AURORA ROYALTIES INC.

(Formerly Amato Exploration Ltd.)

Financial Statements

November 30, 2018 and 2017

(Expressed in Canadian Dollars)

AURORA ROYALTIES INC.
(Formerly Amato Exploration Ltd.)
November 30, 2018 and 2017
Contents

DNTW Toronto LLP
Chartered Professional Accountants
Licensed Public Accountants

45 Sheppard Avenue East, Suite 703
Toronto, ON M2N 5W9
main 416 924-4900
fax 416 924-9377
www.dntwtoronto.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Aurora Royalties Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Aurora Royalties Inc., which comprise the statements of financial position as at November 30, 2018 and 2017, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Aurora Royalties Inc. as at November 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 of the notes to the financial statements which describes a material uncertainty that may cast significant doubt about Aurora Royalties Inc.'s ability to continue as a going concern.

DNTW Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants

March 1, 2019
Toronto, Ontario

AURORA ROYALTIES INC.

(Formerly Amato Exploration Ltd.)

Statements of Financial Position
As At November 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Note		2018		2017
ASSETS					
Current Assets					
Cash and cash equivalents	4	$	298,723	$	365,603
HST recoverable and prepaid expenses			1,816		840
		$	**300,539**	**$**	**366,443**
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities		$	16,269	$	16,309
Equity					
Share capital	5		3,676,167		3,676,167
Reserves	5		1,611,804		1,496,834
Deficit			(5,003,701)		(4,822,867)
			284,270		350,134
		$	**300,539**	**$**	**366,443**

APPROVED BY THE BOARD OF DIRECTORS:

Signed: “Rahim Kassam”, Director

Signed: “Tim Earle”, Director

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

AURORA ROYALTIES INC.

(Formerly Amato Exploration Ltd.)

Statements of Comprehensive Loss
Years Ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Note		2018		2017
EXPENSES					
Stock-based compensation expense	5	$	114,970	$	-
Rent	7		24,000		24,000
Filing and transfer agent fees			16,269		15,432
Professional fees			17,450		10,000
Management and consulting fees	7		12,000		12,000
Office and general			653		701
			185,342		62,133
OTHER ITEMS					
Interest income			4,508		2,838
Net Loss and Comprehensive Loss		**$**	**(180,834)**	**$**	**(59,295)**
Loss Per Share – Basic and Diluted					
Basic		$	-	$	-
Diluted			-		-
Weighted Average Number of Shares Outstanding					
Basic			40,486,656		40,486,656
Diluted			42,986,656		40,486,656

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

AURORA ROYALTIES INC.

(Formerly Amato Exploration Ltd.)

Statements of Changes in Equity
Years Ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Number of Shares Outstanding	Share Capital	Reserves	Deficit	Total Equity
Balance at November 30, 2016	40,486,656	$ 3,676,167	$ 1,496,834	$ (4,763,572)	$ 409,429
Net income	-	-	-	(59,295)	(59,295)
Balance at November 30, 2017	40,486,656	$ 3,676,167	$ 1,496,834	$ (4,822,867)	$ 350,134
Stock-based compensation	-	-	114,970	-	114,970
Net income	-	-	-	(180,834)	(180,834)
Balance at November 30, 2018	40,486,656	$ 3,676,167	$ 1,611,804	$ (5,003,701)	$ 284,270

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

AURORA ROYALTIES INC.
(Formerly Amato Exploration Ltd.)
Statements of Cash Flows
Years Ended November 30, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
CASH USED IN OPERATING ACTIVITIES				
Net loss	$	(180,834)	$	(59,295)
Adjustments for non-cash items:				
Stock-based compensation expense		114,970		-
Changes in non-cash working capital:				
HST recoverable and prepaid expenses		(976)		378
Accounts payable and accrued liabilities		(40)		3,750
Net Decrease in Cash and Cash Equivalents		(66,880)		(55,167)
Cash and Cash Equivalents, Beginning of Year		365,603		420,770
Cash and Cash Equivalents, End of Year	$	298,723	$	365,603

SUPPLEMENTAL CASH FLOW INFORMATION		2018		2017
Interest received	$	4,508	$	2,838
Income taxes paid		-		-

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

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Aurora Royalties Inc. ("Aurora" or the "Company") was incorporated as Amato Exploration Ltd. on February 26, 2007, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties. The Company's common shares are listed on the NEX Board of the TSX Venture Exchange under the symbol "AUR.H". The head office of the Company is 15 Polson Street, Toronto, Ontario M5A 1A4.

These financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has incurred a loss for the year ended November 30, 2018 of $180,834 (2017 - $59,295) and has an accumulated deficit of $5,003,701 (2017 - $4,822,867). The Company does not currently have an exploration property and is relying on its cash balance to sustain current operations. Management expects that the Company's capital resources will be sufficient for the next fiscal year under current operations. When the Company acquires an exploration property, it is unlikely that its current capital resources would be sufficient, and the Company would need to secure additional financing.

The challenges of securing requisite funding beyond November 30, 2018 and the continued estimated operating losses cast significant doubt on the Company's ability to continue as a going concern. The statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Board approved these financial statements for issuance on March 1, 2019.

Basis of Measurement

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which have been measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues 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. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2. BASIS OF PRESENTATION (Continued)

Use of Accounting Judgments, Estimates and Assumptions (Continued)

The significant areas of judgment considered by management in preparing the financial statements are as follows:

Going Concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and the financial statements continue to be prepared on a going concern basis. However, material uncertainty exists that casts significant doubt upon the Company's ability to continue as a going concern. See note 1.

Accrued Liabilities

Accrued liabilities are recorded based on an estimate of unbilled work performed by the Company's vendors as well as any other payments which the Company will be required to make in relation to the current year's operations. Management makes these estimates based on historical billings and its knowledge of current operations. These estimates will affect the reported amounts of accrued liabilities and general expenses.

Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

Stock-based Compensation Expense

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. See note 5 for further details.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented.

Functional and Presentation Currency

The Company's functional and presentation currency is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term investments with remaining maturities of less than three months at the date of acquisition. Cash and cash equivalents include accrued interest on short-term investments.

Financial Instruments

(i) Classification:

Cash equivalents and other current assets are classified as loans and receivables and are measured at amortized cost using the effective interest method.
Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost using the effective interest method.

(ii) Financial instruments at amortized cost:

Financial assets that are managed to collect contractual cash flows on specified dates are classified as subsequently measured at amortized cost using the effective interest method. These financial assets are recognized initially at fair value plus directly attributable transaction costs.

Financial assets at amortized cost are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all of the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired, the impairment provision is based upon the expected loss.

Financial liabilities, other than those classified as FVTPL are classified as subsequently measured at amortized cost using the effective interest method. These financial liabilities are recognized initially at fair value net of directly attributable transaction costs.

The effective interest method is a method for calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Current Taxes

Current income tax assets and liabilities for the current and prior periods 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 by the end of the reporting period.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

Deferred Taxes

Deferred tax is provided using the 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. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 at the statements of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statements of comprehensive loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered. The Company does not record deferred tax assets to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits and unused tax losses cannot be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based Payments

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized to expense 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 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. Amounts recorded for forfeited or expired unexercised options are transferred to fair value allocation, within reserves, in the year of forfeiture or expiry.

Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

Loss Per Share

Basic earnings (loss) per common share is determined by dividing net profit (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

Changes in Accounting Policies

Effective December 1, 2017, the Company has adopted the following new standards, which were made in accordance with the applicable transitional provisions, for which there were no significant impacts on the Company's financial statements:

(a) IAS 7, *Statement of Cash Flows* ("IAS 7") - In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017.

(b) IAS 12, *Income Taxes* ("IAS 12") - In January 2016, the IASB issued amendments to IAS 12, which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies (Continued)

(c) IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") and, were amended in May 2016. Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. Amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments apply prospectively for annual periods beginning on or after January 1, 2017.

Recent Accounting Pronouncements

The following are IFRS changes that have been issued by the IASB, which may affect the Company, but are not yet effective:

(a) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2015, which replaced IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

(b) IFRS 16, *Leases* ("IFRS 16") was issued in January 2016 to improve the accounting for leases, generally by eliminating a lessee's classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low value assets are both exempted. The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will accelerate lease expense recognition for leases which would be currently accounted for as operating leases. The presentation on the statement comprehensive loss required by the new standard will result in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The standard is effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17 *Leases*.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

(c) IFRS 2, *Share-based Payment* ("IFRS 2") - In June 2016, the IASB issued amendments to IFRS 2, which expands upon the guidance for recognizing a liability for cash-settlement of a share-based payment as well as transactions with a net settlement feature for withholding tax obligations. These amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

(d) IFRS 4, *Insurance Contracts* ("IFRS 4") - In September 2016, the IASB issued amendments to IFRS 4, which permits insurers to apply the overlay approach to designated financial assets and to reclassify in specified circumstances some or all of their financial assets so that the assets are measured at fair value through profit or loss. These amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

(e) In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRS. These amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

IFRS 3, *Business Combinations* ("IFRS 3") and IFRS 11, *Joint Arrangements* ("IFRS 11") – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12, *Income Taxes* ("IAS 12") – The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23, *Borrowing Costs* ("IAS 23") – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

(f) The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	2018	2017
Cash	$ 3,193	$ 1,158
Term deposits	295,530	364,445
	$ 298,723	$ 365,603

(Expressed in Canadian Dollars)

5. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and Outstanding

As of November 30, 2018 there were 40,486,656 issued and outstanding common shares (2017 – 40,486,656 shares).

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 Exchange requirements, grant to the 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. The board of directors has discretion to the number, vesting period and expiry date of each option award.

During the year ended November 30, 2018, the Company recognized total stock-based compensation expense of $114,970 (2017 - $Nil).

The following is a summary of the Company's transactions in stock options:

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance – beginning of year	-	-	-	-
Granted (i)	2,500,000	$0.06	-	-
Expired	-	-	-	-
Balance – end of year	2,500,000	$0.06	-	-

(i) On February 6, 2018, the Company granted 2,500,000 stock options with an exercise price of $0.06 per option, and which expire on February 6, 2023. The options vested immediately and are each exercisable into one common share.

Options granted are accounted for by the fair value method of accounting for share-based payments. The Company records share-based payments expense over the vesting period and credits reserves for all options granted.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (Continued)

Stock Options (Continued)

The fair value of the options granted was estimated at the grant date using the following weighted average assumptions:

		2018
Share price	$	0.05
Expected volatility		158%
Dividend yield		0.0%
Risk-free interest rate		2.11%
Expected life		5 years

The expected volatility is based on management's estimate of the volatility in the Company's share price over the life of the options. The Company has not paid any cash dividends historically and does not have any plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian benchmark bonds with an equivalent term to maturity. The expected life of the options is based on management's estimate of the time that the options will be outstanding.

The fair value per stock option granted during the quarter ended February 28, 2018 was calculated as $0.0460. Share-based compensation expense for options vested during the quarter ended February 28, 2018 was $114,970.

The Company had the following stock options outstanding and exercisable as at November 30, 2018:

Number of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
2,500,000	$0.06	February 6, 2023	4.19 years

There were no stock options outstanding as at November 30, 2017.

Basic and Diluted Loss Per Share

Numerator:		2018		2017
Net loss	$	(180,834)	$	(59,295)

Denominator:	2018	2017
Weighted average number of shares outstanding - basic	40,486,656	40,486,656
Weighted average number of stock options outstanding	-	-
Weighted average number of shares outstanding - diluted	40,486,656	40,486,656

Loss per share:		2018		2017
Basic and diluted	$	(0.00)	$	(0.00)

All outstanding stock options have been excluded from the calculation of diluted loss per share, as they are anti-dilutive for the above periods presented.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (Continued)

Maximum Share Dilution

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options were exercised as at November 30, 2018:

	2018	2017
Common shares outstanding	40,486,656	40,486,656
Stock options outstanding	2,500,000	-
Fully diluted common shares outstanding	42,986,656	40,486,656

6. INCOME TAXES

Current Income Taxes

Reconciliation of the income tax expense to the statutory combined federal and provincial corporate tax rate is as follows:

		2018		2017
Net income before taxes	$	(180,834)	$	(59,295)
Statutory tax rate		26.5%		26.5%
Expected tax at statutory rates		(47,921)		(15,713)
Non-deductible stock-based compensation		30,467		-
Change in deferred tax asset not recognized		17,454		15,713
Income tax provision	$	-	$	-

Deferred Income Taxes

The components of deferred income taxes have been determined at the statutory combined federal and provincial corporate tax rate of 26.5% (2017 – 26.5%) and are as follows:

		2018		2017
Non-capital losses	$	874,993	$	857,539
Net capital losses		262,160		262,160
Canadian exploration and foreign resource expenditures		49,204		49,204
Equipment		3,199		3,199
Deferred tax asset not recognized		(1,189,556)		(1,172,102)
	$	-	$	-

The Company has non-capital tax losses of approximately $3,302,000 available to be applied against future years' taxable income, which expire between 2027 and 2038.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations. The Company has incurred the following related party transactions:

	2018	2017
Consulting fees (i)	$ 12,000	$ 12,000
Rent (ii)	24,000	24,000
	$ 36,000	$ 36,000

(i) Consulting fees are paid to the Chief Financial Officer ("CFO") as compensation for his services.

(ii) The Company rents its office space from Sheridan Brothers LP on a month-to-month basis. This entity is related to the corporation through common officers and directors.

(iii) Key management personnel are defined as those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company considers its President and CFO to be key management personnel. Compensation of key management personnel is limited to the consulting fees paid to the CFO, as referred to above. The President has not received any compensation.

8. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks including credit risk, liquidity risk, and market risk. There have been no changes to management's methods for managing these risks since November 30, 2017.

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. Maximum exposure to credit risk is $300,123 as of November 30, 2018 (2017 - $366,026), being the carrying value of the Company's cash and cash equivalents and its HST recoverable. The Company's cash and cash equivalents are held in a Canadian chartered bank and the HST recoverable is due from the Government of Canada. Management considers credit risk to be low.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's total financial obligations as of November 30, 2018 are $16,269 (2017 - $16,309), and its total cash available to pay these obligations are $298,723 (2017 - $365,603). All of the Company's financial obligations as of November 30, 2018 are due within one year and all of the Company's assets are expected to be realized within one year. Management expects that its liquid assets will be sufficient to fund its ongoing obligations as they come due.

In the event that the Company does not believe it has sufficient liquidity to meet its future obligations, the board will consider securing additional funds through equity, debt or other financing activities as deemed appropriate. The board approves the Company's annual operating and capital budgets as well as any material transactions outside the ordinary course of business. There is no assurance that financing would be available or, if available, on terms and conditions that are acceptable to the Company.

(Expressed in Canadian Dollars)

8. FINANCIAL RISK MANAGEMENT (Continued)

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates would impact the Company's future cash flows. The Company does not currently have any interest-bearing debt and the interest earned on its cash balances is minimal. As such, the Company is not exposed to significant interest rate risk.

Commodity Price Risk

As a mineral exploration company, future profitability will be exposed to commodity price risk. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company with respect to property investment decisions. The Company does not currently hedge against commodity price risk due to the small-scale nature of its operations.

Sensitivity Analysis

Management does not believe there would be any material movements in the fair value of the Company's financial instruments as a result of changes in foreign exchange rates, interest rates, or commodity prices. Accordingly, a sensitivity analysis of market rates has not been presented.

9. MANAGEMENT OF CAPITAL

The Company includes the following in its managed capital:

	2018	2017
Share capital	$ 3,676,167	$ 3,676,167
Reserves	1,611,804	1,496,834
Deficit	(5,003,701)	(4,822,867)
	$ 284,270	$ 350,134

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 Company manages its capital structure and makes adjustments to it based on economic conditions and the risk characteristics of the underlying assets in order to support acquisition and exploration of mineral properties. The Company, upon approval from its board of directors, will balance its overall capital structure through new share or debt issuances or by undertaking other activities as deemed appropriate under specific circumstances.

9. MANAGEMENT OF CAPITAL (Continued)

The Company expects that its current capital resources will be sufficient to support its existing administrative and operational costs up to November 30, 2018. Upon completion of a successful negotiation of a new property acquisition, management will determine if additional equity financing is required to meet the Company's financial commitments going forward. The Company will continue to assess new properties and seek to acquire interests in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

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.

10. SEGMENTED INFORMATION

Operating segments

The Company operates in a single reportable operating segment, being the acquisition, exploration and evaluation of resource properties.

Geographic segments

The Company has one geographic segments, being Canada. All present operations, assets, and revenues are in Canada.