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**MERIDIUS RESOURCES LIMITED.**

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

*(Expressed in Canadian Dollars)*

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## Independent Auditor's Report

To the Shareholders of Meridius Resources Limited

### Opinion

We have audited the financial statements of Meridius Resources Limited (the "Company"), which comprise the statements of financial position as at August 31, 2019 and August 31, 2018, and the statements of comprehensive loss, statements of changes in equity and statements of 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 August 31, 2019 and August 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 in this auditor's report. We have nothing to report in this regard.

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

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



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Cummings.

***"D&H Group LLP"***

Vancouver, B.C.  
December 23, 2019

**Chartered Professional Accountants**

**MERIDIUS RESOURCES LIMITED**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT**

*(Expressed in Canadian dollars)*

	August 31, 2019	August 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 229,605	\$ 400,381
GST receivable	1,846	9,172
Prepays (Note 7)	10,663	1,517
<b>Total current assets</b>	<u>242,114</u>	<u>411,070</u>
<b>Non-current assets</b>		
Equipment (Note 4)	4,847	-
<b>TOTAL ASSETS</b>	<u>\$ 246,961</u>	<u>\$ 411,070</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 13,734	\$ 1,820
<b>TOTAL LIABILITIES</b>	<u>13,734</u>	<u>1,820</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	817,264	817,264
Share-based payment reserve (Note 6)	110,100	94,000
Accumulated deficit	<u>(694,137)</u>	<u>(502,014)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>233,227</u>	<u>409,250</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 246,961</u>	<u>\$ 411,070</u>

**Nature of operations** (Note 1)

These financial statements were approved for issue by the Board of Directors on December 23, 2019 and are signed on its behalf by:

**On behalf of the Board:**

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*"Dylan Sidoo"* Director                      *"Amrik Virk"* Director

**MERIDIUS RESOURCES LIMITED.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED AUGUST 31,**  
*(Expressed in Canadian dollars)*

	2019	2018
<b>EXPENSES</b>		
Accounting and administrative	\$ 24,808	\$ 14,796
Amortization (Note 4)	1,839	-
Audit	29,750	5,500
Bank charges	187	203
Consulting (Note 7)	28,500	25,000
Executive compensation (Note 7)	22,000	21,000
Office	19,442	10,580
Professional fees	-	16,272
Regulatory costs	8,608	3,741
Share-based compensation (Note 7)	16,100	94,000
Sponsorship	-	5,000
Transfer agent	7,723	5,082
Travel, meals and related costs	33,166	975
Write-down of exploration and evaluation asset	-	172,646
<b>Comprehensive loss for the year</b>	<b>\$ (192,123)</b>	<b>\$ (374,795)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>11,750,000</b>	<b>9,037,789</b>

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

**MERIDIUS RESOURCES LIMITED.**  
**STATEMENTS OF CHANGES IN EQUITY**  
*(Expressed in Canadian dollars)*

	Number of shares	Share capital	Share-based payment reserve	Deficit	Total equity
<b>August 31, 2018</b>	11,750,000	\$ 817,264	\$ 94,000	\$ (502,014)	\$ 409,250
Share-based compensation	-	-	16,100	-	16,100
Comprehensive loss for the year	-	-	-	(192,123)	(192,123)
<b>August 31, 2019</b>	11,750,000	\$ 817,264	\$ 110,100	\$ (694,137)	\$ 233,227

	Number of shares	Share capital	Share-based payment reserve	Deficit	Total equity
<b>August 31, 2017</b>	5,050,000	\$ 252,500	\$ -	\$ (127,219)	\$ 125,281
Common shares issued for:					
-initial public offering	6,500,000	650,000	-	-	650,000
-mineral property	200,000	20,000	-	-	20,000
Share issue costs	-	(105,236)	-	-	(105,236)
Share-based compensation	-	-	94,000	-	94,000
Comprehensive loss for the year	-	-	-	(374,795)	(374,795)
<b>August 31, 2018</b>	11,750,000	\$ 817,264	\$ 94,000	\$ (502,014)	\$ 409,250

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

**MERIDIUS RESOURCES LIMITED.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31,**  
*(Expressed in Canadian dollars)*

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (192,123)	\$ (374,795)
Items not involving cash:		
Amortization	1,839	-
Share-based compensation	16,100	94,000
Write down of exploration and evaluation asset	-	172,646
Change in non-cash operating working capital:		
GST receivable	7,326	(8,922)
Prepays	(9,146)	(1,517)
Accounts payable and accrued liabilities	11,914	(10,680)
<b>Net cash used in operating activities</b>	<b>(164,090)</b>	<b>(129,268)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(6,686)	-
Expenditures on exploration and evaluation assets	-	(147,646)
<b>Net cash used in investing activities</b>	<b>(6,686)</b>	<b>(147,646)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares	-	650,000
Share issue costs	-	(92,236)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>557,764</b>
<b>Change in cash during the year</b>	<b>(170,776)</b>	<b>280,850</b>
<b>Cash, beginning of year</b>	<b>400,381</b>	<b>119,531</b>
<b>Cash, end of year</b>	<b>\$ 229,605</b>	<b>\$ 400,381</b>
<b>Supplemental cash flow information – Note 11</b>		

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

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**1. Nature of Operations**

Meridius Resources Limited. (the "Company") was incorporated on July 10, 2017 under the Business Corporations Act (British Columbia) and on February 22, 2018 the Company's common shares were listed on TSX Venture Exchange ("TSXV") as a Tier 2 resource company under the trading symbol "MRI". The Company's share options and share purchase warrants are not listed. The Company's principal office is located at 789 – 999 West Hastings Street, Vancouver, B.C.

The Company had working capital of \$228,380 (2018 - \$409,250) and an accumulated deficit of \$694,137 (2018 - \$502,014) as at August 31, 2019. The Company currently does not have any active operations and management has been actively seeking new business opportunities. Although management considers that the Company has adequate resources to maintain its ongoing levels of operations and conduct due diligence identifying and evaluating potential business opportunities for the next twelve months, the Company realized that any business acquisitions may require additional financing. While the Company has been successful in securing financing in the past there can be no assurance that it will be able to do so in the future.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

**2. Basis of Preparation**

*Statement of Compliance*

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

*Basis of Measurement*

The Company's financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The financial statements are presented in Canadian dollars unless otherwise stated.

**3. Significant Accounting Policies**

*Critical Judgments and Sources of Estimation Uncertainty*

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical Judgments*

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**3. Significant Accounting Policies (continued)**

- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- (iii) Management is required to assess whether there is evidence of impairment in respect of exploration and evaluation assets. The triggering events for an impairment test are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.
- (iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Depreciation expense is allocated based on assumed useful life of equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations and comprehensive loss.
- (ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- (iii) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (iv) The assessment of any impairment of non-current assets is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions, recoverability of value added taxes and the useful lives of assets.

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**3. Significant Accounting Policies (continued)**

***Cash***

Cash includes cash on hand and demand deposits. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution.

***Amounts Receivable***

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

***Accounts Payable and Accrued Liabilities***

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

***Equipment***

Equipment is recorded at cost and depreciated using the declining balance method at the following rates per annum.

Computer equipment	55% per annum
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Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**3. Significant Accounting Policies (continued)**

***Exploration and Evaluation Assets***

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income, costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

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

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations.

***Impairment of Long-Lived Assets***

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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3. **Significant Accounting Policies** (continued)

***Financial Instruments***

*Recognition*

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

*Classification and Measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

The classification and measurement bases of the Company’s financial instruments are as follows:

<b>Financial Instrument</b>	<b>IFRS 9</b>
Cash	FVTPL
Accounts receivable	Amortized cost
Accounts payable	Amortized cost

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**3. Significant Accounting Policies (continued)**

***Share Capital***

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

***Equity Financing***

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the closing date. The balance, if any, is allocated to the attached share purchase warrants.

***Share-Based Payment Transactions***

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted.

At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

***Taxation***

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the income tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

***Current Income Tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred Income Tax***

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

**3. Significant Accounting Policies (continued)**

*Taxation (continued)*

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

*Loss Per Share*

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in dilutive earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

*Comparative Figures*

Certain of the prior fiscal year's comparative figures have been reclassified to conform with the current fiscal period's presentation.

**4. Equipment**

Equipment is carried at cost less accumulated depreciation. Details are as follows:

	Equipment
<b>Cost</b>	
Balance, August 31, 2017 and 2018	\$ -
Additions	6,686
Balance, August 31, 2019	<u>\$ 6,686</u>
<b>Accumulated depreciation</b>	
Balance, August 31, 2017 and 2018	\$ -
Additions	1,839
Balance, August 31, 2019	<u>\$ 1,839</u>
<b>Carrying amounts</b>	
Balance, August 31, 2018	\$ -
Balance, August 31, 2019	<u>\$ 4,847</u>

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

**5. Exploration and Evaluation Assets**

**Bonneville Gold Property**

On August 10, 2017 the Company and Telford Management Ltd. (“Telford”), a private corporation incorporated in the Province of British Columbia, entered into an option agreement whereby the Company was granted an option (“the Bonneville Option”) to acquire a 100% interest in 36 mineral claims (“the Bonneville Gold Property”) located in the township of Duplessis, Province of Quebec. Pursuant to the terms of the Bonneville Option the Company has issued 200,000 common shares of the Company, at an ascribed value of \$20,000, and has agreed to:

- (i) make cash payments totaling \$220,000 (\$20,000 paid) by February 22, 2020, and
- (ii) incur expenditures totaling \$750,000 by February 22, 2020.

Telford retains a 1% net smelter returns royalty which may be purchased by the Company for \$1,000,000 at any time.

The Company carried out an exploration diamond drill program on the Bonneville Gold Property from May 28, 2018 to July 5, 2018. The drill program did not return significant gold or silver values and was terminated. On November 28, 2018, the Company terminated the Bonneville Gold Property Option Agreement and wrote-off the capitalized costs of \$172,646.

<b>Bonneville Gold Property</b>	
Option payment	\$ 20,000
Issuance of common shares	20,000
Drilling and assays	126,046
Geologists and contractors	6,600
Write down of exploration and evaluation asset	(172,646)
Balance, August 31, 2019 and 2018	\$ -

**6. Share Capital**

(a) ***Authorized Share Capital***

The Company’s authorized share capital consists of an unlimited number of common shares without par value and unlimited preferred shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

During the year ended August 31, 2019, the Company did not complete any equity financings.

During the year ended August 31, 2018, the Company completed its initial public offering (“IPO”) of 6,500,000 common shares, at a price of \$0.10 per share, for gross proceeds of \$650,000. The Company paid a finder’s fee of \$21,500 and incurred \$83,736 for legal and professional fees and filing costs associated with the IPO, of which \$13,000 was incurred at August 31, 2017. The Company issued 200,000 common shares to Telford with an ascribed value of \$20,000 as part of Bonneville Gold Property Option Agreement (Note 4).

As at August 31, 2019, 2,171,250 common shares were held in escrow.

(c) ***Share Option Plan***

The Company has established a rolling share option plan (the “Plan”), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company’s closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During the year ended August 31, 2019 the Company granted share options to purchase 150,000 (2018 - 1,175,000) common shares and recorded compensation expense of \$16,100 (2018 - \$94,000).

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

**6. Share Capital** (continued)

(c) *Share Option Plan* (continued)

The fair value of share options granted and vested is estimated using the Black-Scholes option pricing model using the following assumptions:

	Year ended August 31, 2019	Year ended August 31, 2018
Risk-free interest rate	1.47	1.80% - 2.04%
Estimated volatility	120%	120%
Expected life	4 years	5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted during the year ended August 31, 2019 was \$0.14 (2018 - \$0.08) per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

A summary of charges in the Company's share options as follows:

	Year ended August 31, 2019		Year ended August 31, 2018	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
<b>Balance, beginning of year</b>	1,175,000	\$ 0.10	-	\$ -
Granted	150,000	0.15	1,175,000	0.10
Expired	(200,000)	0.10	-	-
<b>Balance, end of year</b>	1,125,000	\$ 0.10	1,175,000	\$ 0.10

The following table summarizes information about the share options outstanding and exercisable at August 31, 2019:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
900,000	900,000	\$ 0.10	22-Feb-23
75,000	75,000	0.10	23-Feb-23
150,000	150,000	0.15	23-Feb-23
1,125,000	1,125,000		

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

**7. Related Party Disclosures**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's current and former Board of Directors and its executive officers.

During the years ended August 31, 2019 and 2018 the following compensation was incurred:

	For the year ended August 31,	
	2019	2018
Accounting and administrative	\$ 20,550	-
Consulting	28,500	-
Executive compensation	22,000	21,000
Office	17,639	-
Share-based compensation	16,100	89,200
	\$ 104,789	\$ 110,200

Included in accounts payable and accrued liabilities at August 31, 2019 is \$212 (2018 - \$1,820) owed to a director and officer of the Company.

Included in prepaids at August 31, 2019 is \$10,663 (2018 - \$Nil) paid to a company owned by a director of the Company.

**8. Financial Instruments**

*Fair values*

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Cash is carried at fair value. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their current nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>As at August 31, 2019</i>				
Cash	\$ 229,605	\$ 229,605	\$ -	\$ -

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

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**8. Financial Instruments** (continued)

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit Risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by depositing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

*Liquidity Risk*

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. All of the Company's financial liabilities are classified as current and the Company has a practice of paying their outstanding payables within 30 days.

*Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks and GICs carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

(b) Foreign Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As at August 31, 2019 the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

(c) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and evaluation activities is subject to risks associated with fluctuations in the market price of commodities.

**9. Capital Risk Management**

*Capital Management*

The Company manages, as capital, the components of shareholders' equity. The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern. The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk of characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares, borrow and acquire or dispose of assets. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's policy is to invest its excess cash, if any, in highly liquid, short-term, interest bearing investments with maturities of one year or less from the date of acquisition.

**10. Segmented Information**

The Company operates in one reportable operating segment, being exploration and development of mineral properties in Canada.

**MERIDIUS RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*

**11. Supplemental Cash Flow Information**

	For the year ended August 31,	
	2019	2018
Common shares issued for mineral property	\$ -	\$ 20,000
Acquisition of exploration and evaluation assets	\$ -	\$ (20,000)

**12. Income Tax**

The significant components of the Company's deferred income taxes are as follows as at August 31:

	2019	2018
Deferred income tax assets (liabilities)		
Benefit of loss carryforwards	\$ 87,000	\$ 48,000
Share issue costs and financing costs	17,000	22,000
Net book value of equipment in excess of tax value	(1,000)	-
Valuation allowance	(103,000)	(70,000)
Net deferred income tax	\$ -	\$ -

The recovery of income taxes shown in the statement of comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2019	2018
Expected income taxes (recovery) at statutory income tax rates (2019 – 27.0%, 2018 – 26.5%)	\$ (51,900)	\$ (99,300)
Share issue costs	-	5,300
Effect of income tax rate change	(1,100)	-
Non-deductible expenses	7,000	25,000
Change in tax estimate	13,000	-
Unrecognized loss carryforwards	33,000	69,000
	\$ -	\$ -
<b>Actual income tax recovery</b>		

As at August 31, 2019 the Company had loss carryforwards of approximately \$320,905 for Canadian tax purposes, which expire between the 2037 and 2039 fiscal years, available to reduce future years' income tax.