Nevado Resources Corporation

Financial Statements
December 31, 2018 and 2017
(expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Nevado Resources Corporation

Opinion

We have audited the accompanying financial statements of Nevado Resources Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 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 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of $50,698 during the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of $14,866,640 and a negative working capital of $272,105. These events and conditions 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 Matters

The financial statements of Nevado Resources Corporation for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on May 11, 2018.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Guy Thomas.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 25, 2019

Nevado Resources Corporation

Statements of Financial Position

As at December 31,

(expressed in Canadian dollars)

	Note	2018 $	2017 $
Assets			
Current assets			
Cash		4,656	6,781
Receivables		-	17,526
Prepaid expenses		4,566	5,137
		9,222	29,444
Non-current assets			
Equipment		-	1,602
Total assets		9,222	31,046
Liabilities and Shareholders' Deficiency			
Current liabilities			
Accounts payable and accrued liabilities	5,8	92,580	204,675
Mining tax credit payable	9	47,778	47,778
Promissory notes	5	140,969	-
		281,327	252,453
Shareholders' Deficiency			
Share capital	6	11,158,085	10,973,688
Reserves	6	3,436,450	3,620,847
Deficit		(14,866,640)	(14,815,942)
Total shareholders' deficiency		(272,105)	(221,407)
Total liabilities and shareholders' deficiency		9,222	31,046
Nature of operations and going concern	1		
Subsequent events	12		

Approved on behalf of the Board:

/s/ "Tyson King"
Tyson King, Director

/s/ "Doug Walden"
Doug Walden, Director

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

Nevado Resources Corporation

Statements of Loss and Comprehensive Loss

For the years ended December 31,

(expressed in Canadian dollars, except number of shares)

	Note	2018 $	2017 $
Expenses			
Professional and consulting fees	8	53,901	120,776
Investor relations		6,794	8,663
Travel and lodging		-	6,252
Insurance		7,420	6,850
Regulatory fees		27,792	13,938
Office		2,178	4,779
Rent		2,465	6,100
Interest on promissory notes	5	5,243	-
Interest and bank charge		1,112	-
Depreciation		1,602	264
Exploration and evaluation expenditures (recovery)		-	(5,752)
Part XII.6 tax	9	-	(77,670)
Gain on settlement of accounts payable and accrued liabilities	10	(57,809)	-
Loss before tax expense		(50,698)	(84,200)
Tax expense	9	-	(56,668)
Loss and comprehensive loss for the year		(50,698)	(140,868)
Basic and diluted loss per share		(0.02)	(0.05)
Weighted average number of shares outstanding			
Basic and diluted		3,119,065	3,119,065

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

Nevado Resources Corporation

Statements of Changes in Shareholders' Deficiency

For the years ended December 31,

(expressed in Canadian dollars, except number of shares)

	Note	Number of common shares	Share capital $	Reserves $	Deficit $	Total Shareholders' deficiency $
Balance – January 1, 2018		3,119,065	10,973,688	3,620,847	(14,815,942)	(221,407)
Loss and comprehensive loss for the year		-	-	-	(50,698)	(50,698)
Warrants expired		-	184,397	(184,397)	-	-
Balance – December 31, 2018		3,119,065	11,158,085	3,436,450	(14,866,640)	(272,105)
Balance – January 1, 2017		3,119,065	10,973,688	3,620,847	(14,675,074)	(80,539)
Loss and comprehensive loss for the year		-	-	-	(140,868)	(140,868)
Balance – December 31, 2017		3,119,065	10,973,688	3,620,847	(14,815,942)	(221,407)

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

Nevado Resources Corporation

Statements of Cash Flows

For the years ended December 31,

(expressed in Canadian dollars)

	Note	2018 $	2017 $
Cash flows provided by (used in)			
Operating activities			
Loss for the year		(50,698)	(140,868)
Adjusted for			
Depreciation		1,602	264
Gain on settlement of accounts payable and accrued liabilities	10	(57,809)	-
Part XII.6 tax	9	-	(77,670)
Accrued interest on promissory notes		5,243	-
Changes in non-cash operating working capital items			
Receivables		17,526	(13,817)
Tax credits receivable		-	62,858
Prepaid expenses		571	-
Accounts payable and accrued liabilities		(59,529)	75,919
Mining tax credit payable		-	47,778
Net cash used in operating activities		(143,094)	(45,536)
Financing activities			
Promissory notes		140,969	-
Net change in cash		(2,125)	(45,536)
Cash – Beginning of year		6,781	52,317
Cash – End of year		4,656	6,781

Supplemental cash flow information:

Cash paid for:

Interest : $nil

Income taxes : $nil

Non cash financing activity:

	2018	2017
Transfer of warrant expiry in equity	184,397	-

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

1 Nature of operations and going concern

Nevado Resources Corporation (the “Corporation”) was incorporated on June 9, 2006 under the Canada Business Corporations Act and is listed on the Toronto Venture Stock Exchange (¨TSX.V¨). On June 25, 2018 the Company commenced trading on the NEX board of the TSX.V under the symbol VDO.H. The address of the Corporation’s headquarters and registered office is 4710 St-Ambroise Street, Suite 308, Montréal, Quebec H4C 2C7. The Corporation, an exploration and evaluation stage corporation, is in the business of acquiring, exploring, evaluating mineral properties.

On December 3, 2018 the Company completed a consolidation of its common shares on the basis of one post-consolidated share for every twenty pre-consolidated shares. All current and comparative share capital amounts have been restated to account for the 20:1 share consolidation.

The accompanying financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. In making its assessment, management is aware of material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern and, accordingly, of the appropriateness of the use of accounting principles applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

For the year ended December 31, 2018, the Company recorded a net loss of $50,698 (2017 – $140,868) and, as at December 31, 2018, has an accumulated deficit of $14,866,640 (2017 – $14,815,942). As at December 31, 2018, the Company had a negative working capital of $272,105 (December 31, 2017 –of $223,009). Management estimates that these funds will not be sufficient to meet the Company’s obligations and budgeted expenditures through December 31, 2019. Any funding shortfall may be met in the future in a number of ways including, but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

These financial statements were authorized by the Board of Directors for publication on April 25 , 2019.

2 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are described below.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting policies set out below have been applied consistently to both years presented in these financial statements.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments which are carried at fair value through profit and loss (FVTPL). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Financial instruments

The company's previous accounting policy for financial instruments was IAS 39.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Financial assets
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is classified as FVTPL.

Expected credit loss
An expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities
Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

As at December 31, 2018, the Company does not have any derivative financial liabilities.

The Company's financial instruments are classified from IAS 39 to IFRS 9 as follows:

Financial instrument	**IAS 39**	**IFRS 9**
Cash	Loans and receivables	FVPTL
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price which may include construction or development of equipment, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss in the period in which they are incurred.

Equipment is depreciated as follows:

	Method	**Rate**
Computer equipment	Declining balance	30%

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment is determined by comparing the proceeds with the carrying amount of the asset and are included in the statement of comprehensive loss.

Exploration and evaluation assets

Exploration and evaluation (E&E) assets comprise mineral properties and deferred E&E expenditures. Expenditures incurred on activities that precede exploration for and evaluations of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

E&E assets include rights in mineral properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to the obtainment of more information about existing mineral deposits.

Mineral rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mineral rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

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

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore, such as topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures include the cost of:

- establishing the volume and grade of deposits through the drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permit activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

E&E expenditures include overhead expenses directly attributable to the related activities.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. When an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

Government assistance

The Company is entitled to a refundable tax credit on qualified mining exploration and evaluation expenditures incurred in the province of Quebec and to Quebec refundable credits on mining duties, which are recorded against capitalized E&E expenditures.

Share-based payments

The fair values of share options granted to employees are recognized as an expense over the vesting period with a corresponding increase in reserves. 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, including directors of the Company.

The fair value of options granted is measured at the grant date and recognized over the period in which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. For consultants, all goods and services received in exchange for the grant of any share-based payment are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or service received, it shall measure their value indirectly by reference to the fair value of the equity instruments granted.

Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro rata basis of their respective fair value within the unit, using the Black-Scholes option pricing model to determine the fair value of warrants issued. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Flow-through shares

The Company finances certain E&E expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference between the quoted price of the common shares and the amount the investors pay for the shares (the premium) calculated using the residual value is recognized as other liability, which is reversed in the statement of comprehensive loss as deferred income tax recovery when eligible expenditures have been made.

Income tax

Income tax on the profit or loss for the years presented comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in other comprehensive loss (OCI), in which case it is recognized in OCI.

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to income tax payable with regard to previous years. Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is calculated by providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period in which the deferred income tax is realized or recovered.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss per share

The calculation of earnings (loss) per share (EPS) is based on the weighted average number of shares outstanding for each year. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding at the end of the year.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the EPS. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants and share options.

Segment disclosures

The Company currently operates in a single segment: the acquisition, exploration and evaluation of mineral properties.

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The functional currency of the Company is the Canadian dollar.

3 Changes in accounting policies implemented during the year ended December 31, 2018

The Company has adopted the following new and revised accounting standard, including any consequential amendments thereto, effective January 1, 2018. Changes in accounting policies adopted by the Company were made in accordance with the applicable transitional provisions as provided in the standard and amendments.

a) IFRS 2, Share-based Payments

Amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions.

b) IFRS 9, Financial Instruments

IFRS 9, is a new standard on Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

c) IFRS 7, Financial Instruments Disclosures

IFRS 7 is amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Adoption of these standards did not have a material impact on the Company's financial statements.

Effective for annual periods beginning on or after January 1, 2019

IFRS 16, Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The Company has no lease agreements as at December 31, 2018. This new standard is not expected to have a material impact on the Company's financial statements.

4 Critical accounting estimates, judgments and assumptions

Many of the amounts included in the financial statements require management to make judgments and estimates. These judgments and estimates are continually evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the financial statements include the following:

a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5 Promissory notes

During the year ended December 31, 2018, the Company received $140,969 through the issuance of promissory notes. The promissory notes mature on May to December 2019 and bear interest at a rate of 12% per annum payable annually. The Company accrued interest of $5,243 included in account payable for year ended December 31, 2018. Subsequent to December 31, 2018, the Company has repaid the promissory notes and the accrued interest (note 12).

(expressed in Canadian dollars)

6 Share capital and warrants

Authorized

Unlimited number of shares without par value

Warrants

As at December 31, 2018 and 2017, the outstanding warrants that may be exercised to acquire common shares are detailed as follows:

	2018		2017	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Warrants – Beginning of year	550,000	1.40	550,000	1.40
Expired	(550,000)	-	-	-
Warrants – End of year	-	1.40	550,000	1.40

During the year ended December 31, 2018, 550,000 (2017 – nil) warrants expired unexerciced. As at result, $184,397 (2017 - $nil) was reversed from reserves to share capital.

7 Stock option plan

Pursuant to resolutions of the Board of Directors of the Company dated October 31, 2006, the Company has adopted an incentive stock option plan in accordance with the policies of the TSX- V , which provides that the Board of Directors may, from time to time, at its discretion, grant to directors, officers, employees and other key personnel non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the stock option plan does not exceed 10% of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares that may be allocated to directors, officers, employees and consultants of the Company and all other terms and conditions of the options, subject to the policies of the TSX- V.

During the years ended December 31, 2018 and 2017, no options were granted.

(expressed in Canadian dollars)

As at December 31, 2018 and 2017, outstanding options are as follows:

	2018		2017	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding options – Beginning of year	15,000	2.00	60,000	3.60
Expired	(15,000)	2.00	(20,000)	7.00
Forfeited	-	-	(25,000)	2.00
Outstanding options – End of year	-	-	15,000	2.00
Exercisable options	-	-	15,000	2.00

8 Related party transactions and compensation of key management

The Company entered into the following transactions with related parties during the year ended December 31:

Compensation of key management

Key management includes directors and officers. The compensation paid or payable to key management is presented below:

	2018 $	2017 $
Officers' and directors' professional fees	6,829	74,725

As at December 31, 2018, an amount of $27,397 (December 31, 2017 – $55,650) was included in accounts payable and accrued liabilities owing to key management.

(expressed in Canadian dollars)

9 Income taxes

The Company's income tax consists of the following:

	2018	2017
	$	$
Loss before tax expense	(50,698)	(140,868)
Expected Income tax computed at Canadian statutory rate of	(13,435)	(37,893)
Permanent differences and other	13,435	37,893
Income tax	-	-

The Company is subject to federal and provincial income taxes and provincial mining taxes. Tax laws are complex and can be subject to different interpretations. The Company has prepared its tax provision based on the interpretation of tax laws which it believes represents the probable outcome. The Company may be required to change its provision for income taxes if the tax authorities are not ultimately in agreement with the Company's interpretation.

As at December 31, 2018, the Company owes $47,778 (2017 - $47,778) related to a mining tax credit received in fiscal year 2017. The Company was reassessed and deemed ineligible to receive the credit, the full amount is required to be repaid. During fiscal 2018, the Company recorded a tax expenses of $Nil (2017 - $56,668) related to the mining tax credit and other.

The Company received a notice of assessment from the Canada Revenue Agency (CRA) in February 2016 for the year ended December 31, 2009, disallowing certain renounced expenses amounting to approximately $268,000 under flow-through share agreements, in the calculation of its fiscal year 2009 tax return.

During fiscal year 2017, the Company estimated the liability to be $Nil and recorded a recovery from its previously estimated amount of $77,670.

10 Financial risk management objectives and policies, and financial risks

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

The main financial risks to which the Company is exposed are detailed below.

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due.

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its operations. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments. The Company's ability to continue a going concern is dependent on management's ability to raise capital through future equity on debt issuances. The Company is exposed to liquidity risk.

As at December 31, 2018, the Company has cash of $4,656 (2017 – $6,781) to settle current liabilities of $281,327 (2017– $252,453).

During the year ended December 31, 2018, the Company reached agreements with certain suppliers to settle at a discount on accounts payable and accrued liabilities and, as a result, recorded a gain on settlement of accounts payable and accrued liabilities of $57,809. Subsequent to December 31, 2018, the Company completed a financing of $310,000 (note 12).

b) Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company's credit risk is primarily attributable to cash.

Cash is held with a Canadian chartered bank, which mitigates the credit risk.

c) Interest rate risk

The Company has cash balances, and its current policy is to invest excess cash in certificates of deposit or high-interest savings accounts with Canadian chartered banks. As at December 31, 2018, the Company did not have any cash equivalents invested with various Canadian chartered banks.

The promissory notes bear interest at a fixed rate and are not exposed to interest rate risk.

11 Capital management policies and procedures

The Company defines capital a being components of equity.

The Company's capital management objectives are to ensure that it is able to pursue its operations, including the potential acquisition and E&E properties.

The Company manages its capital structure and makes adjustments to ensure that sufficient liquidity is available for operations. Accordingly, as necessary, it will attempt to obtain additional capital through equity markets.

The Company is not subjet to any externally imposed capital requirements. Changes in capital are described in the statement of changes in shareholders' deficiency.

12 Subsequent events

Subsequent to December 31, 2018, the Company:

a) Issued an aggregate of 3,100,000 units at a price of $0.10 per unit for gross proceeds of $310,000. Each Unit was comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at price of $0.12 per common share until March 29, 2020.

b) Received $47,897 for promissory notes with a one year term and interest of 12% per annum. The Company repaid all of its outstanding promissory notes and the accrued interest for an amount of $197,121.