

Financial Statements of

DLV Resources Ltd.
(formerly DV Resources Ltd.)

Years ended November 30, 2017 and 2016
(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DLV Resources Ltd. (formerly DV Resources Ltd.),

We have audited the accompanying financial statements of DLV Resources Ltd. (formerly DV Resources Ltd.), which comprise the statements of financial position as at November 30, 2017 and 2016, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of DLV Resources Ltd. (formerly DV Resources Ltd.) as at November 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia
March 28, 2018

DLV Resources Ltd. (formerly DV Resources Ltd.)

Statements of Financial Position

(Expressed in Canadian dollars)

	November 30, 2017	November 30, 2016
Assets		
Current assets		
Cash	\$ 4,212	\$ 61,895
Amounts receivable	21,462	1,065
	<u>25,674</u>	<u>62,960</u>
Exploration and evaluation assets (Note 4)	25,113	25,113
Total assets	\$ 50,787	\$ 88,073
Liabilities		
Current liabilities		
Trade and other payables	\$ 512,161	\$ 36,956
Equity (deficiency)		
Share capital (Note 5)	17,524,725	17,524,725
Equity reserve (Note 5)	198,059	198,059
Deficit	(18,184,158)	(17,671,667)
Total equity (deficiency)	<u>(461,374)</u>	<u>51,117</u>
Total liabilities and equity	\$ 50,787	\$ 88,073

Nature and continuance of operations (Note 1)

Subsequent event (Notes 1,5)

Approved by the Board of Directors and authorized for issue on March 28, 2017:

"Geir Liland"	Director
"Peter Leitch"	Director

The accompanying notes are an integral part of these financial statements

DLV Resources Ltd. (formerly DV Resources Ltd.)

Statements of Loss and Comprehensive Loss

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

	2017	2016
Expenses		
Consulting and management	\$ 106,811	\$ 16,705
Office and administration	12,005	1,127
Professional fees	339,969	27,581
Regulatory and filing	53,706	10,749
	(512,491)	(56,162)
Loss and comprehensive loss for the year	\$ (512,491)	\$ (56,162)
Basic and diluted loss per share for the year	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	34,000,328	34,000,000

The accompanying notes are an integral part of these financial statements

DLV Resources Ltd. (formerly DV Resources Ltd.)

Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital		Reserves	Deficit	Total equity (deficiency)
	Shares issued	Amount			
At November 30, 2015	34,000,000	\$ 17,524,725	\$ 198,059	\$(17,615,505)	\$ 107,279
Loss for the year	-	-	-	(56,162)	(56,162)
At November 30, 2016	34,000,000	17,524,725	198,059	(17,671,667)	51,117
Adjustment to true up outstanding shares	328	-	-	-	-
Loss for the year	-	-	-	(512,491)	(512,491)
At November 30, 2017	34,000,328	\$ 17,524,725	\$ 198,059	\$(18,184,158)	\$ (461,374)

The accompanying notes are an integral part of these financial statements

DLV Resources Ltd. (formerly DV Resources Ltd.)

Statements of Cash Flows

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

	2017	2016
Operating activities		
Loss for the year	\$ (512,491)	\$ (56,162)
Changes in non-cash working capital items:		
Amounts receivable	(20,397)	(194)
Trade and other payables	475,205	(19,390)
Cash used in operating activities	(57,683)	(75,746)
Decrease in cash	(57,683)	(75,746)
Cash, beginning of year	61,895	137,641
Cash, end of year	\$ 4,212	\$ 61,895

The accompanying notes are an integral part of these financial statements

DLV Resources Ltd. (formerly DV Resources Ltd.)

Notes to the Financial Statements

November 30, 2017

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

DLV Resources Ltd. (formerly DV Resources Ltd.) (the "Company") is a publicly listed company incorporated under the Business Corporations Act of Ontario on December 21, 1979. The Company is listed on the TSX Venture Exchange ("TSX.V") under the symbol "DLV.H". The head office, principal address and records office of the Company are located at 1 King Street West, Toronto, Ontario, M5H 1A1. In November 2017, the Company changed its name from DV Resources Ltd. to DLV Resources Ltd.

In October 2017, the Company's acquisition agreement with DeepGreen Resources Inc, originally entered into in June 2017, was allowed to lapse by both parties due to certain conditions precedent not being met within the allotted time frame.

These financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of operations. As at November 30, 2017, the Company had a working capital deficit of \$486,487 representing the excess of liabilities over available current assets. The Company has incurred negative cash flows from operations, recorded a loss of \$512,491 for the year ended November 30, 2017, and has an accumulated deficit of \$18,184,158 as at November 30, 2017. The Company does not currently have a recurring source of revenue. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. Subsequent to November 30, 2017, the Company closed a non-brokered private placement for gross proceeds of \$3,200,000 (Note 5).

2. BASIS OF PRESENTATION

(a) *Statement of compliance*

These financial statements as at and for the year ended November 30, 2017, including comparatives, are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) *Basis of measurement*

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

(c) *Significant accounting judgments and estimates*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the 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 may affect both the period of revision and future periods.

DLV Resources Ltd. (formerly DV Resources Ltd.)

Notes to the Financial Statements

November 30, 2017

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

(c) *Significant accounting judgments and estimates (continued)*

Critical Judgments

The preparation of these financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 1.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our financial statements include:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Cash*

Cash includes deposits held with banks that are available on demand.

(b) *Exploration and Evaluation Assets*

Exploration and evaluation expenditures are capitalized to a property once the legal right to explore a property has been acquired, and future economic benefits are more likely than not to be realized. These include the costs of acquiring, maintaining its interest in, and exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold, or considered impaired in value. Costs incurred before the Company has obtained the legal right to explore, as well as indirect administrative costs, are expensed as incurred.

At each reporting date the carrying amounts of the Company's exploration and evaluation 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. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset 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 profit or loss for the period.

DLV Resources Ltd. (formerly DV Resources Ltd.)

Notes to the Financial Statements

November 30, 2017

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Loss per share*

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period. For this purpose, it is assumed that proceeds upon the exercise of share options and warrants are used to purchase common shares at the average market price during the period. Share options and warrants outstanding as at November 30, 2017, as disclosed in Note 5, are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

(d) *Share-based payments*

The Company's share option plan allows Company employees, directors, officers, consultants and charitable organizations to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity reserve.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(e) *Income taxes*

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

DLV Resources Ltd. (formerly DV Resources Ltd.)

Notes to the Financial Statements

November 30, 2017

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments*

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available-for-sale, or other financial liabilities. Financial assets and liabilities FVTPL are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as held-to-maturity, loans and receivables, or other financial liabilities are included in the initial carrying value of such instruments and amortized using the effective interest method. Transaction costs classified as FVTPL are expensed when incurred, while those classified as available for sale are included in the initial carrying value.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(g) *New standards and interpretations not yet adopted*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The following has not yet been adopted by the Company and is being evaluated to determine its impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

4. EXPLORATION AND EVALUATION ASSETS

British Columbia Property

The Company owns a mineral property located in the Skeena Mining Division in North Western British Columbia.

As at November 30, 2017, and November 30, 2016, the carrying value of this property was \$25,113, consisting of deferred exploration and evaluation costs.

DLV Resources Ltd. (formerly DV Resources Ltd.)

Notes to the Financial Statements

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(Expressed in Canadian dollars)

5. EQUITY

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and fully paid

There were no common shares issued during the years ended November 30, 2017 or 2016.

In prior periods, the Company disclosed it had 19,534 outstanding Class A Shares. Upon investigation, it was concluded that the Class A Shares outstanding had been converted into common shares on a one-for-one basis in a prior year. As such, there are currently no Class A Shares outstanding. There is no impact on the total shares outstanding nor on the balance of share capital, as the historical amounts were presented on a consolidated basis, therefore there has been no adjustment or restatement to the statements of shareholders' equity.

Subsequent to November 30, 2017, the Company issued 40,000,000 units at a price of \$0.08 per unit for gross proceeds of \$3,200,000. Each unit consists of one common share of the Company and one warrant, with each warrant being exercisable into one common share of the Company at a price of \$0.11 until February 26, 2019.

6. RELATED PARTY TRANSACTIONS

During the year ended November 30, 2017, the Company paid or accrued \$7,663 (2016: \$24,150) to related parties as follows:

- \$3,709 in management consulting fees (2016: \$2,610) to a company controlled by the Company's former CFO.
- \$9,176 in legal fees (2016: \$13,195) to a law firm where a former Company director and officer is a partner.
- \$nil in management consulting fees (2016: \$7,000) to a company controlled by the Company's former CEO.

7. FINANCIAL INSTRUMENTS

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and trade and other payables. Cash and trade and other payables are held at carrying value which approximates fair value due to the short-term nature of these instruments.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

DLV Resources Ltd. (formerly DV Resources Ltd.)

Notes to the Financial Statements

November 30, 2017

(Expressed in Canadian dollars)

7. FINANCIAL INSTRUMENTS (continued)

Financial Instrument Risk Exposure (continued)

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash and amounts receivable. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash.

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. Subsequent to November 30, 2017, the Company closed a non-brokered private placement for gross proceeds of \$3,200,000 (Note 5).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) Interest Rate Risk

The Company is nominally exposed to interest rate risk. The Company's cash earns interest at variable rates. The Company's future earned interest is exposed to short-term rate fluctuations. Interest rate exposure is considered to be insignificant.

b) Foreign Currency Risk

The Company is not exposed to currency risk as all transactions are denominated in Canadian dollars.

c) Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

8. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. During the year ended November 30, 2017, there has been no change in the Company's management of capital policies.

DLV Resources Ltd. (formerly DV Resources Ltd.)

Notes to the Financial Statements

November 30, 2017

(Expressed in Canadian dollars)

9. INCOME TAX

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income taxes due to the following:

	2017	2016
Loss before income taxes	\$ (512,500)	\$ (56,200)
Canadian federal and provincial income tax rates	26.00%	26.00%
Income tax recovery based on the above rates	(133,300)	(14,600)
Increase (decrease) due to:		
Change in tax rates	-	(100)
Valuation allowance	133,300	14,700
Income tax recovery	\$ -	\$ -

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets (liabilities) have been recognized are attributable to the following:

	2017	2016
Deferred income tax assets:		
Exploration and evaluation assets and share issue costs	\$ 2,525,559	\$ 2,525,559
Non-capital loss carryforwards	1,183,000	670,000
Eligible capital property	796,892	796,892
	\$ 4,505,451	\$ 3,992,451

10. COMPARATIVE FIGURES

Certain comparative data have been reclassified to conform with the presentation of the current year. The Company has grouped together the comparative balances for certain expenses on the statement of loss and comprehensive loss. There is no net impact on the financial position, loss and comprehensive loss, cash flows or loss per share in fiscal 2016 as a result of these reclassifications.