



**F R E E P O R T**  
R E S O U R C E S I N C .

**Financial Statements For The Year Ended January 31, 2019**

(Expressed in Canadian Dollars)

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Freeport Resources Inc.**

### **Opinion**

We have audited the financial statements of Freeport Resources Inc. (the "Company"), which comprise the statements of financial position as at January 31, 2019 and 2018, and the statements of comprehensive loss, shareholder's deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2019 and 2018, and its financial performance and its cash flows for the year 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.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to the financial statements, which states events or conditions, along with other matters which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 David Goertz.



**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

May 31, 2019

An independent firm associated with  
Moore Stephens International Limited

**MOORE STEPHENS**

**FREEMPORT RESOURCES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	Notes	January 31, 2019 \$	January 31, 2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		101	195
GST receivable		4,810	4,209
Prepaid expense		870	-
Marketable securities		300	300
<b>Total current assets</b>		<b>6,081</b>	<b>4,704</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	1,245,201	1,245,629
<b>Total non-current assets</b>		<b>1,245,201</b>	<b>1,245,629</b>
<b>Total assets</b>		<b>1,251,282</b>	<b>1,250,333</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current Liabilities</b>			
Trade payables and accrued liabilities	5	65,060	64,013
<b>Total current liabilities</b>		<b>65,060</b>	<b>64,013</b>
<b>Non-current Liabilities</b>			
Due to related parties	6	1,832,844	1,695,950
<b>Total non-current liabilities</b>		<b>1,832,844</b>	<b>1,695,950</b>
<b>Total Liabilities</b>		<b>1,897,904</b>	<b>1,759,963</b>
<b>Shareholders' deficiency</b>			
Share capital	7	4,620,561	4,620,561
Share-based payment reserve	7	398,458	398,458
Deficit		(5,665,641)	(5,528,649)
<b>Total shareholders' deficiency</b>		<b>(646,622)</b>	<b>(509,630)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>1,251,282</b>	<b>1,250,333</b>

Approved for issuance on behalf of the Board of Directors:

"Brenda Clark" Director

"Martin MacKinnon" Director

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

**FREEMPORT RESOURCES INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

		Year Ended January 31, 2019 \$	Year Ended January 31, 2018 \$
	Notes		
<b>EXPENSES</b>			
Advertising and promotion		1,060	760
Amortization		-	354
Audit and accounting		12,428	11,060
Bank charges and interest	6	16,831	7,035
Legal		498	498
Management fees	6	90,000	90,000
Office and general		640	4,792
Stock exchange fees and licenses		5,200	7,001
Telephone		5,105	3,973
Transfer agents fees		5,230	5,101
<b>NET AND COMPREHENSIVE LOSS</b>		<b>(136,992)</b>	<b>(130,574)</b>
<b>LOSS PER COMMON SHARE –</b>			
<b>BASIC AND DILUTED</b>		<b>(0.01)</b>	<b>(0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON</b>			
<b>SHARES OUTSTANDING –</b>			
<b>BASIC AND DILUTED</b>		<b>16,831,232</b>	<b>16,831,232</b>

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

**FREEMPORT RESOURCES INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY**

	Common shares		Share-based	Deficit	Total
	Number	Amount	Payment Reserve		
		\$	\$	\$	\$
Balance, January 31, 2017	16,831,232	4,620,561	398,458	(5,398,075)	(379,056)
Net loss for the year	-	-	-	(130,574)	(130,574)
Balance, January 31, 2018	16,831,232	4,620,561	398,458	(5,528,649)	(509,630)
Net loss for the year	-	-	-	(136,992)	(136,992)
Balance, January 31, 2019	16,831,232	4,620,561	398,458	(5,665,641)	(646,622)

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

**FREEMPORT RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**

	Year Ended January 31, 2019 \$	Year Ended January 31, 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net loss</b>	(136,992)	(130,574)
Adjustments for non-cash items		
Amortization	-	354
Interest accrued	13,648	-
Working capital adjustments:		
GST receivable	(601)	2,853
Prepaid expense	(870)	-
Trade payables and accrued liabilities	-	(1,566)
Amounts due to related parties	1,047	90,000
<b>Net cash used in operating activities</b>	(123,768)	(38,933)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets – net of recoveries	428	1,952
<b>Net cash provided by (used in) investing activities</b>	428	1,952
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts advanced from related parties	123,246	37,109
<b>Net cash provided by financing activities</b>	123,246	37,109
Change in cash	(94)	128
<b>Cash, beginning</b>	195	67
<b>Cash, ending</b>	101	195

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

**FREEMPORT RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANURAY 31, 2019  
(Expressed in Canadian Dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Freeport Resources Inc. (the “Company”) is incorporated in British Columbia and is listed on the TSX Venture Exchange (“TSX-V”). The Company is a Canadian junior mineral exploration company with a diversified portfolio of exploration and evaluation assets in Newfoundland and Labrador (NL) and British Columbia (BC).

The Company’s head office, principal address and registered and records office are located at 8711 Elsmore Road, Richmond, B.C., V7C 2A4.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at January 31, 2019, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and or private placement of common shares.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The financial statements were authorized for issue on May 31, 2019 by the directors of the Company.

*Statement of compliance*

The financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

*Basis of preparation*

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

*Significant estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting years include the recoverability of the carrying value of exploration and evaluation assets and the recoverability and measurement of deferred tax assets.

**FREEMPORT RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANURAY 31, 2019  
(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

*Significant judgments*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

*Share-based payments*

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

*Exploration and evaluation expenditures*

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

**FREEMPORT RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JANURAY 31, 2019**  
(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

*Loss per share*

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

*Financial instruments*

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) on a retroactive basis in accordance with the transitional provisions. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. The adoption of IFRS 9 did not result in any change in the carrying values of any of the Company’s financial assets on the transition date; therefore, comparative figures have not been restated.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial asset/ liability</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	Amortized cost	Amortized cost
Reclamation Bond	Amortized cost	Amortized cost
Due from related parties	Amortized cost	Amortized cost
Marketable securities	Available-for-sale	Fair value through other comprehensive income
Accounts payable	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

*Financial assets*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) 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. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

*Impairment of financial assets*

IFRS 9 uses the expected credit loss (“ECL”) model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company’s receivables.

**FREEMPORT RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANURAY 31, 2019  
(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Fair value

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks. The Company provides information about 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).

**FREEMPORT RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANURAY 31, 2019  
(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

*Impairment of assets*

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognized in the statement of comprehensive loss.

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

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

*Income taxes*

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a liability ("flow-through tax liability"). Provided that the Company has renounced the related expenditures, or that there is a reasonable expectation that it will do so, the flow-through tax liability is reduced on a pro-rata basis as the expenditures are incurred and a deferred tax liability is recognized. The reduction to the flow-through tax liability is recognized in profit or loss as other income.

To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

**FREEMPORT RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANURAY 31, 2019  
(Expressed in Canadian Dollars)

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2. **SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

*Restoration and environmental obligations*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

At present, the Company has not identified any significant restoration and environmental obligations. Accordingly, no provision has been made.

*IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)*

The Company adopted IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) on a retroactive basis in accordance with the transitional provisions. IFRS 15 will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard requires companies to follow a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company has concluded that there are no differences between the point of risks and rewards transfer and the point of transfer of control under IFRS 15. As such, no adjustment has been recorded to the comparative figures.

**FREEMPORT RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANURAY 31, 2019  
(Expressed in Canadian Dollars)

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**3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. The Company is currently assessing the impact that these standards will have on the financial statements.

***IFRS 16 – Leases (“IFRS 16”)***

In January 2016, the IASB released IFRS 16 “Leases” replacing IAS 17 “Leases” and related interpretations. The new standard eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the consolidated statement of financial position with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Company’s management is currently assessing the impact of IFRS 16 on these financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

**FREEMPORT RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANURAY 31, 2019  
(Expressed in Canadian Dollars)

**4. EXPLORATION AND EVALUATION ASSETS**

	Hutton Property NL, Canada \$	Red Rose Mine BC, Canada \$	Q (Eaglet) Property BC, Canada \$	Spanish Mountain Gold Property BC, Canada \$	Tsirku- Jarvis Property BC, Canada \$	Total \$
<b>Acquisition costs:</b>						
Balance, January 31, 2019, 2018 and 2017	-	15,000	1	1	1	15,003
<b>Exploration and evaluation costs:</b>						
Balance, January 31, 2017	1,218,400	11,430	2,750	-	-	1,232,580
Additions:						
Field expenditures	1,566	348	-	-	-	1,914
Cost recoveries	(3,673)	(195)	-	-	-	(3,868)
Balance, January 31, 2018	1,216,293	11,583	2,750	-	-	1,230,626
Additions:						
Field expenditures	440	783	-	-	-	1,223
Cost recoveries	-	-	(1,651)	-	-	(1,651)
Balance, January 31, 2019	1,216,733	12,366	1,099	-	-	1,230,198
Total balance, January 31, 2019	1,216,733	27,366	1,100	1	1	1,245,201

The Hutton Property is located in Northern Labrador, Canada and is an exploration and evaluation stage garnet sand project. The Company acquired the property in 1997 and owns 100% of the interest in the property.

The Company owns 100% of the remaining properties and has no future commitments with respect to these properties.

**5. TRADE PAYABLES AND ACCRUED LIABILITIES**

	January 31, 2019 \$	January 31, 2018 \$
Trade payables	56,060	56,013
Accrued liabilities	9,000	8,000
Total	65,060	64,013

**FREEMPORT RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JANURAY 31, 2019**  
(Expressed in Canadian Dollars)

**6. RELATED PARTY TRANSACTIONS**

The following balances owing to directors, officers and companies controlled by the directors and officers as at January 31, 2019 and 2018 are:

	January 31, 2019	January 31, 2018
	\$	\$
Due to a company controlled by the President of the Company (*)	1,449,650	1,359,650
Due to the President of the Company (**)	106,865	66,907
Due to former directors of the Company (*)	234,393	234,393
Due to a company controlled by a related party (**)	41,936	35,000
	<b>1,832,844</b>	<b>1,695,950</b>

(\*) The balances owing are non-interest bearing, unsecured and due on June 1, 2020.

(\*\*) The balances owing are interest bearing at 12% per annum, unsecured and due on June 1, 2020. During the year ended January 31, 2019, the Company recognized \$13,684 (2018 - \$nil) in interest expense.

The Company had the following transactions with a director of the Company and key management personnel during the year ended January 31, 2019 and 2018.

	January 31, 2019	January 31, 2018
	\$	\$
Management fees	90,000	90,000

**7. SHARE CAPITAL**

***Authorized share capital***

Unlimited common shares without par value.

***Stock options and warrants***

The Company has a stock option plan allowing for the granting of options to the Company's directors, officers, employees, consultants and other service providers. Under this plan, the exercise price shall be determined by the Board of Directors or its designated committee (collectively the "Committee") at the time the option is granted, provided the exercise price shall not be less than the market price less applicable discounts permitted by the TSX-V. All options granted shall vest in six equal installments over a period of 18 months, with the first installment vesting immediately and the remaining options vesting upon six months, nine months, one year, 15 months and 18 months after the date of grant. The option period shall be determined by the Committee at the time of the grant and may be up to ten years from the date of the grant.

There were no stock options and warrants outstanding during the years ended January 31, 2019 and 2018.

**FREEMPORT RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JANURAY 31, 2019**  
(Expressed in Canadian Dollars)

*Share-based payment reserve*

Share-based payment reserve records the fair value of warrants and options issued for services until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**8. INCOME TAXES**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	January 31, 2019 \$	January 31, 2018 \$
Loss	(136,992)	(130,574)
Statutory tax rate	27%	26%
Expected recovery of income taxes computed at statutory tax rates	(37,000)	(34,000)
Adjustment to prior year provision versus statutory tax returns	(138)	125,000
Change in unrecognized deferred tax assets	49,000	(91,000)
Income tax recovery	-	-

The significant components of the Company's deferred tax assets that have not been included in the statement of financial position are as follows:

	January 31, 2019 \$	January 31, 2018 \$
Components of future tax assets and liabilities:		
Non-capital loss carry forwards	471,000	418,000
Net capital loss carry forwards	46,000	44,000
Resource property costs and expenditures	-	6,000
Total deferred tax assets	517,000	468,000
Less: Unrecognized deferred tax assets	(517,000)	(468,000)
Net deferred tax asset	-	-

The Company has available non-capital losses of approximately \$1,744,500 that expire between 2026 and 2039 and may be carried forward and applied against income for tax purposes.

**FREEMPORT RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JANURAY 31, 2019**  
(Expressed in Canadian Dollars)

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**9. CAPITAL MANAGEMENT**

The Company manages its capital structure which consists of working and share capital, and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The exploration and evaluation assets in which the Company currently has interests are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related parties or private placements as needed. The Company will continue to assess new exploration and evaluation assets and seeks to acquire additional interests if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no significant changes in its approach to capital management during the year ended January 31, 2019.

**10. FINANCIAL RISK MANAGEMENT**

**Classification of financial instruments**

Financial assets included in the statement of financial position are as follows:

	January 31, 2019 \$	January 31, 2018 \$
Amortized cost:		
Cash	101	195
Fair value through OCI assets:		
Marketable securities	300	300
	<b>401</b>	<b>495</b>

Financial liabilities included in the statement of financial position are as follows:

	January 31, 2019 \$	January 31, 2018 \$
Non-derivative financial liabilities		
Trade payables	65,060	64,013
Due to related parties	1,832,844	1,695,950
	<b>1,897,904</b>	<b>1,759,963</b>

**FREEMPORT RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JANURAY 31, 2019**  
(Expressed in Canadian Dollars)

**10. FINANCIAL RISK MANAGEMENT (continued)**

**Fair Value**

As at January 31, 2019, the Company's financial instruments consisted of cash, marketable securities, trade payables and amounts due to related parties. The fair values of cash and trade payables approximate their carrying values because of their current nature. The fair value of amounts due to related parties is not determinable.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market date.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	As at January 31, 2019		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	101	-	-
Marketable securities	300	-	-
	401	-	-
As at January 31, 2018			
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	195	-	-
Marketable securities	300	-	-
	495	-	-

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company only operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

**FREEMPORT RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANURAY 31, 2019  
(Expressed in Canadian Dollars)

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**10. FINANCIAL RISK MANAGEMENT (continued)**

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash account is relatively small and unaffected by changes in short term interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting processing place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as high.

Price risk

The Company is exposed to price risk with respect to equity price since the Company possesses investments in publicly traded securities. The Company's maximum exposure to risk on its marketable securities is \$300.