

Financial Statements of

**DLV Resources Ltd.**  
(formerly DV Resources Ltd.)

Years ended November 30, 2018 and 2017  
(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, 2018 and 2017, 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, 2018 and 2017 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 19, 2019

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Statements of Financial Position

(Expressed in Canadian dollars)

	November 30, 2018	November 30, 2017
<b>Assets</b>		
Current assets		
Cash	\$ 2,552,577	\$ 4,212
Amounts receivable	2,043	21,462
	<b>2,554,620</b>	<b>25,674</b>
Exploration and evaluation assets (Note 4)	-	25,113
<b>Total assets</b>	<b>\$ 2,554,620</b>	<b>\$ 50,787</b>
<b>Liabilities</b>		
Current liabilities		
Amounts payable	\$ 39,300	\$ 512,161
<b>Total liabilities</b>	<b>39,300</b>	<b>512,161</b>
<b>Equity (deficiency)</b>		
Share capital (Note 5)	20,683,484	17,524,725
Equity reserve (Note 5)	198,059	198,059
Deficit	(18,366,223)	(18,184,158)
<b>Total equity (deficiency)</b>	<b>2,515,320</b>	<b>(461,374)</b>
<b>Total liabilities and equity</b>	<b>\$ 2,554,620</b>	<b>\$ 50,787</b>

Nature of operations (Note 1)

Subsequent events (Note 10)

Approved by the Board of Directors and authorized for issue on March 19, 2019:

\_\_\_\_\_  
"Geir Liland" Director

\_\_\_\_\_  
"Larry Copeland" 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

(Expressed in Canadian dollars)

	Years ended November 30,	
	2018	2017
<b>Expenses</b>		
Consulting and management	\$ 120,000	\$ 106,811
Office and administration	21,856	12,005
Professional fees	9,977	339,969
Regulatory and filing	5,119	53,706
	<b>(156,952)</b>	<b>(512,491)</b>
Impairment loss on exploration and evaluation assets (Note 4)	<b>(25,113)</b>	-
<b>Loss and comprehensive loss for the year</b>	<b>\$ (182,065)</b>	<b>\$ (512,491)</b>
Basic and diluted loss per share for the year	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
Weighted average number of common shares outstanding - basic and diluted	<b>64,407,999</b>	34,000,328

*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			
<b>At November 30, 2016</b>	34,000,000	\$ 17,524,725	\$ 198,059	\$ (17,671,667)	\$ 51,117
Adjustment to true up outstanding shares	328	-	-	-	-
Loss and comprehensive loss for the year	-	-	-	(512,491)	(512,491)
<b>At November 30, 2017</b>	34,000,328	17,524,725	198,059	(18,184,158)	(461,374)
Private placement	40,000,000	3,200,000	-	-	3,200,000
Share issue costs	-	(56,641)	-	-	(56,641)
Exercise of warrants	140,000	15,400	-	-	15,400
Loss and comprehensive loss for the year	-	-	-	(182,065)	(182,065)
<b>At November 30, 2018</b>	74,140,328	\$ 20,683,484	\$ 198,059	\$ (18,366,223)	\$ 2,515,320

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

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Statements of Cash Flows

(Expressed in Canadian dollars)

	Years ended November 30,	
	2018	2017
<b>Operating activities</b>		
Loss for the year	\$ (182,065)	\$ (512,491)
Item not involving cash:		
Impairment loss on exploration and evaluation assets	25,113	-
Changes in non-cash working capital items:		
Amounts receivable	19,419	(20,397)
Amounts payable	(472,861)	475,205
	<b>(610,394)</b>	<b>(57,683)</b>
<b>Financing activities</b>		
Proceeds on shares issued, net of share issuance costs	3,143,359	-
Exercise of warrants	15,400	-
	<b>3,158,759</b>	<b>-</b>
Change in cash	2,548,365	(57,683)
Cash, beginning of year	4,212	61,895
<b>Cash, end of year</b>	<b>\$ 2,552,577</b>	<b>\$ 4,212</b>

*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, 2018

(Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS

DLV Resources Ltd. (formerly DV Resources Ltd.) (the "Company") is listed on the TSX Venture Exchange ("TSX.V") under the symbol "DLV.H". The address of the Company's registered and records office is 25th Floor, 700 West Georgia Street, Vancouver, BC V7Y 1B3. In November 2017, the Company changed its name from DV Resources Ltd. to DLV Resources Ltd.

The Company has not generated significant revenues from operations. As at November 30, 2018, the Company had working capital of \$2,515,320. The Company recorded a loss of \$182,065 for the year ended November 30, 2018, and had an accumulated deficit of \$18,366,223 as at November 30, 2018. 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.

### 2. BASIS OF PRESENTATION

#### (a) *Statement of compliance*

These financial statements as at and for the year ended November 30, 2018, 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. 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.

#### 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:

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian dollars)

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### 2. BASIS OF PRESENTATION (continued)

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

##### Critical Judgments (continued)

##### *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.

#### (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, 2018, as disclosed in Note 5, are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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) *Unit valuation*

Proceeds from unit placements are allocated between common shares and warrants using the residual value method, which allocates value first to the fair value of the common shares and the balance, if any, is allocated to the attached warrants.

#### (f) *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.

#### (g) *Financial instruments*

Financial assets are classified and measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) *Financial instruments (continued)*

classification. The Company's financial assets which consist primarily of cash, and amounts receivable are classified at amortized cost.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. These financial liabilities are recognized initially at fair value and subsequently are measured at amortized costs using the effective interest method, when materially different from the initial amount. Fair value is determined based on the present value of future cash flows, discounted at the market rate of interest.

The Company's financial liabilities which consist primarily of amounts payable are classified as other financial liabilities. Refer to Note 7 for further disclosures.

#### (h) *Significant accounting policies*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The standards listed below include only those which the Company reasonably expects are applicable to the Company.

The following have been adopted by the Company during the year ended November 30, 2018 and has not resulted in any adjustments to previously reported figures as outlined below:

- IFRS 9 – Financial instruments

The Company elected not to adopt the hedging requirements of IFRS 9, but may adopt them in a future period. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss (FVTPL), those measured at fair value through other comprehensive income (FVOCI) and those measured at amortized cost. Investments in equity instruments are required to be measured by default at FVTPL. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statements, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian dollars)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Significant accounting policies (continued)

to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The new hedge accounting model in IFRS 9 aligns hedge accounting with risk management activities undertaken by an entity.

#### *Classification and Measurement Changes*

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and has summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Category	
	Original (IAS 39)	New (IFRS 9)
<b>Financial Assets:</b>		
Cash	FVTPL	FVTPL
<b>Financial Liabilities:</b>		
Amounts payable	Amortized cost	Amortized cost

### 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. The carrying value was written-down to \$nil during the year ended November 30, 2018, resulting in an impairment loss of \$25,113 recorded in the statement of loss and comprehensive loss.

### 5. SHARE CAPITAL

#### (a) Authorized

Unlimited number of common shares without par value.

#### (b) Issued and fully paid

During the year ended November 30, 2018, 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. The Company allocated \$nil value to the warrants. The Company incurred share issue costs of \$56,641 during the year ended November 30, 2018.

During the year ended November 30, 2018, 140,000 common shares were issued pursuant to the exercise of warrants for proceeds of \$15,400.

There were no common shares issued during the year ended November 30, 2017.

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian dollars)

### 5. SHARE CAPITAL (continued)

#### (b) Warrants

Following is a summary of changes in warrants outstanding:

	Warrants outstanding	Weighted average exercise price
Balance, November 30, 2016 and 2017	-	\$ -
Issued	40,000,000	0.11
Exercised	(140,000)	0.11
Balance, November 30, 2018	39,860,000	\$ 0.11

The following table summarizes information about the warrants outstanding and exercisable at November 30, 2018:

Outstanding and exercisable	Exercise price	Expiry date
39,860,000	\$ 0.11	February 26, 2019

See Note 10.

### 6. RELATED PARTY TRANSACTIONS

During the year ended November 30, 2018, the Company paid or accrued \$nil (2017: \$12,885) to related parties as follows:

- \$nil in management consulting fees (2017: \$3,709) to a company controlled by the Company's former CFO.
- \$nil in legal fees (2017: \$9,176) to a law firm where a former Company director and officer is a partner. As at November 30, 2018, \$954 (November 20, 2017: \$954) is due to this firm and included in amounts payable in the statement of financial position.

### 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, amounts receivable, and amounts payable. Cash, amounts receivable and amounts payable 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.

#### 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

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Notes to the Financial Statements

November 30, 2018

(Expressed in Canadian dollars)

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### 7. FINANCIAL INSTRUMENTS (continued)

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. The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes, the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year.

#### 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. There was no change in the Company's management of capital policies during the year ended November 30, 2018.

# DLV Resources Ltd. (formerly DV Resources Ltd.)

## Notes to the Financial Statements

November 30, 2018

(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:

	2018	2017
Loss before income taxes	\$ (182,100)	\$ (512,500)
Canadian federal and provincial income tax rates	26.92%	26.00%
Income tax recovery based on the above rates	(49,000)	(133,300)
Increase (decrease) due to:		
Deductible and non-deductible amounts	3,700	-
Change in tax rates	(1,700)	-
Valuation allowance	47,000	133,300
Income tax recovery	\$ -	\$ -

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

	2018	2017
Deferred income tax assets:		
Exploration and evaluation assets and share issue costs	\$ 2,550,672	\$ 2,525,559
Non-capital loss carryforwards	1,352,000	1,183,000
Share issue costs	45,312	-
	\$ 3,947,984	\$ 3,708,559

### 10. SUBSEQUENT EVENTS

Subsequent to November 30, 2018, the following events occurred:

- 140,000 common shares were issued for gross proceeds of \$22,000 pursuant to the exercise of warrants at a price of \$0.11 per share.
- 39,660,000 warrants exercisable at a price of \$0.11 per share expired on February 26, 2019.