Year** | 20,642 | 2,360 |
| **Cash, End of Year** | 8,760 | 20,642 |
| **Cash Paid During the Year for Interest** | - | - |
| **Cash Paid During the Year for Income Taxes** | - | - |

**SUPPLEMENTAL CASH FLOW INFORMATION** (Note 9)

The accompanying notes are an integral part of these financial statements

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Cliffmont Resources Ltd. (the "Company") is a junior resource company listed on the TSX Venture Exchange ("TSXV"), having a symbol CMO.H, as a Tier 2 mining issuer. The head office and registered office of the Company is located at Suite 1305-1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

On July 30, 2015, trading of the Company's shares on the TSXV was suspended due to the current financial position of the Company. In February 2016, the British Columbia Securities Commission ("BCSC"), the Alberta Securities Commission ("ASC") and the Ontario Securities Commission ("OSC") issued the Company with compliance-related cease trade orders. The cease trade orders were issued for non-compliance of the Company's continuous disclosure obligations.

In November 2016, the Company closed an agreement (the "Settlement Agreement") to settle the legal actions with the original vendors (the "Vendors") of Tarana and the San Luis mineral exploration license. Pursuant to the Settlement Agreement, the Company transferred ownership of the Company's Colombian subsidiary, CMO Colombia S.A.S (the "Transfer") to the Vendors. The Company's debt of $920,000 owing to the Vendors and outstanding property payables of $158,466 formed part of the consideration received for the Transfer. Additional consideration for the Transfer included the Vendors being held liable for all debts of CMO Colombia S.A.S. On the Transfer, the Company recognized a gain of $1,156,745. Concurrent with the sale of CMO Colombia S.A.S and Tarana Resources S.A., the Company abandoned its Colombian branch, CMO Panama Inc. Sucursal Colombia and its Panamanian subsidiary CMO Panama Inc. The Company's subsidiaries and branch did not have operations and had nominal balances outstanding.

On April 27, 2018, the Company received notification of its full revocation of the compliance-related cease trade orders issued by the BCSC, ASC and OSC.

On July 31, 2018, the Company received notification from TSXV that the Company was reinstated for trading effective August 2, 2018.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") and are prepared by management on a going concern basis which assumes that the Company will be able to discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2018, the Company had a working capital deficiency of $531,845 (September 30, 2017 – $870,992) and a deficit of $34,489,671 (September 30, 2017 - $34,356,389). At present, the Company has no producing properties and consequently has no current operating income or cash flows. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company expects to generate the necessary financial resources through the issuance of debt or equity. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

Accordingly, these financial statements do not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

## 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with IFRS applicable to the preparation of annual financial statements.

## 2. BASIS OF PRESENTATION (cont'd)

The IFRSs are issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies applied in these financial statements are based on IFRS issued and in effect as at year end. As noted above, in November 2016, the Company sold CMO Colombia S.A.S and Tarana Resources S.A. and abandoned its Colombian branch, CMO Panama Inc. Sucursal Colombia and its Panamanian subsidiary CMO Panama Inc. The Company's financial statements were consolidated up to the date of disposal in November 2016 and are no longer consolidated as at September 30, 2018.

The financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars, unless specifically indicated otherwise, which is the Company's functional currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

(a) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include functional currency, valuation of share-based payments and recognition of deferred tax amounts. Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

<u>Functional Currency</u>

Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, and any of its subsidiary companies, 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 factors including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, expected life and forfeiture rate.

Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(b) Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed. Costs to acquire exploration and evaluation assets are capitalized as incurred. Costs related to the exploration and evaluation of exploration and evaluation assets are expensed as incurred.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amounts may exceed the recoverable amounts.

(c) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on residual value method.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Under this method, the proceeds are allocated to share capital based on the fair value of the common share and any residual value remaining is allocated to common share purchase warrants.

(d) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, consultants and employees.

The fair value of the options to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model. The fair value is recognized as an expense with a corresponding increase in share-based payment reserves. The amount recognized as expense is adjusted to reflect the number of share options that ultimately vest. On exercise of the option, the related share-based payment expense is reclassified from share-based payment reserve to share capital.

(e) Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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

The increase in the provision due to the passage of time is recognized as interest expense.

As of September 30, 2018 and 2017, the Company had no provision for environmental rehabilitation.

(f) Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flows from use and fair value.

In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(g) Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its former subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

(h) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of operations and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is only recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) (Loss) earnings per share

Basic (loss) earnings per share is computed by dividing net (loss) earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Diluted (loss) earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(j) Financial instruments

Financial assets are classified into one of four categories:
- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available-for-sale ("AFS"); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company classifies its cash as FVTPL.

(ii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company does not have any assets classified as HTM investments.

(iii) AFS financial assets

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent reporting date. Any change in fair value is recognized in profit or loss. The Company does not have any assets classified as AFS financial assets.

(iv) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Company classifies its financial liabilities into one of two categories as follows:

i) Fair value through profit or loss

This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company has not classified any financial liabilities as FVTPL.

(ii) Other financial liabilities

This category consists of liabilities carried at amortized cost using the effective interest method. The Company classifies its accounts payable and accrued liabilities, short-term loans and convertible loan as other financial liabilities.

Fair Value Hierarchy

The inputs used in making fair value measurements are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and 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 date.

The carrying values for accounts payable and accrued liabilities, short-term loans and convertible loan approximate their fair value due to their short-term nature. Cash is measured at fair value using Level 1 inputs.

***Accounting Standards and Interpretations Issued but Not yet Adopted***

As at the date of these financial statements, the following standards have not been adopted in these financial statements:

The final version of IFRS 9, *Financial Instruments,* was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. In addition, the elements of IFRS 9 related to presentation of gains from changes in an entity's own credit risk can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company does not anticipate a material impact from adoption of this new standard.

**(Expressed in Canadian dollars, unless otherwise stated)**

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The IASB issued IFRS 15, *Revenue Recognition*, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not anticipate a material impact from adoption of this new standard.

The IASB issued IFRS 16, *Leases*, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of assessing the impact of IFRS 16 on its financial statements.

## 4. TAXES RECOVERABLE

As at September 30, 2018, the Company had $4,870 (2017 - $3,486) in Goods and Services Tax (GST) recoverable from the federal government of Canada.

## 5. ACCOUNTS PAYABLE AND SHORT-TERM LOANS

Short-term loans consisted of two separate non-revolving credit facilities in the amount of $Nil (2017 - $43,943) and $Nil (2017 – US$50,000). Both credit facilities were secured by general security agreements and earned interest at Bank of Montreal prime +2%. During the year ended September 30, 2018 the Company accrued $2,615 (2017 - $10,627) for interest expense relating to the above credit facilities. The credit facilities were due July 2015 and March 2015, respectively, and since bore interest at Bank of Montreal prime +7%. During the year ended September 30, 2018 the Company issued 2,521,813 Units to settle the total outstanding credit facilities and accrued interest of $189,136 (Note 6).

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Current: | $ | $ |
| Trade payables | 545,475 | 559,105 |
| Short-term loans | - | 139,065 |
| | 545,475 | 698,170 |

**(Expressed in Canadian dollars, unless otherwise stated)**

## 6. SHARE CAPITAL

Authorized: Unlimited common shares without par value
Unlimited preferred shares

During the year ended September 30, 2018, the Company completed a private placement issuing 6,799,053 units at $0.075 per unit ("Unit") for gross proceeds of $509,929, of which $37,500 had been received as at September 30, 2017. Each Unit consists of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share at a price of $0.10 per share for a period of one year. The Company issued 1,602,000 Units for cash proceeds of $120,150, issued 2,521,813 Units to settle credit facility balances of $189,136 and issued 2,675,240 Units to settle convertible loan balances of $200,643 (Note 10). During the year ended September 30, 2017, the Company did not complete any financings.

As at September 30, 2018 and 2017, there were no common shares held in escrow.

***Warrants***

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding is as follows:

| | Year ended September 30, 2018 | | Year ended September 30, 2017 | |
|---|---|---|---|---|
| | **Number** | **Weighted Average Exercise Price $** | **Number** | **Weighted Average Exercise Price $** |
| Balance, beginning of year | - | - | - | - |
| Issued | 3,399,526 | $0.10 | - | - |
| Balance, end of year | 3,399,526 | $0.10 | - | - |

As at 30 September 30, 2018, the following warrants are outstanding:

| Number of warrants outstanding and exercisable | Exercise price | Expiry dates |
|---|---|---|
| 615,000 | $0.10 | June 19, 2019 |
| 2,784,526 | $0.10 | August 3, 2019 |
| 3,399,526 | | |

## 7. RESERVES

*Stock options*

The Company has a stock option plan (the "Stock Option Plan") under which it may grant options to directors, officers and consultants for up to 10% of the issued and outstanding common shares.

**(Expressed in Canadian dollars, unless otherwise stated)**

## 7. RESERVES (cont'd)

Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSXV. The options can be granted for a maximum term of five years and vest at the discretion of the board of directors. During the year ended September 30, 2018 and 2017, the Company did not grant any stock options.

Stock option activities are as follows:

| | Year ended September 30, 2018 | | Year ended September 30, 2017 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Balance – beginning of year | - | $ - | 30,000 | $ 0.72 |
| Expired | - | - | (30,000) | 0.72 |
| Balance – end of year | - | $ - | - | $ - |

## 8. INCOME TAX

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

| | 2018 $ | 2017 $ |
|---|---|---|
| Net (loss) income before income taxes | (133,282) | 1,155,772 |
| Combined federal and provincial statutory income tax rate | 27% | 26% |
| Income tax expense (recovery) at statutory tax rates | (36,000) | 301,000 |
| Impact of disposition of subsidiaries | - | (1,038,000) |
| Impact of changes in tax rates | (81,000) | - |
| Change in unrecognized deductible temporary differences and other | 117,000 | 737,000 |
| Total | - | - |

Significant components of the Company's temporary differences, unused tax losses and unused tax credits that have not been included on the statements of financial position are as follows:

| | **September 30, 2018 $** | **Expiry Dates** | **September 30, 2017 $** |
|---|---|---|---|
| Non-capital losses | 5,032,000 | 2026 to 2038 | 4,908,000 |
| Mineral properties | 5,000 | Not applicable | 5,000 |
| Cumulative eligible capital | - | Not applicable | 223,000 |
| Property and equipment | 232,000 | Not applicable | - |
| Allowable capital losses | 2,836,000 | Not applicable | 2,836,000 |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**(Expressed in Canadian dollars, unless otherwise stated)**

## 9. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities were conducted by the Company as follows:

| | Year ended September 30, 2018 $ | Year ended September 30, 2017 $ |
|---|---|---|
| Private placement Units issued to settle credit facilities and convertible loan | 389,779 | - |

## 10. RELATED PARTY TRANSACTIONS

Key management personnel includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers. Fees paid or accrued to directors and officers of the Company, or private corporations owned by the individuals, for the year ended September 30, 2018 and 2017 is as follows:

| | Sep 30, 2018 | Sep 30, 2017 |
|---|---|---|
| Professional fees | $ 8,322 | $ - |

As at September 30, 2018, $393,292 (2017 - $390,222) is payable to current and former directors and officers of the Company or private corporations owned by the individuals and is included in accounts payable and accrued liabilities. During the year ended September 30, 2014, the President and Chief Executive Officer loaned the Company $140,000 which was secured by a general security agreement and earned interest at Bank of Montreal prime +2%. During the year ended September 30, 2015 the President and Chief Executive Officer loaned the Company an additional $11,012.The Loan and any accrued interest was convertible, at the option of the lender, into shares of the Company at $0.05 per share. During the year ended September 30, 2018 the Company accrued $3,692 (2016 - $14,649) for interest expense relating to the Loan. The Loan was due one year from the date that the first draw was made and if unpaid bore interest at Bank of Montreal prime +7%. The Loan was a compound instrument and the proceeds were required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market rate for equivalent debt of 15%. The initial fair value of the debt was calculated to be $127,826 with the residual portion of $12,174 allocated to equity.

| | September 30 | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Principal amount | 151,012 | 151,012 |
| Equity component of convertible loan | (12,174) | (12,174) |
| Accretion | 12,174 | 12,174 |
| Accrued interest | 49,631 | 45,938 |
| Settlement of convertible loan | (200,643) | - |
| | - | 196,950 |

## 10. RELATED PARTY TRANSACTIONS (cont'd)

During the year ended September 30, 2018 the Company issued 2,675,240 Units to settle convertible loan balance of $200,643 (Note 6). The equity component of $12,174 was transferred to deficit.

## 11. SEGMENTED INFORMATION

In November 2016, the Company closed the Settlement Agreement whereby it sold and abandoned its subsidiaries and branch in Colombia (Note 1). The Company currently operates in one reporting segment being the acquisition of exploration and evaluation assets in Canada.

## 12. CAPITAL MANAGEMENT

The Company's objective when managing capital, defined as components of shareholders' deficiency, is to safeguard the entity's ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds all administration and exploration programs from the issue of shares, generally through private placements.

The Company is not subject to any externally imposed capital requirements and there has been no changes to capital management practices during the fiscal year.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

*Credit Risk*

Credit risk is the risk of potential loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Cash is held in a large Canadian financial institution. Receivables consist primarily of Goods and Services Tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to cash and receivables is low. The Company currently has limited credit risk from operations.

*Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Company prepares expenditure budgets which are regularly monitored and updated as considered necessary. To facilitate ongoing corporate, general and administrative overhead, the Company raises funds through private equity placements, public offerings and option agreements with third parties. As at September 30, 2018, the Company had cash of $8,760 (2017 - $20,642) to settle current liabilities of $545,475 (2017 - $895,120).

*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. There is limited interest rate risk due to the short-term nature of the Company's financial instruments.

*Foreign Currency Risk*

The Company is not currently exposed to significant foreign currency risk on fluctuations related to cash balances that are denominated in United States Dollars. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at the time.