

**ROJO
RESOURCES LTD.**

*(AN EXPLORATION STAGE COMPANY)
(Expressed in Canadian Dollars)*

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JULY 31, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rojo Resources Ltd.

We have audited the accompanying consolidated financial statements of Rojo Resources Ltd., which comprise the consolidated statements of financial position as at July 31, 2018 and July 31, 2017, and the consolidated statements of loss and comprehensive loss and deficit, consolidated statements of changes in equity and consolidated statements of 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

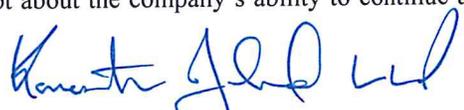
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rojo Resources Ltd. as at July 31, 2018 and July 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

Burnaby, British Columbia
November 09, 2018



KANESTER JOHAL LLP
Chartered Professional Accountants

ROJO RESOURCES LTD.*(An exploration stage company)***CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As At	Notes	July 31, 2018	July 31, 2017
ASSETS			
Current assets			
Cash		\$ 3,505	\$ 68,668
GST receivable		12,519	10,406
Prepaid expenses		-	26,667
Marketable securities		24,750	80,750
		40,774	186,491
Non-current assets			
Marketable securities		16,500	14,250
Property and equipment	4	429	654
		16,929	14,943
TOTAL ASSETS		\$ 57,703	\$ 201,395
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	8	\$ 102,510	\$ 39,697
Due to related parties		35,533	61,900
TOTAL LIABILITIES		138,043	101,597
SHAREHOLDERS' EQUITY			
Share capital	5	11,403,828	11,304,828
Share-based payment reserve	5	2,852,713	2,852,713
Deficit		(14,336,881)	(14,057,743)
TOTAL EQUITY		(80,340)	99,798
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 57,703	\$ 201,395

Nature and continuance of operations (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Director: "Allen Morishita" Director:

CEO & Director

 "Patricia Wilson"

CFO & Director

ROJO RESOURCES LTD.

(An exploration stage company)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT

For The Years Ended July 31, 2018 and 2017

	Notes	Years ended	
		July 31, 2018	July 31, 2017
Expenses			
Advertising		\$ 8,772	\$ 24,547
Amortization		225	253
Consulting fees		11,935	7,500
Interest and bank charges		557	966
Management fees	6	72,000	72,000
Office and miscellaneous		7,001	6,993
Professional fees		135,890	114,279
Shareholder information, transfer agent and filing fee 8		15,790	22,517
Travel and promotion		-	106
		252,170	249,161
Loss before other items		(252,170)	(249,161)
Realized gain on sale of marketable securities		3,032	-
Unrealized loss on marketable securities		(30,000)	(80,000)
Gain on contract assignment		-	69,516
Net loss and comprehensive loss for the year		(279,138)	(259,645)
Deficit, beginning of the year		(14,057,743)	(13,798,098)
Deficit, end of the year		\$ (14,336,881)	\$ (14,057,743)
Weighted average number of common shares outstanding		4,239,489	4,171,900
Loss per share – basic and diluted		\$ (0.07)	\$ (0.06)

See accompanying notes to the consolidated financial statements

ROJO RESOURCES LTD.

(An exploration stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital		Reserve		
	Number of shares	Amount	Share based payment reserve	Deficit	Total
Balance at August 1, 2017	4,890,086	\$11,304,828	\$ 2,852,713	\$(14,057,743)	\$ 99,798
Add: Net and comprehensive loss	-	-	-	(279,138)	(279,138)
Add: Warrants exercised (Note 5 (b)(i), (ii), (iii))	198,000	99,000	-	-	99,000
Balance at July 31, 2018	5,088,086	\$11,403,828	\$ 2,852,713	\$(14,336,881)	\$ (80,340)

	Share capital		Reserve		
	Number of shares	Amount	Share based payment reserve	Deficit	Total
Balance at August 1, 2016	3,870,612	\$11,058,863	\$ 2,852,713	\$(13,798,098)	\$ 113,478
Add: Net and comprehensive loss	-	-	-	(259,645)	(259,645)
Add: Warrants exercised	20,000	10,000	-	-	10,000
Add: Non-brokered private placement at \$0.25	1,000,000	250,000	-	-	250,000
Less: Fraction adjustments	(526)	-	-	-	-
Less: Share issue cost	-	(14,035)	-	-	(14,035)
Balance at July 31, 2017	4,890,086	\$11,304,828	\$ 2,852,713	\$(14,057,743)	\$ 99,798

See accompanying notes to the consolidated financial statements



ROJO RESOURCES LTD.

(An exploration stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended July 31, 2018 and 2017

	Years ended	
	July 31, 2018	July 31, 2017
Operating activities		
Net loss and comprehensive loss for the year	\$ (279,138)	\$ (259,645)
Items not affecting cash:		
Amortization	225	253
Unrealized loss on marketable securities	30,000	80,000
Realized gain on sale of marketable securities	3,032	-
Gain on contract assignment	-	(69,516)
	(252,270)	(249,908)
Changes in non-cash working capital items:		
Accounts receivable	(2,113)	(7,227)
Prepaid expense and advances	26,667	23,333
Accounts payables and accrued liabilities	62,813	5,944
Due to related parties	(26,367)	(22,828)
Net cash flows used in operating activities	(190,946)	(249,686)
Investing activities		
Proceeds from sale of marketable securities	26,781	-
Deposit	-	(39,433)
Net cash flows used in investing activity	26,781	(39,433)
Financing activities		
Proceeds on issuance of common shares	99,000	260,000
Share issue costs	-	(14,035)
Net cash flows from financing activities	99,000	245,965
Decrease in cash and cash equivalents	(65,163)	(43,154)
Cash and cash equivalents, beginning of year	68,668	111,822
Cash and cash equivalents, end of year	\$ 3,505	\$ 68,668

See accompanying notes to the consolidated financial statements



ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

1. Nature and continuance of operations

Rojo Resources Ltd. (the "Company") was primarily engaged in the acquisition, exploration and development of mineral properties of merit in Canada and worldwide with the aim of developing them to a point whereby they can be put into production or offered for joint venture whereby funding would be available for further development and exploration. The Company has not generated any revenues from its current operations and is considered to be in the exploration stage. The Company's common shares are traded on the TSX Venture Exchange under the trading symbol RJ and as of October 17, 2011, on the OTC International market under the symbol LKYSD. The Company's head office and principal address is 1746 MacDonald Street, Vancouver, BC, Canada, V6K 3X8.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operations and will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public financing, or generate profitable earnings in the future. Should the Company be unsuccessful in raising additional finance for ongoing operations, there would be substantial doubt about the ability of the Company to continue as a going concern. As at July 31, 2018 the Company has a deficit working capital of \$(97,269) (July 31, 2017: working capital of \$84,894) and has accumulated a deficit of \$14,336,881 (July 31, 2017: \$14,057,743) and continues to incur losses from operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new and alternative sources of financing but anticipates the current market conditions may impact the ability to source such funds.

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue on November 09, 2018 by the directors of the Company.

Basis of presentations

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary 10659070 Canada Inc. All material inter-company balances and transactions have been eliminated upon consolidation. These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. Summary of significant accounting policies

The consolidated financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

Significant accounting judgments, estimates and assumptions

Critical Judgments and Sources of Estimation Uncertainty

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

Critical Judgments

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

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. The Company determined the Canadian dollar to be its functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions.
- (iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.
- (iv) Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (v) The determination of the Company's ability to continue as a going concern.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Accounting Estimates and Assumptions

- (i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (ii) Management estimates the fair values of share based payment arrangements using the Black - Scholes option pricing model. Details of these can be found in Note 7.

Other significant accounting estimates include valuation of accounts payable and accrued liabilities, useful life of property, plant and equipment and valuation of marketable securities.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. As at year-end, there are no cash equivalents.

Currency Translation

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Marketable Securities

Marketable securities include investments which are transitional or current in nature, with an original maturity greater than three months and less than one year.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provision.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item (major components) of property, plant and equipment.

Amortization is provided at various rates designed to amortize the assets over their estimated useful lives. The annual amortization rates are as follows:

Office furniture	20%	declining basis
Computers	30%	declining basis

Additions during the year are amortized at one half the annual rate.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Exploration and evaluation costs, including the costs of acquiring claims, are capitalized as exploration and evaluation assets on an area of interest basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a claim is relinquished or a project is abandoned, the related costs are recognized in profit or loss immediately.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

ROJO RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mining interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

ROJO RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions and Asset Retirement Obligations

The Company recognizes the fair value of a legal or constructive liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of comprehensive income/loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have significant asset retirement obligations.

Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as flow-through share premium liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of deferred income taxes in the statements of net and comprehensive income (loss).

Financial instruments - recognition and measurement

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

ROJO RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

All financial assets except for those 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 any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit and loss. The Company's harmonized sales tax/ goods and services tax receivable and short term investment are classified as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities and due to related party are classified as other financial liabilities.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment transactions

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of loss and comprehensive loss and deficit over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied.

The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss and deficit over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss and deficit, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that *they will probably not* reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

ROJO RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. All of the outstanding and exercisable stock options and warrants were excluded for the calculation of diluted loss per share given their anti-dilutive impact on loss per share calculation.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transaction are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New Standards and amendments issued but not yet adopted

In 2018, there have been no new amended accounting pronouncements that have had a material impact on the Corporation's consolidated financial statements. The following amendments to standards were adopted during the current year:

- IAS 7 Statement of Cash Flows is an amendment to clarify and improve information provided to users of financial statements about an entity's financing activities.
- IAS 12 Income Taxes is an amendment to clarify criteria used to assess whether future taxable profits can be utilized against deductible temporary differences.

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New and revised standards and amendments which are not effective for the year ended July 31, 2018:

- IAS 28 Investments in Associates and Joint Ventures is an amendment to sale or contribution of assets between an investor and its associate or joint venture. The amendment is applicable for annual periods beginning on or after a date to be determined by IASB. Earlier application is permitted. As part of the annual improvements 2014 – 2016 cycle, this standard was amended to clarify whether an entity has an investment-by-investment basis for measuring investees at fair value in accordance with IAS 28 by a venture capital organization, or a mutual fund, unit trust or similar entities including investment linked insurance funds. The latter amendment is applicable for annual periods beginning on or after January 1, 2018.
- IFRS 2 Share-based payment issued in June 2016, is amended to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a “net settlement” for withholding tax obligation; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendment is applicable for annual periods beginning on or after January 1, 2018.
- IFRS 9 Financial Instruments: Classification and Measurement is a new financial instruments standard that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.
- IFRS 10 Consolidated Financial Statements amendments relate to sale or contribution of assets between and investor and its associates or joint venture and are applicable for annual periods beginning on or after a date determined by IASB. Earlier application is permitted if disclosed.
- IFRS 7 Financial instruments: Disclosure was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.
- IFRS 16 Leases was issued on January 13, 2016 and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.
- IFRIC 23 Uncertainty over Income Tax Treatments is interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after January 1, 2019.

The Company has not early adopted these standards and amendments and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Corporation has not early adopted these amendments and standards and is currently assessing the impact they will have on the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Office equipment	Total equipment
	\$	\$	\$
Cost			
Balance as at July 31, 2016	828	682	1,510
Additions during the year	-	-	-
Balance as at July 31, 2017	828	682	1,510
Additions during the year	-	-	-
Balance as at July 31, 2018	828	682	1,510
Accumulated depreciation			
Balance as at July 31, 2016	125	481	606
Depreciation for the period	211	40	253
Balance as at July 31, 2017	335	521	856
Depreciation for the period	185	40	225
Balance as at July 31, 2018	520	561	1,081
Net book value			
At July 31, 2016	703	201	904
At July 31, 2017	493	161	654
At July 31, 2018	308	121	429

5. SHARE CAPITAL

- a) Authorized: Unlimited number of common shares without par value
- b) Share issuance details are as follows:

During the year ended July 31, 2018

- i. On March 20, 2018, warrant holders exercised the rights to purchase 50,000 shares of the Company at an exercise price of \$0.50 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$25,000.
- ii. On March 28, 2018, warrant holders exercised the right to purchase 118,000 shares of the Company at an exercise price of \$0.50 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$59,000.
- iii. On April 13, 2018, warrant holders exercised the right to purchase 30,000 shares of the Company at an exercise price of \$0.50 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$15,000.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

5. SHARE CAPITAL (cont'd)

During the year ended July 31, 2017

- i. May 29, 2017 the Company consolidated its shares on basis of 1 new share for 5 old shares for a total of 4,890,612 with a fractional adjustment of 526 resulting in outstanding shares of 4,890,086.
- ii. On August 22, 2016, warrant holders exercised the right to purchase 20,000 shares of the Company at an exercise price of \$0.50 per share pursuant to a cash exercise whereby the Company recorded proceeds of \$10,000.
- iii. On May 02 2017, a total of 1,000,000 units were sold through a non-brokered private placement at a price of \$0.25 for gross proceeds of \$250,000. Each unit consisted of one common share and one full warrant. Each whole warrant will be exercisable to acquire one common share at an exercise price of \$0.50 at any time for a period of one year from the date of issuance. The warrants are exercisable immediately. The Company paid \$14,035 cash as finder's fees as well as issued 401,000 non-transferable finder's warrants to certain agents with respect to this private placement. The finder's warrants are will be exercisable to acquire one common share at an exercise price of \$0.50 at any time for a period of one year from the date of issuance. The warrants are exercisable immediately.

c) Stock options outstanding

Under the Company's stock option plan, incentive stock options to purchase shares from the Company are granted by the Company's board of directors to directors, officers, employees and consultants of the Company in accordance with the policies of the TSX Venture Exchange ("TMX"). The maximum number of common shares issuable for all purposes under the Plan cannot exceed 20% of the issued and outstanding common shares of the Company as at the date of shareholder approval. Options granted must be exercised no later than five years from the date of grant or any such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the TMX on the last trading day preceding the grant date or the minimum price as per the TMX. Any Options issued to an investor relation consultant optionee must vest in stages over at least a twelve month period with no more than 25% of such Options vesting in any three month period.

During the year, the Company did not issue any stock options and all the outstanding stock options were cancelled.

As of July 31, 2017, the following options were outstanding:

Expiry Date	Outstanding	Exercise Price \$
21-Mar-19	12,500	4.40
	12,500	4.40

ROJO RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

5. SHARE CAPITAL (Cont'd)

A summary of the changes in the Company's stock options is presented below:

	Number of Outstanding options	Weighted Average Exercised Price
Balance – July 31, 2016 – outstanding & exercisable	12,875	4.40
Granted	-	-
Expired	(375)	-
Balance – July 31, 2017 – outstanding & exercisable	12,500	4.40
Granted	-	-
Cancelled	(12,500)	-
Expired	-	-
Balance - July 31, 2018 – outstanding & exercisable	-	-

d) Share purchase warrants:

During the year ended July 31, 2018

During the year, the Company did not issue any stock warrants and all the outstanding warrants expired.

During the year ended July 31, 2017

On May 3, 2017, the Company granted 401,000 brokers warrants in connection with a private placement. Each broker warrant is exercisable into one common share at \$0.50 for a period of one year. The fair value of \$Nil was charged to share issue costs.

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	31-Jul-2018	31-Jul-2017
Risk free interest rate	-	0.634%
Expected life of options/warrants in years	-	1 years
Expected volatility	-	58.23%
Dividend per share	-	\$0.00

As of July 31, 2018, there are no warrants outstanding.

As of July 31, 2017, the following warrants were outstanding:

Expiry Date	Outstanding 31-July-17	Exercise Price \$
May-03-18	1,080,200	0.50

ROJO RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

5. SHARE CAPITAL (Cont'd)

A summary of the changes in the Company's stock warrants is presented below:

	Number of Outstanding Warrants	Weighted Average Exercised Price
Balance – July 31, 2016	870,000	0.53
Granted	1,080,200	0.50
Exercised	(20,000)	-
Expired	(850,000)	0.53
Balance – July 31, 2017	1,080,200	0.50
Granted	-	-
Exercised	(198,000)	0.50
Expired	(882,200)	-
Balance – July 31, 2018	-	0.50

* If the Company's shares trade at \$2.80 or greater for a period of fifteen consecutive trading days, the Company may, upon notice to the warrant holders, shorten the exercise period to 30 days from the date of notice.

6. RELATED PARTY TRANSACTIONS

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or directly related to a director of the Company, as follows:

Name	Nature of transaction
Mark Tommasi, Director	Management and consulting fees
Allen Morishita, Chairman, Director	Management and consulting fees
Patricia Wilson, CFO, Director	Management and consulting fees
John Adams, Director	Management and consulting fees

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors. Administration and exploration expenditures were paid to a private company controlled by a common director:

	Year ended July 31, 2018	Year ended July 31, 2017
Included in operations		
Consulting fees	\$ -	\$ 7,500
Management fees	72,000	72,000
	\$ 72,000	\$ 79,500

These transactions are in the normal course of operations.

For the year-ended July 31, 2018, the Company owed \$35,533 (2017 - \$61,900) to related parties. These balances due to related parties are unsecured, non-interest bearing and due on demand.

ROJO RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

7. INCOME TAXES

The income taxes shown in the statements of loss and comprehensive loss and deficit differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

The net loss for accounting purposes differs from the taxable income as follows:

	Year ended July 31, 2018	Year ended July 31, 2017
Income before income taxes	\$ (279,138)	\$ (259,645)
Statutory tax rate	26.58%	26.00%
Expected income tax recovery	\$ (74,195)	\$ (67,497)
Non-deductible differences	7,832	11,829
Other temporary differences	-	-
Share issuance cost	(15,190)	(16,384)
Change in statutory tax rate	430	-
Deferred income tax not recorded	81,123	72,052
Income tax expense	\$ -	\$ -

The significant components of the Company's deferred income tax assets and liabilities as at July 31, 2018 and July 31, 2017 are as follows:

	July 31, 2018	July 31, 2017
Deferred tax asset		
Non-capital losses	\$ 1,636,376	\$ 1,520,698
Property and equipment with tax values in excess of book values	1,274	1,188
Resource property costs with tax values in excess of book values, excluding renounced amounts	847,633	829,137
Share issuance costs	(164,651)	(146,199)
Total deferred income tax asset	2,320,632	2,204,824
Deferred tax liability related to resource expenditures renounced	-	-
Net deferred income tax asset	2,320,632	2,204,824
Valuation allowance	(2,320,632)	(2,204,824)
Deferred income tax asset	\$ -	\$ -

ROJO RESOURCES LTD.

(An exploration stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

7. INCOME TAXES (cont'd)

As at July 31, 2018, the Company has non-capital losses carry forward for income tax purposes of approximately \$6,156,418, which may be deducted against future years' taxable income at various rates per year and expire at various times, subject to final determination by taxation authorities and expiring as follows:

Expiry	Amount
2026	\$ 87,992
2027	118,565
2028	165,675
2029	144,380
2030	641,764
2031	1,544,363
2032	1,298,873
2033	282,283
2034	719,289
2035	322,145
2036	246,347
2037	277,164
2038	307,578
	<u>\$ 6,156,418</u>

The Company also has approximately \$3,188,987 of cumulative Canadian development expenses, cumulative Canadian exploration expenses and cumulative foreign resource expenses available to offset future taxable income. The tax benefit of these expenses carries forward indefinitely.

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax asset has been recognized for accounting purposes.

8. FINANCIAL INSTRUMENTS

Fair Value Measurement

Financial instruments measured at fair value are classified using a hierarchy that reflects the significance of the inputs used in making the measurements. The Company classifies its financial instruments based on the fair value hierarchy which has the following levels:

Level 1: Fair value based on quoted market prices (unadjusted) observed on active markets for identical financial instruments.

Level 2: Fair value based on quoted prices for similar financial instruments or based on valuation techniques for which all significant inputs are based on observable market information.

Level 3: Fair value based on valuation techniques for which significant inputs are not based on observable market information.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

8. FINANCIAL INSTRUMENTS (cont'd)

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect the estimated fair values.

The fair value of the Company's cash and marketable securities are measured at level 1 and level 2 of the fair value hierarchy respectively. The carrying value of accounts receivables, deposits, accounts payable and accrued liabilities and flow-through share premium liability approximates their fair value because of their short term nature of if these instruments.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations to the Company. The Company is exposed to credit risk represented by carrying value of cash, short-term investments that are held at a large Canadian financial institution in interest bearing accounts and amounts receivable for harmonized sales tax. The financial institution is a major Canadian bank which the Company believes lessens the degree of credit risk. The primary receivables owed to the Company are owed from the Federal Government of Canada as a result of HST refunds. The Company believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company exposure to liquidity is limited to accounts payable and accrued liabilities and amounts due to related party. The Company believes that its exposure to liquidity risk is insignificant as currently the Company has adequate funds available to discharge these liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities as at July 31, 2018:

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$102,510	\$102,510		
Due to related parties	\$35,533	\$35,533		

The following are the contractual maturities of financial liabilities as at July 31, 2017:

	Total	Up to 3 Months	3 – 12 Months	Beyond 1 Year
Accounts payable and accrued liabilities	\$39,697	\$39,697		
Due to related parties	\$61,900	\$61,900		

ROJO RESOURCES LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

8. FINANCIAL INSTRUMENTS (cont'd)

Market risk

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

Interest rate risk

The Company's interest rate risk is limited to the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices. The Company's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The Company's investment policy focuses on the preservation of capital and limits investments of excess cash into high grade Canadian debt securities.

Currency risk

As at July 31, 2018, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company exposure to fluctuations in foreign currency exchange rates is limited to the deposits held by the Company in a financial institution. As at year-end, the balance outstanding in the deposit account is minimal thereby minimizing the foreign exchange risk for the Company. Currently, the Company is not exposed significant currency risk as the Company is not carrying any financial assets or liabilities denominated in foreign currency.

Price risk

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to fund the exploration and development of its unproven mineral interests and acquisition of other mineral resources, for the benefit of its shareholders.

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through issuance of equity instruments, primarily comprised of common shares and incentive stock options and warrants. The Company manages its capital structure and makes adjustments to it in the light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company's capital consists of cash and shareholders' equity. The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Company's overall strategy with respect to management of capital remains unchanged from the year ended July 31, 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2018 and 2017

10. SEGMENTED INFORMATION

The Company is primarily involved in the exploration and development of mineral properties and other investments in Canada and currently is no longer exploring opportunities in any sector outside Canada. During the prior year, the Company paid a refundable deposit of \$39,433 (\$30,000 USD) to a company operating in the technology sector in Argentina, South America pursuant to an agreement which it's no longer pursuing. The Company assigned its interest to an unrelated party in Canada for a consideration of 500,000 marketable securities of the unrelated party that are held in escrow. All assets and liabilities are currently located in Canada. In prior year, all of Company's assets and liabilities were located in Canada only.

	July 31, 2018	July 31, 2017
	<u>Canada</u>	<u>Canada</u>
Current Assets	\$ 57,274	\$ 200,741
Property and Equipment	429	654
	<u>\$ 57,703</u>	<u>\$ 201,395</u>

11. SUBSEQUENT EVENTS

During the year on May 30, 2018 the Company announced that it has entered into a definitive acquisition agreement dated May 29, 2018 with Konnect Mobile Communications Inc. ("Konnect") pursuant to which Konnect will amalgamate with a newly established subsidiary of Rojo and become a wholly owned subsidiary of Rojo (The "Transaction") on closing of the transaction ("Transaction closing"). Rojo will change its name to Konnect Ventures Corp. (the "Name Change") and be the resulting issuer to carry on with the development of Konnect's business. The completion of this Transaction is subject to a number of conditions ("Transaction Conditions"), including but not limited to, completion of the offering, completion of name change, completion of split, approval of the listing of the Rojo Shares on the CSE and approval to delist the Rojo shares from TSXV and approval of the Transaction by each TSXV, CSE and the board of directors and shareholders of Rojo and Konnet.

In connection with the entering into the Acquisition Agreement, the Corporation has also received conditional approval from the Canadian Securities Exchange ("CSE") to approve the listing of the Corporation's common shares. Listing is subject to the completion of customary listing requirements of the CSE, including receipt of all required documentation. Listing will also be subject to completion of the Transaction and the Offering (described below).

In connection with the transaction Konnect intends to complete a brokered private placement offering (the "offering") of subscription receipts ("Subscription Receipts") led by Mackie Research Capital Corporation ("MRCC" or the "Agent") for a minimum gross proceeds of \$3.5M and maximum gross proceeds of 4.5M, or such other amount as the parties may agree upon in writing. The proposed issue price of each subscription Receipt shall be \$0.50 (the "issue Price"). On closing and subject to all conditions, all subscription receipts will be exchanged automatically, with no additional consideration with one unit of the Resulting Issuer.

As at year-end and subsequent to the year-end, the Companies are yet to meet all the Transactions Conditions.