

QUANTUM NUMBERS CORP.

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

<u>Index</u>	<u>Page</u>
Independent Auditors' Report to the Shareholders	1 - 2
Financial Statements	
Statements of financial position	3
Statements of loss and comprehensive loss	4
Statements of changes in shareholders' equity	5
Statements of cash flows	6
Notes to financial statements	7 - 28

To the Shareholders of Quantum Numbers Corp.:

Opinion

We have audited the financial statements of Quantum Numbers Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and comprehensive loss, changes in shareholders' 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 December 31, 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 audits 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 audits 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.

Other Information

Management is responsible for the other information. The other information comprises 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 audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Anand Beejan.

Montréal, Québec

March 27, 2019

MNP¹ SENCRL, s.r.l.

¹ CPA auditor, CA, public accountancy permit no. A126822

QUANTUM NUMBERS CORP.
Statements of financial position
As at December 31
(in Canadian dollars)

	Notes	2018	2017
		\$	\$
Assets			
Current			
Cash	3	909,500	1,189,371
Taxes receivable		51,871	14,236
Prepaid expenses and other		16,218	3,622
Advance to related party	11	-	1,070
Current assets		977,589	1,208,299
Non-current			
Deposits		950	2,303
Investments	6	-	170,000
Intellectual property	4,7	620,489	592,489
Non-current assets		621,439	764,792
Total assets		1,599,028	1,973,091
Liabilities			
Current			
Accounts payable and accrued liabilities	11	62,750	157,487
Current liabilities		62,750	157,487
Shareholders' Equity			
Share capital	10	6,334,571	5,837,871
Reserves		801,080	682,769
Deficit		(5,599,373)	(4,705,036)
Total shareholders' equity		1,536,278	1,815,604
Total liabilities and shareholders' equity		1,599,028	1,973,091

Approved on behalf of the Board:

"Jean-Charles Phaneuf"

Jean-Charles Phaneuf

President and CEO

"Pierre C Miron"

Pierre C Miron

CFO

QUANTUM NUMBERS CORP.
Statements of loss and comprehensive loss
Years ended December 31
(in Canadian dollars)

	Notes	2018	2017
		\$	\$
Expenses			
Salaries	11	327,569	390,665
Share-based payments	10, 11	140,016	661,385
Development costs		107,579	84,856
Travel		103,200	119,836
Legal and audit fees	11	61,465	67,298
Professional fees		31,978	33,437
Consulting fees	11	31,282	177,736
Filing and listing fees		29,311	32,711
Office		25,132	29,408
Insurance		13,770	10,148
Interest and bank charges		621	695
		871,923	1,608,175
Other Expenses			
Gain on disposal of exploration and evaluation assets	5	-	(27,500)
Exploration and evaluation expenses		3,120	-
Change in fair value of financial assets and liabilities at fair value through profit or loss		48,155	(145,000)
Loss on advance receivable	11	1,070	38
		52,345	(172,462)
Interest Income		8,226	4,272
		916,042	1,431,441
Net loss and comprehensive loss for the year		916,042	1,431,441
Basic and diluted loss per share	9	0.02	0.03
Weighted average number of common shares outstanding		60,352,715	51,542,664

QUANTUM NUMBERS CORP.
Statements of changes in shareholders' equity
(in Canadian dollars)

	Notes	Issued share capital		Reserves	Deficit	Total equity
		Common shares	Amount			
			\$	\$	\$	\$
Balance, December 31, 2016		43,369,338	4,608,618	93,219	(3,335,327)	1,366,510
Share-based payments	10	-	-	661,385	-	661,385
Exercise of warrants	10	11,991,500	1,199,707	(557)	-	1,199,150
Exercise of options	10	200,000	29,546	(9,546)	-	20,000
Transfer from options reserves on expiry of options		-	-	(61,732)	61,732	-
Net loss for year		-	-	-	(1,431,441)	(1,431,441)
Balance, December 31, 2017		55,560,838	5,837,871	682,769	(4,705,036)	1,815,604
Share-based payments	10	-	-	140,016	-	140,016
Exercise of warrants	10	4,967,000	496,700	-	-	496,700
Expiry of options		-	-	(21,705)	21,705	-
Net loss for year		-	-	-	(916,042)	(916,042)
Balance, December 31, 2018		60,527,838	6,334,571	801,080	(5,599,373)	1,536,278

QUANTUM NUMBERS CORP.**Statements of cash flows
Years ended December 31
(in Canadian dollars)**

	2018	2017
	\$	\$
Operating Activities		
Net loss	(916,042)	(1,431,441)
Adjustments to net loss for non-cash items		
Share-based payments	140,016	661,385
Gain on disposal of exploration and evaluation	-	(25,000)
Change in fair value of financial assets and liabilities at FVTPL	48,155	(145,000)
Loss on advance receivable	1,070	-
Net changes in non-cash working capital items		
Taxes receivable	(37,635)	12,203
Prepaid expenses and other	(12,596)	7,607
Accounts payable and accrued liabilities	(94,737)	51,289
Net operating cash flows	(871,769)	(868,957)
Investing Activities		
Intellectual property acquisition	(28,000)	(146,377)
Advance to related party	-	(1,070)
Deposits	1,353	(1,353)
Proceeds from sale of investments	121,845	-
Net investing cash flows	95,198	(148,800)
Financing Activities		
Proceeds from exercise of warrants	496,700	1,199,150
Proceeds from exercise of options	-	20,000
Net financing cash flows	496,700	1,219,150
Decrease/Increase in cash	(279,871)	201,393
Cash, beginning of year	1,189,371	987,978
Cash, end of year	909,500	1,189,371
Supplemental Cash Flow Information		
Marketable securities received in consideration of the disposal of exploration and evaluation assets	-	25,000

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

1. Nature of operations and going concern

Quantum Numbers Corp. (the “Company” or “Quantum”) was incorporated under the *Business Corporations Act* of Ontario on July 19, 2007.

The head office, principal address and records office of the Company are located at 3755 E Blvd Matte, suite 201, Brossard, Québec, J4Y 2P4. The Company is a developer of a new generation of cryptographic solutions pursuant to the acquisition of intellectual property (note 4).

The business of technology involves a high degree of risk and there can be no assurance that projects under research and development will proceed through to achieve commercialization. Risks related to the value of the Company's intangible assets, completing proof of concept studies, protecting intellectual property rights, the ability of the Company to raise alternative financing, and risks inherent to new technologies, such as risk of obsolescence, slow adoption and competing technological advances. Changes in future conditions could require material impairment of investments.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Management routinely plans future activities including forecasting cash flows. Management has reviewed their plan with the Directors and has collectively formed a judgment that the Company has adequate resources to continue as a going concern for the foreseeable future, which Management and the Directors have defined as being at least the next 12 months.

2. Basis of preparation

Statement of compliance

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

Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

While management believes that these estimates and judgments are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

2. Basis of preparation (Continued)

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses, meet its liabilities for the ensuing year, and to fund planned and contractual research and development programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Asset acquisitions

Management has had to apply judgments relating to its acquisition of the intellectual property in prior year with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the acquisition in order to reach a conclusion.

- Treatment of project development costs

Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the project is technically and economically feasible, which management assesses based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has capitalized \$174,377 project development costs as at December 31, 2018 (Note 7).

- Recovery of deferred tax assets

The measurement of taxes payable and deferred tax assets and liabilities requires management to make estimates in the interpretation and application of the relevant tax laws. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management's assessment regarding the Company's ability to use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

2. Basis of preparation (Continued)

- Classification of financial instruments

All financial assets are classified in one of the following categories: fair value through profit or loss or amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Financial assets at fair value through profit or loss are financial assets classified as held for trading or upon initial recognition are designated by the Company as fair value through profit or loss. Financial assets are classified as held for trading if acquired with the intent to sell in the short-term.

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The key estimates applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Intellectual property - useful life

Following initial recognition, the Company carries the value of the intellectual property at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense. As at December 31, 2018, the Company has not amortized the intellectual property as amortization begins when the intellectual property is available for use.

- Intangible assets - Impairment test

Intangible assets not yet in use are tested for impairment on an annual basis. Impairment testing of these assets requires an estimation of their recoverable amount. The assumptions used in this estimation are contained in Note 7.

- Share-based payments

The fair value of share options and warrants granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option and warrant, expected volatility, expected life of the options and warrants, expected dividends and the risk-free rate. The Company estimates volatility based on historical share price of comparable companies excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options and warrants is based on historical experience and general holder behavior. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit and the rate is adjusted to reflect the actual number of options that actually vest.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

2. Basis of preparation (Continued)

Approval of financial statements

The financial statements of the Company for the year ended December 31, 2018 were approved and authorized for issue by the Board of Directors on March 27, 2019.

These financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. Summary of significant accounting policies

The Company's principal accounting policies are outlined below and have been applied consistently to all periods presented.

(a) Foreign currency

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates as at December 31. Exchange gains and losses on translation or settlement are recognized in loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in loss.

(b) Share-based payments

The Company grants stock options to employees and non-employees to exercise common shares of the Company. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. The fair value of both employee and non-employee options is recognized as an expense with a corresponding increase in options reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. When options are exercised, the related amount in options reserve is transferred to capital stock. When options expire unexercised, such amounts are transferred to deficit.

The fair value of options granted to non-employees is recognized and measured at the date the goods and services are received based on the fair value of such goods and services. If it is determined such goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments using the Black-Scholes option pricing model.

3. Summary of significant accounting policies (Continued)

(c) *Intellectual property*

Intellectual property acquired separately is measured on initial recognition at fair value. Following initial recognition, intellectual property with finite useful lives is carried at cost less any accumulated amortization and accumulated impairment losses, if any. The Company amortizes its intellectual property over the remaining life of the patent using the straight-line basis. At each reporting date, the Company assesses whether there is objective evidence that the intellectual property is impaired. If such evidence exists, the Company recognizes an impairment loss. The loss is the difference between the carrying value and recoverable value, which is the higher of fair value less costs of disposal and value in use. The carrying amount of the intellectual property is reduced by this amount. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event or condition occurring after the impairment was recognized. However, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized. As at December 31, 2018, the Company has not amortized the intellectual property as amortization begins when the intellectual property is available for use.

(d) *Research and development expenditures*

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized may include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in loss as incurred.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss when incurred.

(e) *Equity*

i) *Share capital*

Share capital represents the amount received on the issue of shares less issuance costs. Shares issued for non-cash consideration are based on the quoted price of the shares at the date of the issue.

ii) *Unit placements*

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

3. Summary of significant accounting policies (Continued)

(f) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statements of loss and comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

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

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

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

(g) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share using the treasury stock method whereby the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The diluted loss per share is equal to the basic loss per share where the effect of stock options and warrants is antidilutive as it would decrease loss per share.

(h) Cash

Cash consists of cash held with Canadian financial institutions which is subject to insignificant risk of changes in value.

3. Summary of significant accounting policies (Continued)

(i) Exploration and evaluation assets

Assets owned, mineral properties being depleted and mineral properties not being depleted are recorded at cost less accumulated depletion and accumulated impairment losses. All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment.

(j) Impairment

The Company's assets are reviewed for indicators of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually or whenever impairment indicators exist.

An impairment loss is recognized when the carrying amount of an asset, or its Cash Generating Unit (CGU), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

(k) Financial instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. The Company adopted IFRS 9 on January 1, 2018 which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The adoption of IFRS 9 was generally applied retrospectively, without restatement of comparative information. There was no material impact from the adoption of IFRS 9.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

3. Summary of significant accounting policies (Continued)

(k) Financial instruments (Continued)

i) Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial Assets/Liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents, advance to a related party and deposits	Loans and receivables	Financial assets at amortized cost
Short-term investments	Fair Value Through Profit or Loss ("FVTPL")	Financial assets at Fair Value Through Profit or Loss ("FVTPL")
Accounts payable and accrued liabilities	Amortized cost	Financial liabilities at amortized cost

The Company determines the classification of financial assets at initial recognition. The classification of its 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 (including all equity derivative instruments) are classified as fair value through profit and loss ("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 at fair value through other comprehensive income ("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 the Company has opted to measure them at FVTPL.

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.

3. Summary of significant accounting policies (Continued)

(k) Financial instruments (Continued)

ii) Measurement (Continued)

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 loss and 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. Where the Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive 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 twelve month expected credit losses. The Company recognizes in the statements of loss and 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) Fair value hierarchy

IFRS 7 *Financial Instruments: Disclosures* requires classification of fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- 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.
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. Summary of significant accounting policies (Continued)

(l) Provisions (Continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(m) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early-adopted by the Company

At the date of authorization of these financial statements, new standards, amendments and interpretations to existing standards have been published by the IASB, but are not yet effective and have not been early-adopted by the Company.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

- *IFRS 16 Leases*
In January 2016, the IASB published IFRS 16 which replaces IAS 17 Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statements of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company has assessed the impact of the new standard and there are no significant changes expected to the financial statements.

- *Income Taxes*

In June 2018, the IASB released IFRIC 23, Uncertainty over income tax treatments. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

IFRIC 23 will be effective for the Company's fiscal year beginning on January 1, 2019, with earlier application permitted. The Company is assessing the impact of the adoption of this standard on its consolidated financial statements.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

4. Asset acquisition

On August 3, 2016, the Company entered into an Intellectual Property Assignment Agreement with Société de Commercialisation des Produits de la recherche appliquée SOCPRA Sciences et Génie SEC ("SOCPRA") and its inventors by issuing a total of 6,000,000 common shares of the Company at a fair value of \$0.05 per share, representing a total fair value of \$300,000. The Company also reimbursed \$13,838 to SOCPRA for the professional fees associated with the protection of the patent ("Acquisition").

In August 2018, the Company received from the United States Patent and Trademark (USPTO), its first patent on a portion of its application. The Company also received a notice of allowance for the second patent, which was issued on January 1st, 2019. Continuation requests have been filed for both patents in order to pursue the acceptance of the claims not accepted, which is why the Company's patents are still at the patent pending stage in the United States. Both applications are still under review with the European Patent Office. The Company's first patent was granted in full from Russia in December 2018.

Until the expiry of the last patent rights, the Company will pay to SOCPRA a royalty of 5% calculated on the net sales price of products sold by the Company. The royalty shall be calculated on a 12-month basis starting on the effective date and shall be paid by the Company to SOCPRA within 90 days following the expiry of each reference year. The Company may decide, during the three years following the closing date, to pay SOCPRA an amount of \$1,500,000 or, at SOCPRA's option, to issue to SOCPRA 10,000,000 common shares of the Company. In such case, any further royalties will cease to be due and SOCPRA shall not be entitled to any further payment from the Company in consideration for the intellectual property. If the Company does not find or develop a commercial application within three years, 50% of the intellectual property shall be transferred back to SOCPRA.

The Acquisition was not considered to be a business combination and was accounted for as an asset acquisition. Total purchase price of \$300,000, finder's fees of \$30,000 (Note 7) and transaction costs of \$116,112, which includes the reimbursement of \$13,838 above, totalling \$446,112, were capitalized to intellectual property.

5. Exploration and evaluation assets

(a) Saguenay Property

On April 28, 2016, the Company entered into an option and joint venture agreement to acquire up to a 75% interest in the Saguenay property through two options. To acquire a 50% interest, the Company was required to issue 1,500,000 common shares. To acquire a 25% interest, the Company was required to incur an aggregate of \$200,000 in work cost on the property on or before the second anniversary of the execution date.

The Company changed its focus from mining to technology development and has ceased development of its mining properties. Accordingly, during the year ended December 31, 2016, the Company impaired the mining rights in the amount of \$2,537. On November 13, 2017, the Company sold the property in consideration for \$2,500 in cash and 500,000 common shares of St-Georges Eco-Mining Corp. valued at \$25,000. The common shares were sold during the year for total proceeds of \$121,845. The Company retains a 1.5% royalty on net smelter returns on the productions of the claims ("NSR").

5. Exploration and evaluation assets (Continued)

(b) Portage-du-Fort Project (Québec)

Pursuant to the terms of the Property Purchase Agreement dated February 2, 2015, the Company acquired a 100% right, title and interest in the Portage-du-Fort dolomite marble property mineral claims, located in the province of Quebec.

The Company issued an aggregate 1,250,000 common shares at a fair value of \$112,500 to the vendors and a 3% net smelter return ("NSR") shall be payable to certain vendors on all minerals produced from the property in accordance with the terms of the agreement. The Company shall have the right at any time to buy back 1.5% of the NSR for an aggregate payment of \$1,500,000. The Company also issued 125,000 common shares at a fair value of \$11,250 as a finder's fee in connection with the agreement.

The Company changed its focus from mining to technology development and has ceased development of its mining rights. Accordingly, during the year ended December 31, 2016, the Company impaired the mining rights in the amount of \$128,750. This property was subsequently sold after year end (Note 14).

(c) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its property. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to its mineral property interest that may result in a material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interest, the potential for production on the property may be diminished or negated.

(d) Mining assets

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

6. Investments

	December 31 2018	December 31, 2017
	\$	\$
500,000 common shares of St-Georges Eco-Mining Corp.	-	170,000

During the year, the Company sold 500,000 common shares of St-Georges Eco-mining Corp. for a total cash consideration of \$121,845 for a loss of \$48,155.

7. Intellectual property

	Balance as at December 31 2017	Additions	Balance as at December 31 2018
	\$	\$	\$
Cost			
Acquisition of SOCPRA license (Note 4)	446,112	-	446,112
Development costs	146,377	28,000	174,377
	<u>592,489</u>	<u>28,000</u>	<u>620,489</u>
Accumulated amortization			
Amortization	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>592,489</u>	<u>28,000</u>	<u>620,489</u>

No amortization was taken on the intangibles as the assets are not yet available to use. The carrying amount of the intellectual property is \$620,489. An annual impairment test was triggered in the year due to the fact the asset is not yet in use. The recoverable amount of the asset was estimated based on its fair value less costs to sell. Fair value less costs to sale have been determined based on a comparable transaction and other factors.

The recoverable amount was estimated to be higher than the carrying amount of the asset and no impairment was required.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

8. Income taxes

Income tax recovery differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.7% (2017 - 26.8%) to income before income taxes. The reasons for the differences are as follows:

	2018		2017	
Loss before income taxes	\$	(916,042)	\$	(1,431,441)
Statutory income tax rate		26.7%		26.8%
Expected income tax benefit		(244,583)		(383,626)
Items not deductible for income tax purposes		33,746		180,397
Unrecognized benefit of deferred tax assets		210,837		203,229
Income tax recovery	\$	-	\$	-

Significant components of the deferred income tax assets and (liabilities) of the Company are as follows (2017 – Nil):

	2018		Closing Balance
	Open Balance	Recognized in net income	
Deferred tax assets (liabilities)			
Investments	\$ (19,213)	\$ 19,213	-
Non-Capital losses	19,213	(19,213)	-
	\$ -	\$ -	-

The Company's deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2018		2017	
	Federal	Quebec	Federal	Quebec
Share issuance costs	\$ 31,890	\$ 31,890	\$ 50,976	\$ 50,976
Exploration and evaluation assets	1,085,839	1,085,839	1,082,719	1,082,719
Non-capital losses carried	3,332,832	3,302,060	2,510,352	2,496,443
Unrecognized deductible temporary differences	\$ 4,450,561	\$ 4,419,789	\$ 3,644,047	\$ 3,630,138

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

8. Income taxes (Continued)

The Company's unrecognized non-capital tax losses have the following expiry dates:

	Federal	Quebec
2029	\$ 426,995	\$ 426,995
2030	104,746	104,746
2031	478,770	473,134
2032	239,462	235,187
2033	116,890	115,975
2034	81,539	80,478
2035	83,953	81,931
2036	172,967	172,967
2037	950,030	950,030
2038	677,480	660,617
	3,332,832	3,302,060

9. Loss Per Common Share

Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding during the period, plus the effects of dilutive common share equivalents such as warrants and stock options.

Diluted net loss per share is calculated using the treasury method, where the exercise of warrants and options is assumed to be at the beginning of the period and the proceeds from the exercise of warrants and options and the amount of compensation expense measured, but not yet recognized in loss are assumed to be used to purchase common shares of the Corporation at the average market price during the period.

Basic and diluted loss per common share

The following table sets forth the computation of basic and diluted loss per share:

	December 31 2018	December 31, 2017
	\$	\$
Numerator		
Loss for the year	916,042	1,431,441
Denominator		
Weighted average number of common shares - basic and diluted (i)	60,352,715	51,542,664
Loss per share – basic and diluted	0.02	0.03

(i) At December 31, 2018 and at December 31, 2017, no stock options and warrants were included in the diluted loss per share as they were anti-dilutive.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

10. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of:

- voting Class A preferred shares
- voting Class B preferred shares
- voting Class C preferred shares
- voting Class D preferred shares
- special shares (non-voting)
- common shares (voting)

without nominal or par value.

Class A preferred shares are ranked senior to Class B preferred shares, Class B preferred shares are ranked senior to Class C preferred shares, Class C preferred shares are ranked senior to Class D preferred shares, Class D preferred shares are ranked senior to special shares, and special shares are ranked senior to common shares in priority of receiving dividends declared by the Company.

Holders of special shares and common shares shall be entitled to receive pro-rata for the remaining property of the Company after distribution to the holders of Class A, Class B, Class C and Class D preferred shares, on a pro-rata basis.

Dividends for Class A, Class B, Class C and Class D preferred shares are preferential and non-cumulative and are declared in accordance with their respective priority. Dividend rate per share for Class B, Class C and Class D preferred shares is 7% per annum. Dividends are declared at the discretion of the Company's Board of Directors.

No Class A, Class B, Class C or Class D preferred shares and special shares were issued by the Company as at December 31, 2018 (2017 - nil).

As at December 31, 2018, no dividends were declared or unpaid.

(b) Issued and outstanding

During the year ended December 31, 2018, the following share transactions occurred:

- i) During the year, the Company issued 4,967,000 common shares at a price of \$0.10 per share for the exercise of warrants.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

10. Share capital (Continued)

(b) Issued and outstanding (Continued)

During the year ended December 31, 2017, the following share transactions occurred:

- i) During the year, the Company issued 11,991,500 common shares for a total amount of \$1,199,150 following the exercise of warrants. The fair value of the exercised warrants amounted to \$557.
 - ii) On April 25, 2017, the Company issued 200,000 common shares for a total of \$20,000 following the exercise of options. The fair value of the exercised options amounted to \$9,546.
- (c) As at December 31, 2018, the Company holds 1,980,000 (2017 - 4,140,064) common shares that are subject to escrow conditions.

(d) Stock options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX Venture Exchange (the "Exchange"), which provides for the Board of Directors of the Company to grant to directors, officers, employees and consultants of the Company non-transferrable stock options to purchase common shares provided the number of shares reserved for issuance under the stock option plan shall not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to five years from the date of grant. The Board of Directors determines the price per common share and the number of common shares that may be allotted to directors, officers, employees and consultants of the Company and all other terms and conditions of the stock option, subject to the rules of the Exchange.

The Company has adopted a share-based payment plan under which members of the Board of Directors may award options for common shares to directors, officers, employees and consultants or individuals providing services to the Company. The maximum number of shares issuable under the plan represents 10 % of the issued and outstanding capital stock of the Company. The option exercise price is set by the Board of Directors at the time the option is allocated and cannot be less than the discounted market price. The options are exercisable over a maximum period of ten years. In the absence of a vesting schedule, the options shall vest immediately. The vesting schedule for options granted to one director is as follows: 25 % after 6 months, 12 months, 18 months and 24 months respectively of the date of grant, valid for a maximum period of 10 years. Amongst the outstanding options, none are subject to an escrow agreement.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

10. Share capital (Continued)

(d) *Stock options (Continued)*

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

The Company's share options are as follows for the reporting periods presented:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	4,880,000	0.19	1,430,000	0.10
Granted	-	-	4,650,000	0.20
Exercised	-	-	(200,000)	0.10
Expired	<u>(400,000)</u>	0.10	<u>(1,000,000)</u>	0.15
Balance outstanding, end of year	<u>4,480,000</u>	0.20	<u>4,880,000</u>	0.19
Balance exercisable, end of year	<u>3,980,000</u>	0.18	<u>3,380,000</u>	0.14

The weighted average remaining contractual life for options outstanding at December 31, 2018 is 5.53 (2017 - 6.29) years.

The total compensation related to the 2017 grant totaled \$893,245 of which the Company recognized an amount of \$140,016 for the year ended December 31, 2018 and \$661,385 for the year ended December 31, 2017.

The weighted average fair value of the granted options was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2018	2017
Average share price at date of grant	-	\$0.14
Dividends yield	-	N/A
Expected volatility	-	125%
Risk-free interest rate	-	1.47%
Expected average life	-	8.23
Average exercise price at date of grant	-	\$0.20

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

10. Share capital (Continued)

(d) *Stock options (Continued)*

The underlying expected volatility was determined by reference to historical data of comparable companies who operate in the same industry. No special features inherent to the options granted were incorporated into measurement of fair value.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% (2017 - 0%) in determining the expense recorded in the accompanying statements of loss.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Outstanding and exercisable options are as follows:

Expiry date	Exercise price	2018		2017	
		Number	Exercisable	Number	Exercisable
	\$				
September 30, 2019	0.13	130,000	130,000	180,000	180,000
November 22, 2021	0.10	700,000	700,000	1,050,000	1,050,000
December 18, 2022	0.12	1,650,000	1,650,000	1,650,000	1,650,000
January 26, 2027	0.30	2,000,000	1,500,000	2,000,000	500,000
		<u>4,480,000</u>	<u>3,980,000</u>	<u>4,880,000</u>	<u>3,380,000</u>

(e) *Share purchase warrants*

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

	Number of warrants	2018		2017	
		Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
		\$		\$	
Balance outstanding, beginning of year	18,101,000	0.10	30,940,500	0.10	
Expired	(13,134,000)	0.10	(848,000)	0.10	
Exercised	(4,967,000)	0.10	(11,991,500)	0.10	
Balance outstanding, end of year	-	-	18,101,000	0.10	

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

10. Share capital (Continued)

(e) *Share purchase warrants (Continued)*

Outstanding warrants are as follows:

Expiry date	Exercise price	2018 Number	2017 Number
	\$		
February 3, 2018	0.10	-	755,000
March 31, 2018	0.10	-	17,346,000
		-	18,101,000

The weighted average remaining contractual life of warrants outstanding is nil (2017 - 0.24) years.

11. Related party transactions

The Company's related parties include companies under common control and joint key management, as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management

The key management of the Company are the members of senior management and the Board. The remuneration for the year of key management include the following expenses:

	2018 \$	2017 \$
Consulting fees	12,200	31,550
Legal fees	3,158	41,343
Salaries	312,000	358,769
Share-based payments	140,016	661,385
	467,374	1,093,047

An amount of \$nil (2017 - \$1,070) is due from a former director for expense advances and is included in advance to related party. The amount has been written off during the year.

An amount of \$1,600 (2017 - \$34,887) is due to directors for unpaid consulting fees and is included in accounts payable and accrued liabilities.

An amount of \$nil (2017 - \$12,000) is due to directors for unpaid salaries and is included in accounts payable and accrued liabilities.

An amount of \$984 (2017 - \$6,511) is due to directors for reimbursement of expenses incurred during the year ended December 31, 2018 and is included in accounts payable and accrued liabilities.

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

12. Segmented reporting

The Company operates in one segment, technology development. As at both December 31, 2018 and December 31, 2017, all of the Company's long-term assets are situated in Canada.

13. Financial instruments and risk management

(a) Management of capital

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued share capital, reserves and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. There were no changes to the Company's approach to capital management during the year ended December 31, 2018.

The Company is not subject to externally imposed capital requirements.

(b) Fair value of financial instruments

Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	December 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Fair value through profit and loss				
Investments	-	-	170,000	170,000
Amortized cost				
Cash	909,500	909,500	1,189,371	1,189,371
Advance to a related party	-	-	1,070	1,070
Deposits	950	950	2,303	2,303
	<u>910,450</u>	<u>910,450</u>	<u>1,362,744</u>	<u>1,362,744</u>
Financial liabilities				
Amortized cost				
Accounts payable and accrued liabilities	<u>62,750</u>	<u>62,750</u>	<u>157,487</u>	<u>157,487</u>

QUANTUM NUMBERS CORP.
Notes to financial statements
Years ended December 31, 2018 and 2017
(in Canadian dollars)

13. Financial instruments and risk management (Continued)

(b) Fair value of financial instruments (Continued)

The carrying values of cash, advance to related party, deposits, accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

Financial assets and liabilities measured at amortized cost for which a fair value is provided in the statement of financial position are presented in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities as defined in Note 3.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

There have been no significant transfers between Level 1 and 2 in the reporting periods.

The techniques and evaluation methods used to measure fair value were not changed compared to previous years.

The fair value of investments is based on quoted price on an active market (level 1).

(c) Credit risk

Credit risk is the risk of a loss if a counter party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is limited to its cash balance. The Company limits its exposure to credit risk by holding its cash with high credit quality Canadian financial institutions.

(d) Liquidity risk

The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at December 31, 2018, the Company had a cash balance of \$909,500 (2017 - \$1,189,371) to settle current liabilities of \$62,750 (2017 - \$157,487). Accounts payable and accrued liabilities are due within less than 90 days. The Company is not exposed to significant liquidity risk.

14. Subsequent events

(a) Patent Grant

On January 1st, 2019, the Company obtained a second patent from the USPTO on its second application.

(b) Sale of Portage-du-Fort Property

On February 20, 2019, the Company sold its right, title and interest in the Portage-du-Fort Project for cash consideration of \$1. The Company will hold a 1.5% net smelter return ("NSR") and a 10% commission will be payable by the purchaser if the property is sold.