



**OREFINDERS RESOURCES INC.
ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended
October 31, 2018 and October 31, 2017**

(Expressed in Canadian Dollars)

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Orefinders Resources Inc.

We have audited the accompanying consolidated financial statements of Orefinders Resources Inc., and its subsidiaries, which comprise the consolidated statements of financial position as at October 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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.

Auditor's 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.

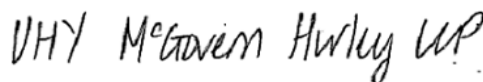
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orefinders Resources Inc. and its subsidiaries as at October 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 25, 2019

OREFINDERS RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at October 31,

	Notes	2018	2017
ASSETS			
Current			
Cash		\$ 492,260	\$ 331,528
Restricted cash	6	570,967	88,806
Marketable securities	7	-	632,258
GST-HST receivable		20,324	22,586
Prepaid expenses	15	15,300	2,500
Total current assets		1,098,851	1,077,678
Investment in associate	8	122,109	-
Property, plant and equipment	9	53,957	1,103
Exploration and evaluation assets	10,15	8,439,254	6,045,762
TOTAL ASSETS		\$ 9,714,171	\$ 7,124,543
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11,15	\$ 48,070	\$ 152,914
Due to associate	8,15	10,160	-
Financing fee payable	13	-	100,000
Asset retirement obligation	14	570,967	88,806
Total current liabilities		629,197	341,720
SHAREHOLDERS' EQUITY			
Share capital	16	16,564,987	13,515,824
Share-based payment reserve	16	3,283,133	2,511,356
Deficit		(10,763,146)	(9,244,357)
TOTAL EQUITY		9,084,974	6,782,823
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 9,714,171	\$ 7,124,543

Going concern (Note 2)

Commitments and contingencies (Notes 10, 12, 21 and 22)

Approved on behalf of the Directors:

“Stephen Stewart”

Stephen Stewart – Director

“Alex Stewart”

Alex Stewart – Director

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

OREFINDERS RESOURCES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
Years ended October 31,

	Notes	2018	2017
EXPENSES			
Consulting and management fees	15	\$ 390,516	\$ 164,600
Share-based payments	16	544,958	22,659
Amortization of property, plant and equipment	9	4,643	195
Amortization of debt financing costs	13	-	157,872
Accretion on asset retirement obligation	14	-	14,801
Office, rent and general		62,620	52,512
Professional fees		127,403	53,150
Reorganization costs	21	69,343	-
Transfer agent, filing fees and shareholder communications		259,417	25,150
Travel and related costs		49,744	26,931
(Gain) on sale of marketable securities	7	(15,506)	-
(Gain) loss on change in fair value through profit and loss financial assets	7	(167,742)	167,742
Loss on sale of exploration and evaluation assets	10,21	16,716	946,519
(Gain) on sale of subsidiary	8	(103,713)	-
Equity loss from investment in associate	8	87,248	-
TOTAL EXPENSES		\$ 1,325,647	\$ 1,632,131
LOSS FROM OPERATIONS FOR THE YEAR		\$ (1,325,647)	\$ (1,632,131)
Deferred income tax recovery			
Flow-through share premium renunciation	12,18	30,000	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		\$ (1,295,647)	\$ (1,632,131)
Loss per Common Share - Basic and Diluted		\$ (0.01)	\$ (0.03)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted		86,960,468	58,713,288

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

OREFINDERS RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Share capital		Share-based Payment Reserve	Deficit	Total
	Number of shares	Amount			
Balance at October 31, 2016	58,713,288	\$ 13,515,824	\$ 2,488,697	\$ (7,612,226)	\$ 8,392,295
Loss for the year	-	-	-	(1,632,131)	(1,632,131)
Share-based payments	-	-	22,659	-	22,659
Balance at October 31, 2017	58,713,288	\$ 13,515,824	\$ 2,511,356	\$ (9,244,357)	\$ 6,782,823
Loss for the year	-	-	-	(1,295,647)	(1,389,149)
Shares issued on acquisition of subsidiary	22,753,246	1,706,493	-	-	1,706,493
Warrants issued on acquisition of subsidiary	-	-	201,819	-	201,819
Shares issued for exploration and evaluation assets	13,000,000	910,000	-	-	910,000
Shares issued on private placement	2,477,125	198,170	-	-	198,170
Value of warrants	-	(38,000)	38,000	-	-
Shares issued on flow-through private placement	1,500,000	150,000	-	-	150,000
Premium allocated to flow-through shares	-	(30,000)	-	-	(30,000)
Value of warrants	-	(23,000)	23,000	-	-
Broker warrants issued	-	-	6,000	-	6,000
Share issuance costs	-	(16,500)	-	-	(16,500)
Warrants exercised	1,500,000	192,000	(42,000)	-	150,000
Share-based payments	-	-	544,958	-	544,958
Dividend in kind (Note 21)	-	-	-	(223,142)	(223,142)
Balance at October 31, 2018	99,943,659	\$ 16,564,987	\$ 3,283,133	\$ (10,763,146)	\$ 9,084,974

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

OREFINDERS RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
For the years ended October 31,

	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the year	\$ (1,295,647)	\$ (1,632,131)
Items not involving cash		
Amortization of property, plant and equipment	4,643	195
Amortization of debt financing costs	-	157,872
Accretion on asset retirement obligations	-	14,801
Flow-through share premium renunciation	(30,000)	-
(Gain) on sale of marketable securities	(15,506)	-
(Gain) loss on changes in fair value through profit and loss financial assets	(167,742)	167,742
Loss on sale of exploration and evaluation asset	16,716	946,519
Equity loss from investment in associate	87,248	-
Share-based payments	544,958	22,659
(Gain) on sale of subsidiary	(103,713)	-
Changes in non-cash working capital items:		
GST-HST receivable	(6,364)	94,611
Prepaid expenses	(12,800)	(2,500)
Accounts payable and accrued liabilities	80,750	(41,753)
Net cash (used in) operating activities	(897,457)	(271,985)
INVESTING ACTIVITIES		
Proceeds from sale of gold ore	-	2,135,682
Royalty expenses from the sale of gold ore	-	(44,769)
Proceeds on sale of marketable securities	815,506	-
Proceeds from sale of exploration and evaluation asset	-	500,000
Legal expenses from the sale of exploration and evaluation asset	-	(16,475)
Purchase of exploration and evaluation assets	(379,774)	(1,841,462)
Purchase of property, plant and equipment	-	(1,298)
Cash acquired on acquisition of Premet Inc.	224,627	-
Net cash provided by investing activities	660,359	731,678
FINANCING ACTIVITIES		
Issuance of common shares and warrants	348,170	-
Share issuance costs	(10,500)	-
Proceeds on exercise of warrants	150,000	-
Advances from an associate	10,160	-
Loan payable repayment	-	(450,000)
Repayment of financing fee payable	(100,000)	-
Net cash provided by (used in) financing activities	397,830	(450,000)
NET INCREASE IN CASH	160,732	9,693
CASH, BEGINNING OF YEAR	331,528	321,835
CASH, END OF YEAR	\$ 492,260	\$ 331,528

Supplemental cash flow information (Note 20)

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

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Orefinders Resources Inc. (“Orefinders” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on July 26, 2011 and its principal activity is the exploration, development and production of exploration and evaluation assets in Canada. On December 17, 2012, the Company completed an Initial Public Offering (“Offering”) and its shares were listed for trading on the TSX Venture Exchange (“TSX-V”).

The head and principal office of the Company is located at 2500-120 Adelaide St. West, Toronto, Ontario, Canada, M5H 1T1.

During the year ended October 31, 2018, the Company entered into agreement to acquire all of the outstanding common shares and warrants of Premet Inc., (“Premet”) a private company incorporated in Ontario. All Premet exploration and evaluation properties are located in Abitibi’s Shining Tree district of Ontario.

On February 1, 2018, Orefinders formed a newly created wholly-owned subsidiary PowerOre Inc. During the year ended October 31, 2018, the Company and PowerOre entered into a plan of arrangement. The plan of arrangement, together with associated transactions, resulted in PowerOre acquiring the Mann cobalt property and the MacMurphy nickel property from the Company in consideration for shares of PowerOre and the shareholders of the Company receiving a portion of those shares of PowerOre. (Note 21).

2. GOING CONCERN

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown as exploration and evaluation assets is dependent upon future profitable production or proceeds from the disposition of properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, making the required payments pursuant to mineral property option agreements and/or securing additional financing; all of which are uncertain.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, social licensing requirements, aboriginal land claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company has raised funds throughout the current fiscal year and has utilized these funds for its exploration programs and working capital requirements. The ability of Orefinders to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Orefinders will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Orefinders may change and existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at October 31, 2018, the Company had working capital of \$469,654 (2017 - \$735,958) an accumulated deficit of \$10,763,146 (2017 - \$9,244,357). Orefinders has no proven history of performance, earnings or success. However, management believes that the Company has sufficient working capital to continue operating over the next 12 months.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that 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 in the normal course of business and at amounts that may differ from those shown in these consolidated financial statements. Such adjustments could be material.

The consolidated financial statements were authorized for issue on February 25, 2019 by the directors of the Company.

Statement of compliance

The consolidated financial statements of the Company comply 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”). The policies applied in these consolidated financial statements are based on IFRS issued and effective October 31, 2018.

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, except for certain financial instruments which are measured at fair value, as explained in the accounting policies.

Functional and presentation currency

The functional currency of the Company is determined using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company’s functional and presentation currency. The Company does not have any significant expenditures in foreign currencies.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

Basis of consolidation

The consolidated financial statements include the financial statements of Orefinders Resources Inc. and its wholly controlled subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated through the consolidation process.

The accounts of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. On January 5, 2018, the Company acquired 100% of Premet Inc. (“Premet”) and on May 30, 2018 amalgamated with Premet, a private company incorporated in Ontario. The consolidated financial statements include the accounts for Premet from January 5, 2018 to October 31, 2018. On February 1, 2018, the Company formed a wholly-owned subsidiary PowerOre Inc (“PowerOre”) which is an Ontario, Alberta, British Columbia reporting issuer incorporated in British Columbia. The consolidated financial statements include the accounts for PowerOre from February 1, 2018 through to May 31, 2018 at which time the Company lost control. The Company’s remaining 17% investment in PowerOre is being accounted for as an investment in associate effective May 31, 2018. Significant influence exists since a group of the same three individuals control each of the Company’s and PowerOre’s board of directors and management.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Investment in associates

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights, but can also arise where the Company holds less than 20 percent of the voting rights, but it has power to be actively involved and influential in policy decisions affecting the entity. The Company accounts for its investment in associates using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's shares of profit or loss of the associate. The Company's share of income or loss of associates is recognized in the consolidated statement of loss prior to the date that it became an investment entity. Dilution gains and losses arising from changes in interests in investments in associates where significant influence is retained are recognized in the consolidated statements of loss. At each reporting date, the Company determines whether there is any objective evidence that the investment in the associate is impaired or if previously recorded impairment should be reversed. If impairment is determined to exist, the amount of the impairment is recognized in the consolidated statement of income loss. The amount of impairment is calculated as the difference between the recoverable amount of the investment in the associate and its carrying value.

Significant accounting judgements, estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates 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 consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based payments, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

(a) Capitalization of exploration and evaluation assets

Management has determined that exploration and evaluation costs incurred may have future economic benefits. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of other operating facilities and discoveries, operating management expertise and existing permits. See Note 10 for details of exploration and evaluation assets.

(b) Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, and/or adverse current economics can result in an impairment of the carrying amounts of the Company's exploration and evaluation assets.

(c) Estimation of decommissioning and restoration costs and timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and 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

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

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. The cost estimates are updated annually during the life of a project 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. See Note 14.

(d) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(e) Share-based payments and warrants

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

(f) Investment in associate

Investments in associates are accounted for using the equity method, whereby the investment is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the investment. The Company's share of the results of operations of an associate is reflection in the profit and loss. An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. The management reviews the relevant factors and made considerations in determining whether significant influence exists in associate(s).

(g) Impairment of investment in associate

Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

(g) Contingencies

Refer to Note 22

Exploration and evaluation expenditures

Exploration and evaluation expenditures ("E&E") include the costs of acquiring licenses and costs associated with exploration and evaluation activities. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

E&E costs consist of:

- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Revenues realized before commencement of commercial production (“pre-production revenues”), which are not incidental but are necessary to bring the mine to the condition required to be operating in the manner intended by management, are recorded as a reduction of the respective mining asset.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Mining properties and process facility assets are amortized upon commencement of commercial production either on a unit-of-production basis over measured and indicated resources included in the mine plan or the life of mine.

Depletion

The Company’s mineral properties are depleted on a units-of-production basis, with estimated recoverable reserves and resources being used to determine the depletion rate for each of the Company’s mineral properties. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes in the estimated recoverable reserves, resources or exploration potential will directly impact the depletion rate used. Changes to depletion rates are accounted for prospectively.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss.

Share-based payments

The Company has adopted an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments issued at the grant date. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates market and vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

The share-based payment reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in share-based payment reserve.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the Company's outstanding stock options and warrants were anti-dilutive for the years ended October 31, 2018 and 2017.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. During the year ended October 31, 2018, the Company classified its shares in Pure Gold Mining Inc. (Note 7) as FVTPL.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to operations. Reversals in respect of equity instruments classified as available-for-sale are not recognized in operations.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

Property, plant and equipment

Property, plant & equipment are stated at historical cost less accumulated amortization and accumulated impairment losses.

Amortization is provided at rates calculated to write off the cost of property, plant & equipment, less their estimated residual value, using the declining balance method over their expected useful lives, at the following annual rates.

Class	Amortization rate
Computer Equipment	30%
Furniture and Fixtures	20%
Building	10%
Machinery and Equipment	20%

Asset Retirement Obligations ("ARO")

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss.

Income tax

Income tax expense is comprised of both current and deferred income taxes. Income tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through share issuances

The Company finances a portion of its exploration activities through the issue of flow-through shares issued pursuant to the Canadian Income Tax Act ("Tax Act"). Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian exploration and development expenses as defined in the Tax Act.

Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying expenditures to flow-through investors. On issuance, the Company allocates a portion of the subscription proceeds as a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a flow-through share liability. As expenditures are incurred and applied against the Company's associated flow-through commitment, the flow-through share liability is reduced proportionately, charged as a deferred income tax recovery in operations.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

During the year ended October 31, 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

At the date of authorization of these financial statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting period. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9, *Financial Instruments* ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive earnings and FVTPL. The basis of classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change for liabilities is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive loss rather than in net loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(ii) IFRS 16 - *Leases* ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, *Leases*. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

(iii) IAS 1 – *Presentation of Financial Statements* ("IAS 1") and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

4. FUTURE ACCOUNTING PRONOUNCEMENTS (cont'd)

(iv)IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

(v)IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

(vi)IFRS 3 – Business Combinations ("IFRS 3") and IFRS 11 – Joint Arrangements ("IFRS 11") were amended in December 2017. IFRS 3 was amended to clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, it re-measures previously held interests in that business. IFRS 11 was amended to clarify that when a party that participates in, but does not have joint control of, a joint operation obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

(vii)IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

5. ACQUISITION OF PREMET INC.

On November 13, 2017, the Company entered into agreement to acquire all of the outstanding common shares and warrants of Premet a private company incorporated in Ontario. All of Premet's exploration and evaluation properties are located in Abitibi's Shining Tree district of Ontario. The project is known as the Knight Project. All of the patented leases and mining claims comprising these acquisitions are 100% owned by the Company. To acquire 100% of the issued and outstanding Premet shares and warrants, the Company issued 22,753,246 common shares and 3,412,987 warrants. The common shares were valued at \$1,706,493 using the quoted market price on the date of the agreement and the warrant value was estimated using the Black Scholes option pricing model at \$201,819 for total purchase consideration of \$1,908,312. The following assumptions were used in the Black-Scholes option pricing model calculations for 2,828,572 warrants with an exercise price of \$0.023: expected dividend yield rate of 0%, expected volatility of 121%, risk free interest rate of 1.77% and an expected life of 2 years. The following assumptions were used in the Black-Scholes option pricing model calculations for 584,415 warrants with an exercise price of \$0.0513: expected dividend yield rate of 0%, expected volatility of 121%, risk free interest rate of 1.77% and an expected life of 2 years.

All properties which the Company acquired are subject to existing and various legacy royalties. A director of the Company owned 5.6% of the outstanding common shares of Premet as at November 13, 2017. On January 5, 2018, the Company received final approval from the TSX Venture Exchange.

The transaction did not meet the criteria of a business combination since Premet lacks the necessary inputs, process, and outputs of being a business; therefore, it has been accounted for as an acquisition of assets by the Company. The purchase consideration was allocated to the assets acquired based on their fair values at the date of the acquisition net of any associated liabilities. The fair values acquired are as follows: Cash \$224,627; GST Receivable \$4,989; Knight

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

5. ACQUISITION OF PREMET INC. (cont'd)

Project Exploration and Evaluation Asset \$1,719,350; Accounts Payable \$40,664. The main asset acquired was the 100% mineral property interest in the Knight Project.

On May 30, 2018, Orefinders amalgamated with Premet and continued under the name Orefinders Resources Inc.

6. RESTRICTED CASH

At October 31, 2018, restricted cash totaled \$570,967 (2017 - \$88,806). This is comprised of funds placed by the Company with the Ontario government in the amount of \$88,806 (2017 - \$88,806) to be applied toward reclamation of the Mirado stockpile area (Note 14) and \$482,161 (2017 - \$Nil) in funds placed by the Company with the Ontario government related to the August 2018 acquisition of the McGarry Project (Note 14).

7. MARKETABLE SECURITIES

Marketable securities are comprised of shares of a public company at fair value:

	Number of Shares	2018	Number of Shares	2017
Pure Gold Mining Inc.	-	\$ -	1,290,322	\$ 632,258

During the year ended October 31, 2018, the Company recorded a realized gain on sale of marketable securities of \$15,506 (2017 - \$Nil), and a gain from changes in fair value through profit and loss financial assets of \$167,742 (2017 - Loss from changes in fair value through profit and loss financial assets - \$167,742).

8. INVESTMENT IN ASSOCIATE

As at May 31, 2018, the Company relinquished ownership control of PowerOre as a result of the Plan of Arrangement as detailed in Note 21 and a private placement in PowerOre that the Company did not participate in. As a result of the lost control, the Company recorded a gain on sale of subsidiary in the amount of \$103,713. As a result, the Company now holds 5,059,752 shares (or a 16.9% interest) in PowerOre and is accounting for this investment using the equity method.

Summarized financial statements for PowerOre as at and for the period ended October 31, 2018 is as follows:

Current assets	\$ 541,169
Non-current assets	506,012
<u>Total assets</u>	<u>1,047,181</u>
Total liabilities	71,761
Total net loss	(596,415)

Based on the quoted market price at October 31, 2018, the fair value of the Company's interest in PowerOre was \$278,286.

The continuity of the carrying value for the investment in PowerOre for the year ended October 31, 2018 is as follows:

Initial investment in PowerOre	\$ 446,284
Less: Distribution of PowerOre shares as dividend in kind	(223,142)
Less: Equity loss from PowerOre	(87,248)
Less: Shares issued as consideration for McGarry Project	(13,785)
<u>Balance – October 31, 2018</u>	<u>\$ 122,109</u>

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

9. PROPERTY, PLANT & EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Building	Machinery and Equipment	Total
Cost					
Balance, October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	1,298	-	-	1,298
Disposals	-	-	-	-	-
Balance, October 31, 2017	-	1,298	-	-	1,298
Additions	5,750	-	28,748	22,999	57,497
Balance, October 31, 2018	5,750	1,298	28,748	22,999	58,795
Accumulated amortization					
Balance, October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	195	-	-	195
Balance, October 31, 2017	-	195	-	-	195
Amortization	575	331	1,437	2,300	4,643
Balance, October 31, 2018	575	526	1,437	2,300	4,838
Net book value, October 31, 2018	\$ 5,175	\$ 772	\$ 27,311	\$ 20,699	\$ 53,957
Net book value, October 31, 2017	\$ -	\$ 1,103	\$ -	\$ -	\$ 1,103

10. EXPLORATION AND EVALUATION ASSETS

The following are details of the Company's exploration and evaluation assets:

	Derlak	Mirado	MZ Claims	Gold Hill	Knight	McGarry	Total
Balance, October 31, 2016	\$ 2,225,302	\$ 6,014,766	\$ 680,879	\$ 67,656	\$ -	\$ -	\$ 8,988,603
Acquisition costs	4,741	1,324	-	613	-	-	6,678
Exploration costs	-	150,418	-	-	-	-	150,418
Stockpile hauling and crushing costs	-	1,221,019	-	-	-	-	1,221,019
Revenue from sale of gold ore (net of royalty expenses)	-	(2,090,913)	-	-	-	-	(2,090,913)
Sale of exploration and evaluation assets	(2,230,043)	-	-	-	-	-	(2,230,043)
Balance, October 31, 2017	\$ -	\$ 5,296,614	\$ 680,879	\$ 68,269	\$ -	\$ -	\$ 6,045,762
Acquisition costs (Note 5)	-	1,286	-	-	2,048,722	578,260	2,628,268
Exploration costs	-	126,986	-	-	71,172	30,066	228,224
Sale of property	-	-	-	-	(463,000)	-	(463,000)
Balance, October 31, 2018	\$ -	\$ 5,424,886	\$ 680,879	\$ 68,269	\$ 1,656,894	\$ 608,326	\$ 8,439,254

During the year ended October 31, 2018, the Company earned pre-production revenue from gold ore sales (net of royalty expenses) of \$Nil (2017 - \$2,090,913) on its Mirado Project. Since the Company has not yet reached commercial production, the revenue was credited to the Mirado exploration and evaluation asset.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

10. EXPLORATION AND EVALUATION ASSETS (cont'd)

Derlak Red Lake Project (“Derlak”)

The Derlak project is located in Red Lake, Ontario and consisted of 11 contiguous patented claims that were owned 100% by the Company. They are subject to a 3% NSR payable to the vendor of which 1% can be purchased by the Company for \$1,000,000.

On March 6, 2017, the Company entered into a definitive agreement with Pure Gold Mining Inc. (TSX.V: PGM) to sell the Company's Derlak Project in Red Lake, Ontario. In return for a \$1.3 million value, Orefinders agreed to transfer its 100% interest in the Derlak Project. The \$1.3 million in total consideration to the Company was comprised of \$500,000 in cash and \$800,000 worth of Pure Gold Mining Inc. shares (1,290,322 shares valued at \$0.62 per share based on the quoted market price of the shares on the date the agreement was signed). On March 10, 2017, the sale was completed and the consideration was received by the Company. As a result of the sale, the Company recorded a \$946,519 loss on sale of exploration and evaluation assets in the year ended October 31, 2017.

Mirado Gold Project “Mirado”

The Mirado project is located in Kirkland Lake, Ontario and consists of 12 contiguous patented claims, with surface and mining rights, owned 100% by the Company and 21 mining claims owned 100% by the Company. They are subject to a 3% NSR payable to the vendor of which 1% can be purchased by the Company for \$1,000,000.

MZ Claims (Comprising Part of the Mirado Gold Project)

The MZ Claims consist of 10 contiguous claims and is owned 100% by the Company. The MZ claims are subject to a 2% NSR payable to the vendors of which 1% of the NSR may be purchased by the Company for \$1,000,000, and the second 1% of the NSR may be purchased for \$2,000,000.

Gold Hill Project “Gold Hill”

The Gold Hill project is located in Kirkland Lake, Ontario and consists of 9 patented claims and is owned 100% by the Company. They are subject to a 1.5% NSR payable to the vendor which can be purchased by the Company for \$500,000. The Company retained the exclusive rights to purchase the surface rights for a period of two years from the date of closing being September 29, 2014. This right lapsed on September 29, 2016.

Knight Project “Knight”

On November 30, 2017, the Company entered into agreements for a series of three acquisitions of contiguous properties from two individual landholders and through the acquisition of Premet, a private company. All properties are located in the Shining Tree district, in the Province of Ontario. The Tyrenite Extension and Porphyry Lake properties were acquired from two individual landholders and consist of a 100% interest in 30 mining claims. These properties are subject to a 3% NSR with a right to buyback 2% of the NSR for \$2,000,000. The Knight Project owned by Premet at acquisition consisted of 37 mining claims (35 claims - 100% interest; 2 claims - 75% interest) and 14 mining leases. During the year, under a Plan of Arrangement (Note 21), the Company transferred the Mann property and MacMurchy property components of Knight (consisting of 19 mining claims) to PowerOre Inc. leaving the Company with 18 claims (16 claims – 100% interest; 2 claims- 75% interest) at October 31, 2018. These properties are subject to various NSR ranging from 2% to 4% with rights to buyback 1% of the NSR for amounts ranging from \$500,000 to \$1,000,000.

To acquire 100% of the issued and outstanding Premet shares and warrants, the Company issued 22,753,246 shares and 3,412,987 warrants. To acquire a 100% interest in the Tyrenite Extension and the Porphyry Lake claims, the Company issued 5,000,000 shares from its treasury.

In connection with the transfer of the Mann property and MacMurchy property components of the Knight Project to PowerOre, the Company realized a loss of \$16,716 in the consolidated statement of loss during the year ended October 31, 2018.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

10. EXPLORATION AND EVALUATION ASSETS (cont'd)**McGarry Project ("McGarry")**

On August 20, 2018 (pursuant to an agreement entered into March 29, 2018), the Company closed the acquisition of the McGarry Mine project, a former producer, and the Barber-Larder project. The McGarry Mine project consists of 31 patented mining claims and 3 mining leases and the Barber-Larder Project consists of 15 patented mining claims and 2 mining leases. All assets are located in McGarry Township in the Province of Ontario. The properties are subject to a 2% NSR with a right to buyout 1% of the NSR for \$1,000,000.

As consideration, the Company issued 8,000,000 common shares at a value of \$0.07 giving a valuation of \$560,000. The Company also incurred legal and land transfer costs in the amount of \$14,972, and distributed 440,248 PowerOre shares in the amount of \$13,785. Also, in connection with the acquisition, a net payment of \$47,000 was incurred as a requirement by the Ontario provincial government to increase the reclamation bond on deposit, giving a total acquisition cost of \$635,757. The acquisition of McGarry also included certain property, plant and equipment with \$57,497 allocated to the property, plant and equipment (furniture and fixtures \$5,750, machinery and equipment \$22,999 and building \$28,748) and the remaining \$578,260 was allocated to McGarry acquisition costs.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases relating to exploration activities, financing activities, general and administrative expenses and professional fees. The usual credit period taken for trade purchases is between 30 to 90 days.

Accounts payable and accrued liabilities consist of the following:

	2018	2017
Trade payables	\$ 33,070	\$ 137,914
Accruals	15,000	15,000
	<u>\$ 48,070</u>	<u>\$ 152,914</u>

12. FLOW-THROUGH SHARE LIABILITY

Flow-through common shares require the Company to incur an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not incurred the required exploration expenditures. Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price of the common shares. The incremental proceeds, or "premium", are recorded as a flow-through liability. Upon issuance of the flow-through shares in December 2017, the Company recorded a flow-through liability of \$30,000. As expenditures are incurred, the flow-through share liability is reversed. To October 31, 2018, the Company incurred \$150,000 in eligible exploration expenditures and, accordingly, the flow-through share liability was reversed and \$30,000 was recognized as a deferred income tax recovery in the consolidated statement of loss.

13. LOAN PAYABLE

On August 29, 2016, the Company entered into a debt agreement (the "Loan") and a royalty streaming agreement (the "Royalty") with an arm's length party.

(i) Loan

Under the August 20, 2016 debt agreement, the Company was advanced \$450,000. In addition, the Company incurred a financing fee of \$180,000, a debt issuance expense of \$90,000 related to the issue of bonus common shares to the lender and legal costs in the amount of \$15,446 for a total of \$285,446. Amortization for the year ended October 31, 2018 in the amount of \$Nil (2017 - \$157,872) has been recognized. The loan was secured by the Company's Mirado property. On March 2, 2017, the Company repaid the \$450,000 loan and received a release and discharge of the security.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

13. LOAN PAYABLE (cont'd)*(ii) Financing Fees Payable*

In connection with the Loan, a financing fee in the amount of \$180,000 was originally due and payable August 31, 2017. An agreement with the lender was reached to write-off \$80,000 of the original \$180,000 financing fee. The remaining \$100,000 financing fee payable was now unsecured and was due December 31, 2017. On December 31, 2017, \$50,000 was paid to the lender and \$50,000 was paid for through the issuance of common shares under a private placement by the Company (Note 16).

(iii) Royalty Streaming Agreement

The Royalty provided for the payment of \$50,000 to the Company in return for an unsecured royalty capped at a maximum payout of \$105,000, payable out of the Company's profits from processing the existing stockpiles after paying all processing costs and repayment of the Loan. Any payments on this Royalty are exclusive to phase one of the stockpile projects. It also gives the Royalty holder the following rights: (a) the right to purchase a 1% NSR on the Mirado project for \$2,000,000 at any time prior to 90 days after the commencement of commercial production from the Mirado Mine; (b) the right of first refusal to provide any future stream financing component to the Company on its possible future Phase Two production from expansion of the open pit provided the financing is on reasonable and competitive commercial terms consistent with industry standards; and (c) the right to receive a 2% NSR with total proceeds capped at a maximum of \$1,000,000 on any future revenues from the Company's possible Phase Two production from expansion of the open pit once a PEA has been completed.

14. ASSET RETIREMENT OBLIGATION ("ARO")

A provision for environmental rehabilitation was recognized for mining activities at the Company's Mirado stockpile area in the amount of \$88,806 and the amount required to be held on deposit with the Ontario provincial government for the Company's McGarry acquisition in the amount of \$482,161. The provision is estimated based on management's estimates of projected reclamation costs and the timing of such reclamation activities.

	2018	2017
Opening balance, ARO	\$ 88,806	\$ 74,005
Additions during the year	482,161	-
Accretion expense	-	14,801
Ending balance, ARO	570,967	88,806
Current portion – obligation to be funded within one year	570,967	88,806
	\$ -	\$ -

During the year ended October 31, 2018, the Company recorded \$Nil (2017 - \$14,801) in accretion expense.

15. RELATED PARTY TRANSACTIONS*Key management personnel compensation*

Key management includes directors, president, CEO and executive chairman. The remuneration of the key management of the Company during the year ended October 31, 2018 consisted of management and consulting fees of \$327,050 (2017 – \$157,600), geological consulting fees capitalized to exploration and evaluation assets of \$80,815 (2017 - \$48,200) and share based payments valued at \$434,186 (2017 - \$22,659).

Unless disclosed elsewhere, related party transactions for the years ended October 31, 2018 and 2017 include:

	2018	2017
Management and consulting fees	\$ 327,050	\$ 157,600
Geological consulting fees capitalized	80,815	48,200
	\$ 407,865	\$ 205,800

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

15. RELATED PARTY TRANSACTIONS (cont'd)

As at October 31, 2018, the Company had a payable to PowerOre in the amount of \$10,160 (2017 - \$Nil). The amount is unsecured, non-interest bearing with no fixed terms of repayment. Prepaid expenses include \$11,300 (2017 - \$Nil) for management fees paid in advance and accounts payable includes \$1,200 (2017 - \$Nil) payable to an officer for expenses at October 31, 2018.

See Notes 5 and 21

16. SHARE CAPITAL

Authorized share capital

Unlimited number of voting common shares without par value.

Issued share capital

On August 20, 2018, the Company issued 8,000,000 common shares at a fair value of \$0.07 per share to the vendors of the McGarry Project claims for a total value of \$560,000 pursuant to an agreement dated March 29, 2018. The value is based on the quoted market price of the Company's shares on the date of issuance.

On January 5, 2018, pursuant to an agreement dated November 13, 2017, the Company issued 22,753,246 common shares and 3,412,987 warrants to acquire 100% of the common shares and warrants of Premet. The common shares were valued at \$1,706,493 using the quoted market price on the date of the agreement and the warrant value was estimated using the Black Scholes option pricing model at \$201,819 for total purchase consideration of \$1,908,312. Under the Black Scholes option pricing model, the following was assumed: dividend yield rate 0%, expected life of 2 years, a risk-free interest rate of 1.77% and an expected volatility of 121%.

On January 5, 2018, the Company issued 5,000,000 common shares at a fair value of \$0.07 per share to the vendors of the Knight Project claims for a total value of \$350,000 pursuant to an agreement dated November 25, 2017. The value is based on the quoted market price of the Company's shares on the date of issuance.

On December 29, 2017, the Company announced it has received a subscription for a non-brokered flow-through private placement of 1,500,000 units at a price of \$0.10 per unit, to raise proceeds of \$150,000. Each unit consists of one flow-through common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at \$0.12 per share, until December 29, 2019. The valuation of the warrants was estimated in the amount of \$23,000 using the Black-Scholes option pricing model. Additionally, the Company has received subscriptions for a non-brokered hard dollar private placement of 2,477,125 units at a price of \$0.08 per unit, to raise proceeds of \$198,170. Each unit consists of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one additional common share, at \$0.12 per share, until December 29, 2019. Total aggregate private placement proceeds are \$348,170. The valuation of the warrants was estimated in the amount of \$38,000 using the Black-Scholes option pricing model. In connection with the flow-through private placement, the Company paid a finder's fee of \$10,500 and issued 105,000 broker's warrants to acquire shares at \$0.12 per share until December 29, 2019 valued at \$6,000 using the Black-Scholes option pricing model. The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 119%, risk free interest rate of 1.68% and an expected life of 2 years.

Stock options

The Board of Directors of the Company has adopted a stock option plan which permits the Company to grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares and be exercisable for a period of up to five years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant or individual conducting investor relations activities will not exceed 2% of the issued and outstanding shares. Otherwise specified otherwise by the Board of Directors options vest on the date of grant.

The changes in stock options during the years ended October 31, 2018 and October 31, 2017 are as follows:

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

16. SHARE CAPITAL (cont'd)

	2018			2017	
	Number of options	Weighted average exercise price	Weighted average life (years)	Number of options	Weighted average exercise price
Options outstanding, beginning of year	4,296,000	\$ 0.06	3.30	5,871,000	\$ 0.14
Options granted	4,550,000	\$ 0.13	4.21	400,000	\$0.07
Options expired	(850,000)	(\$ 0.09)	(3.10)	(1,975,000)	(0.28)
Options outstanding, end of year	7,996,000	\$ 0.10	3.30	4,296,000	\$ 0.06
Options exercisable, end of year	7,996,000	\$ 0.10	3.30	4,296,000	\$ 0.06

On June 5, 2018, the Company granted 300,000 stock options with an exercise price of \$0.10 and a term of five years. These options vested immediately. The total fair value of \$25,158 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 2.11% and an expected volatility of 163%. The granting of these options resulted in a share-based payment expense of \$25,158 being recorded during the year ended October 31, 2018.

On January 5, 2018, the Company granted 4,250,000 stock options with an exercise price of \$0.13 and a term of five years. These options vested immediately. The total fair value of \$519,800 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 1.97% and an expected volatility of 167%. The granting of these options resulted in a share-based payment expense of \$519,800 being recorded during the year ended October 31, 2018.

On July 13, 2017, the Company granted 400,000 stock options with an exercise price of \$0.07 and a term of five years. These options vested immediately. The total fair value of \$22,659 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 1.54% and an expected volatility of 173%. The granting of these options resulted in a share-based payment expense of \$22,659 being recorded during the year ended October 31, 2017.

The estimated volatility used in the Black-Scholes option pricing model is based on the historical volatility of the Company's shares. The weighted average fair value of all grants in the year ended October 31, 2018 was \$0.12 (2017 - \$0.06) per share.

The following incentive stock options were outstanding and exercisable at October 31, 2018:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
400,000	400,000	\$ 0.10	January 22, 2020
250,000	250,000	\$ 0.10	February 4, 2020
1,700,000	1,700,000	\$ 0.05	November 17, 2020
375,000	375,000	\$0.055	July 8, 2021
721,000	721,000	\$ 0.07	October 20, 2021
400,000	400,000	\$0.07	July 13, 2022
3,850,000	3,850,000	\$0.13	January 5, 2023
300,000	300,000	\$0.10	June 5, 2023
7,996,000	7,996,000	\$ 0.10	

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

16. SHARE CAPITAL (cont'd)***Warrants***

The changes in warrants during the years ended October 31, 2018 and October 31, 2017 is as follows:

	2018			2017	
	Number of options	Weighted average exercise price	Weighted average life (years)	Number of options	Weighted average exercise price
Warrants outstanding, beginning of year	3,056,072	\$ 0.10	0.83	4,459,643	\$ 0.23
Warrants issued	5,506,550	0.06	1.91	-	-
Warrants exercised	(1,500,000)	(0.10)	(0.08)	-	-
Warrants expired	(1,556,072)	(0.10)	-	(1,403,571)	(0.50)
Warrants outstanding, end of year	5,506,550	\$ 0.06	1.16	3,056,072	\$ 0.10

As at October 31, 2018 the following warrants were outstanding.

Number of warrants outstanding	Exercise Price	Expiry Date
1,988,563	\$0.113	December 29, 2019
105,000	\$0.113	December 29, 2019
2,828,572	\$0.019	January 5, 2020
584,415	\$0.047	January 5, 2020
5,506,550	\$ 0.057	

Pursuant to the Arrangement, the effective exercise price for the above warrants has been reduced by 5.5% as 94.5% of the proceeds will be allocated to the Company and 5.5% allocated to PowerOre. See Note 21 for details.

Share-based payment reserve

A summary of the changes in the Company's share-based payment reserve is set out below:

	2018	2017
Balance – Beginning of year	\$ 2,511,356	\$ 2,488,697
Value of warrants issued on acquisition of Premet	201,819	-
Value of warrants issued on private placements	61,000	-
Value of broker warrants issued	6,000	-
Warrants exercised	(42,000)	-
Share-based payments	544,958	22,659
Balance – End of year	\$ 3,283,133	\$ 2,511,356

17. CAPITAL MANAGEMENT

The Company's capital structure is adjusted based on managements' and the Board of Directors' decision to fund expenditures with the issuance of debt or equity such that it may complete the acquisition, exploration and development of properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of share capital, share-based payment reserve and deficit.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

17. CAPITAL MANAGEMENT (cont'd)

The Company's mineral properties are in the exploration stage and, as a result, the Company does not currently generate cash flow from operations. The Company intends to raise such funds as and when required to complete its exploration projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms.

The only sources of future funds presently available to Orefinders are through the exercise of outstanding stock options and the sale of equity capital of the Company, the issuance of loans and/or debentures or the sale of an interest in any of its mineral properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Orefinders will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended October 31, 2018 and 2017. The Company is not subject to externally imposed capital restrictions.

18. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2018	2017
Loss for the year before income taxes	\$ 1,325,647	\$ 1,632,131
Statutory tax rate	26%	26%
Expected income tax recovery	(344,668)	(424,354)
Exploration and evaluation costs expensed	-	2,039
Pre-production revenue	-	543,637
Loss on changes in fair value through profit and loss financial assets	(43,613)	43,613
Amortization of debt financing costs	-	41,047
Equity loss from investment in associate	22,684	-
(Gain) on sale of subsidiary	(26,965)	-
(Gain) on sale of marketable securities	(4,032)	-
Taxable gain on sale of marketable securities	2,016	-
Loss on sale of exploration and evaluation assets	4,346	246,095
Flow-through renunciation	39,000	-
Share-based payments	141,689	5,891
Share and debt issue costs deductible	(61,376)	(61,429)
Other	3,265	4,862
	(267,654)	401,401
Tax benefit of non-capital losses utilized	-	(401,401)
Tax benefit not realized	267,654	-
Flow-through share premium renunciation	(30,000)	-
Deferred income tax (recovery)	\$ (30,000)	\$ -

Deferred income assets have not been recognized in respect of the following deductible temporary differences.

	2018	2017
Property, plant and equipment	\$ 4,838	\$ 195
Exploration and evaluation assets	4,204,667	4,367,667
Share and debt issue costs	124,585	183,733
Non-capital losses available for future years	2,082,210	1,070,164
Asset retirement obligation	570,967	88,806
Marketable securities	-	167,742
Investment in associate	87,247	-
	\$ 7,074,514	\$ 5,872,335

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

18. INCOME TAXES (cont'd)

The tax pool balances on hand at October 31, 2018, including expiry dates, are as follows:

	Non-capital losses	Property, plant and equipment	Share and debt issue costs	Exploration and evaluation assets
2019	\$ -	\$ -	\$ 60,918	\$ -
2020	-	-	59,467	-
2021	-	-	2,100	-
2022	-	-	2,100	-
2035	491,967	-	-	-
2036	578,197	-	-	-
2037	-	-	-	-
2038	1,012,046	-	-	-
No expiry	-	4,838	-	12,643,921
	\$ 2,082,210	\$ 4,838	\$ 124,585	\$ 12,643,921

The potential future benefits of these losses have not been recognized in the financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

Income tax considerations pertaining to the Company's flow-through financings are as follows:

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures in the period permitted. In December 2017, the Company received \$150,000 from the issue of flow-through shares. To October 31, 2018, the Company expended \$150,000 in eligible exploration expenditures and as a result had met its flow through obligation before the December 31, 2018 deadline.

19. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts. Cash is held with major banks in Canada. Restricted cash is on deposit with an Ontario government agency. Management assesses credit risk of cash as remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company strives to ensure that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk, currency risk, market price risk, and commodity price risk, affect the fair value of financial assets and liabilities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

19. FINANCIAL RISK MANAGEMENT (cont'd)

of changes in market interest rates. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debt. The Company's current policy is to deposit excess cash in non-interest-bearing accounts at its Canadian banking institutions.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar as the majority of its transactions and operations are in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Market price risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long-term working capital requirements.

The Company is also exposed to market risk relating to its investment in marketable securities and unfavourable market conditions could result in dispositions of marketable securities at less than favourable prices. The Company's marketable securities are comprised of an investment in one publicly traded corporation (see Note 7).

Commodity price risk

The value of the Company's exploration and evaluation assets are related to the price of gold and other mineral commodities, and the outlook for this mineral. Adverse changes in the price of gold can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

Based on management's knowledge and experience of the financial markets, the Company believes that movements at $\pm 10\%$ are "reasonably possible" over a one-year period:

- (i) The Company does not hold significant balances in foreign currencies to give rise to significant exposure to foreign exchange risk.
- (ii) Price risk is remote since the Company is a non-producing entity.

The Company's marketable securities are subject to fair value fluctuations. As at October 31, 2018, if the fair value of the marketable securities fluctuated by 10% all other factors held constant, net loss would have changed by approximately \$Nil (2017 - \$63,200).

The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The carrying value of the Company's financial instruments approximates fair value due to their short-term or demand nature.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	2018	2017
Loans and receivables:		
Cash	\$ 492,260	\$ 331,528
Restricted cash	570,967	88,806
Other financial assets – Fair value through profit and loss:		
Marketable securities	-	632,258
	<u>\$ 1,063,227</u>	<u>\$ 1,052,592</u>

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

19. FINANCIAL RISK MANAGEMENT (cont'd)

Financial liabilities included in the statement of financial position are as follows:

	2018	2017
Other-financial liabilities:		
Accounts payable and accrued liabilities	\$ 48,070	\$ 152,914
Due to associate	10,160	-
Financing fee payable	-	100,000
	<u>\$ 58,230</u>	<u>\$ 252,914</u>

As at October 31, 2017, the Company's financial instruments carried at fair value consisted of marketable securities which were classified as Level 1 in the fair value hierarchy. As at October 31, 2018, the Company had no financial instruments carried at fair value to classify in the fair value hierarchy.

20. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended October 31, 2018 and 2017, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	2018	2017
Change in exploration expenditures included in accounts payable and accrued liabilities	\$ 108,930	\$ 463,346
Value of common shares and warrants issued on acquisition of Premet (excluding cash)	\$ 1,683,685	\$ -
Value of common shares issued for exploration and evaluation assets	\$ 910,000	\$ -
Value of PoweOre common shares received on sale of Mann and MacMurray property to PowerOre	\$ 446,284	\$ -
Value of marketable securities received on sale of exploration and evaluation assets	\$ -	\$ 800,000
Distribution of PoweOre common shares as a dividend in kind	\$ 223,142	\$ -
Broker warrants issued	\$ 6,000	\$ -

21. PLAN OF ARRANGEMENT

On April 19, 2018, the Company executed a formal arrangement agreement related to the proposed spin-out of PowerOre (the "Arrangement"), whereby: 1) the Company transferred its Mann property and MacMurchy property to PowerOre (a wholly-owned subsidiary of the Company) in consideration for PowerOre issuing 11,000,000 common shares to the Company (the "Consideration Shares"); and 2) Pursuant to the Arrangement under the Business Corporations Act (British Columbia) involving the Company, its shareholders, and PowerOre, each existing shareholder of the Company exchanged their shares of the Company for: (a) one new common share of the Company for each one existing share of the Company held; and (b) such shareholder's pro rata portion of 5,500,000 of the Consideration Shares (being approximately one common share of PowerOre for every 17 shares of the Company held on the effective date of the Arrangement). After completion of the Arrangement, the Company continued to hold 5,500,000 of the Consideration Shares, representing approximately 18% of the issued and outstanding shares of PowerOre. The Arrangement was approved by shareholders at a special meeting on May 24, 2018 and received formal approval of the Supreme Court of British Columbia on May 30, 2018. Furthermore, PowerOre began trading on the TSX Venture Exchange on June 5, 2018.

As a result of the transfer of the Mann property and MacMurchy property to PowerOre, the Company recorded a loss

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

October 31, 2018 and October 31, 2017

(Expressed in Canadian dollars)

21. PLAN OF ARRANGEMENT (cont'd)

on sale of exploration and evaluation asset of \$16,716. As a result of the distribution of PowerOre shares, the Company recorded a dividend in kind in the amount of \$223,142. In connection with the Arrangement, the Company recorded net reorganization expenses in the amount of \$69,343 (2017 - \$Nil) in the consolidated statement of loss for the year ended October 31, 2018. As part of the Arrangement, it was agreed with PowerOre that upon the exercise of the Company's warrants that were outstanding before the closing of the Arrangement, the Company would provide 5.5% of the proceeds received upon exercise to PowerOre. PowerOre would then issue approximately 0.06 PowerOre shares for each warrant exercised to the warrant holder.

22. COMMITMENTS AND CONTINGENCIES

(i) The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(ii) Pursuant to the terms of the flow-through share agreement entered into on December 29, 2017, the Company was committed to incurring Canadian Exploration Expenditures of \$150,000 by December 31, 2018. The Company spent the full amount in 2018. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

(iii) The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$10,000 due within one year.

(iv) In February 2019, the Company entered into an agreement for the lease of office space. Minimum rental payments over the term of the agreement are approximately:

2019	\$ 27,000
2020	36,000
2021	37,000
2022	<u>9,000</u>
	<u>\$ 109,000</u>