**TRI-RIVER VENTURES INC.**

**Financial Statements**

**Year Ended December 31, 2018**

**Expressed in Canadian Dollars**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tri-River Ventures Inc.

**Opinion**

We have audited the financial statements of Tri-River Ventures Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

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

**Other Information**

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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. 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 International Financial Reporting Standards, 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 Cherry Ho.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

April 30, 2019

TTRI-RIVER VENTURES INC.
Statements of financial position
(Expressed in Canadian dollars)

| | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | $ 1,039,596 | $ 1,114,982 |
| Sales tax receivable | | 2,752 | 4,937 |
| | | 1,042,348 | 1,119,919 |
| **Non-current assets** | | | |
| Advance | | 1 | 1 |
| **TOTAL ASSETS** | | **$ 1,042,349** | **$ 1,119,920** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accrued liabilities | | $ 10,120 | $ 10,000 |
| **TOTAL LIABILITIES** | | **10,120** | **10,000** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 5 | 11,385,955 | 11,385,955 |
| Share-based payment reserve | 5 | 164,339 | 164,339 |
| Deficit | | (10,518,065) | (10,440,374) |
| **TOTAL EQUITY** | | **1,032,229** | **1,109,920** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **$ 1,042,349** | **$ 1,119,920** |

Nature of Business and Continuance of Operations (Note 1)

TRI-RIVER VENTURES INC.
Statements of comprehensive loss
(Expressed in Canadian dollars)

| | Note | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|---|
| **Expenses** | | | |
| Consulting | 6 | $ 17,250 | $ 17,250 |
| Management fees | 6 | 24,000 | 44,000 |
| Office and miscellaneous | | 19,530 | 19,430 |
| Professional fees | | 16,624 | 26,170 |
| Salaries and wages | | 8,436 | 8,980 |
| Travel | | 9,352 | 9,786 |
| | | (95,192) | (125,616) |
| **Other item** | | | |
| Interest income | | 17,501 | 8,159 |
| | | 17,501 | 8,159 |
| **Net and comprehensive loss** | | **$ (77,691)** | **$ (117,457)** |
| **Loss per share – basic and diluted** | | **$ (0.00)** | **$ (0.00)** |
| **Weighted average number of common shares outstanding – basic and diluted** | | **26,695,431** | **26,695,431** |

TRI-RIVER VENTURES INC.
Statement of changes in equity
(Expressed in Canadian dollars)

| | Share capital | | | | |
|---|---|---|---|---|---|
| | Number of shares | Amount | Share-based payment reserve | Deficit | Total |
| **Balance at December 31, 2016** | **26,695,431** | **$ 11,385,955** | **$ 164,339** | **$ (10,322,917)** | **$ 1,227,377** |
| Comprehensive loss | - | - | - | (117,457) | (117,457) |
| **Balance at December 31, 2017** | **26,695,431** | **$ 11,385,955** | **$ 164,339** | **$ (10,440,374)** | **$ 1,109,920** |
| Comprehensive loss | - | - | - | (77,691) | (77,691) |
| **Balance at December 31, 2018** | **26,695,431** | **$ 11,385,955** | **$ 164,339** | **$ (10,518,065)** | **$ 1,032,229** |

TRI-RIVER VENTURES INC.
Statements of cash flows
(Expressed in Canadian dollars)

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | **December 31, 2017** |
| **Operating activities** | | |
| Net loss for the year | $ (77,691) | $ (117,457) |
| Adjustments for: | | |
| Accrued interest income | - | 4,834 |
| Changes in non-cash working capital items: | | |
| Sales tax receivable | 2,185 | (210) |
| Accrued liabilities | 120 | - |
| **Net cash flows used in operating activities** | (75,386) | (112,833) |
| Decrease in cash and cash equivalents | (75,386) | (112,833) |
| Cash and cash equivalents, beginning | 1,114,982 | 1,227,815 |
| **Cash and cash equivalents, ending** | **$ 1,039,596** | **$ 1,114,982** |

See accompanying notes to the financial statements

## 1. Nature and continuance of operations

Tri-River Ventures Inc. (the "Company") was incorporated on March 9, 1992, under the laws of the province of Alberta, Canada, was continued under the laws of British Columbia ("BC"), Canada on July 12, 2005. The Company is in the process of searching for and evaluating new business opportunities. The Company's shares are traded on the NEX board of TSX Venture Exchange ("TSX-V") under the symbol "TVR.H".

The head office and principal address of the Company are located at 3993 Michener Court, North Vancouver, BC, Canada. The records office of the Company is located at 2110 28th Street, West Vancouver, BC. The Company's registered address is at 3993 Michener Court, North Vancouver, BC.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2018 the Company is seeking investment and business opportunities. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from and or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

## 2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on April 30, 2019 by the directors of the Company.

***Statement of compliance and International Financial Reporting Standards***

The 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").

***Basis of preparation***

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

***Earnings (Loss) per share***

Basic earnings (loss) per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***Significant estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the recoverability of advances, fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

**2. Significant accounting policies and basis of preparation (continued)**

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

***Share-based payments***

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. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. 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.

***Foreign currency translation***

The functional currency of each entity is measured 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.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income (loss) in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

***Impairment of assets***

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of

**2. Significant accounting policies and basis of preparation (continued)**

***Impairment of assets (continued)***

an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income (loss).

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

***Financial instruments***

**Newly adopted accounting standards**

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

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

(i) Classification

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

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

| Financial assets/liabilities | Original Classification IAS 39 | New Classification IFRS 9 |
|---|---|---|
| Cash and cash equivalents | FVTPL | FVTPL |

**2. Significant accounting policies and basis of preparation (continued)**

***Financial instruments (continued)***

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

## 2. Significant accounting policies and basis of preparation (continued)

***Financial instruments (continued)***

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

***Income taxes***

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the assets and liability method on 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.

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.

## 3. Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2019 or later periods.

The following new standard has not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position:

IFRS 16 applies to the recognition, classification, measurement and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease is for a term of 12 months or less or the underlying asset has a low value. IFRS 16 supersedes IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

(Expressed in Canadian Dollars)

### 3. Accounting standards issued but not yet effective (continued)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

### 4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

| | | December 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Cash at bank | $ | 35,967 | $ | 11,417 |
| Guaranteed investment certificates | | 1,003,629 | | 1,103,565 |
| | $ | 1,039,596 | $ | 1,114,982 |

### 5. Share capital

***Authorized share capital***

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

***Issued share capital***

At December 31, 2018 there were 26,695,431 issued and fully paid common shares (2017 –26,695,431).

There were no share transactions during the years ended December 31, 2018 and 2017.

***Stock options***

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed ten percent of the issued and outstanding common shares. Options granted typically vest immediately unless the Board of Directors determines otherwise.

As at December 31, 2018 and 2017, there were no stock options outstanding.

***Share purchase warrants***

At December 31, 2018 and 2017, there were no share purchase warrants outstanding.

***Share-based payment reserve***

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

(Expressed in Canadian Dollars)

## 6. Related party transactions

The Company incurred the following transactions with related parties:

| | Year ended | | | |
|---|---|---|---|---|
| | December 31, 2018 | | December 31, 2017 | |
| Management fees | $ | 24,000 | $ | 44,000 |
| Directors' fees | | 12,000 | | 12,000 |
| | $ | 36,000 | $ | 56,000 |

***Key management personnel compensation***

| | Year ended | | | |
|---|---|---|---|---|
| | December 31, 2018 | | December 31, 2017 | |
| Short-term employee benefits – management fees | $ | 24,000 | $ | 44,000 |
| Short-term employee benefits – consulting fees | | 12,000 | | 12,000 |
| | $ | 36,000 | $ | 56,000 |

## 7. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. 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 primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash and cash equivalents is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash and cash equivalents held by a bank there is a concentration of credit risk. This risk is managed by using a major bank that is high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

***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 ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at December

(Expressed in Canadian Dollars)

**7. Financial risk and capital management (continued)**

31, 2018, the Company does not hold or conduct transactions in currencies other than its functional currency. Foreign exchange risk is assessed as low.

***Interest risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. Interest rate risk is assessed as low.

***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

***Classification of financial instruments***

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

The Company’s cash and cash equivalents are classified as level 1.

***Fair value***

The fair value of the Company’s financial assets and liabilities approximates their carrying amount.

**8. Income tax expense and deferred tax assets and liabilities**

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

| | **December 31, 2018** | **December 31, 2017** |
|---|---|---|
| Income (loss) before income taxes and non-controlling interest | $ (77,691) | $ (117,457) |
| Statutory tax rate | 27% | 26% |
| | | |
| Expected tax recovery at the statutory tax rate | (20,977) | (30,541) |
| Effect of change in tax rate | (77,743) | - |
| Change in valuation allowance | 98,720 | 30,451 |
| Deferred income tax recovery | $ - | $ - |

(Expressed in Canadian Dollars)

**8. Income tax expense and deferred tax assets and liabilities (continued)**

The Company has the following deferred income tax assets and liabilities:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Non-capital losses | $ 484,441 | $ 446,299 |
| Exploration and evaluation assets | 120,690 | 116,220 |
| Equipment | 1,045 | 1,008 |
| Advance | 1,513,877 | 1,457,808 |
| Valuation allowance | (2,120,053) | (2,021,335) |
| | $ - | $ - |

The Company has recognized a full valuation allowance as the realization of these deferred income tax assets is uncertain, and cannot be viewed as more likely than not.

The tax pools relating to the deferred income tax assets expire as follows:

| | Canadian non-capital losses | Canadian resource pools |
|---|---|---|
| 2029 | $ 152,287 | $ - |
| 2030 | 404,993 | - |
| 2031 | 437,091 | - |
| 2033 | 300,903 | - |
| 2035 | 172,906 | - |
| 2036 | 130,899 | |
| 2037 | 117,457 | |
| 2038 | 77,691 | |
| No expiry | - | 447,000 |
| | $ 1,794,227 | $ 447,000 |