

CONNAUGHT VENTURES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)

THREE MONTHS ENDED OCTOBER 31, 2018

These unaudited condensed consolidated interim financial statements of Connaught Ventures Inc. for the three months ended October 31, 2018 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

CONNAUGHT VENTURES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

	October 31, 2018	July 31, 2018
		(audited)
ASSETS		
Current		
Cash	\$ 218,118	\$ 69,890
Prepaid expenses	-	21,250
	\$ 218,118	\$ 91,140
SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital (Note 4)	\$ 240,102	\$ 100,000
Reserves (Note 4)	40,704	-
Deficit	(62,688)	(8,860)
	\$ 218,118	\$ 91,140

Nature and continuance of operations (Note 1)

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

CONNAUGHT VENTURES INC.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED OCTOBER 31,
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended October 31, 2018
EXPENSES	
Administration	\$ 31
Professional fees	9,128
Share-based compensation	30,076
Transfer agent and filing fees	<u>14,593</u>
Loss and comprehensive loss for the period	<u>\$ (53,828)</u>
Basic and diluted loss per common share	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding	<u>2,065,217</u>

Connaught Ventures Inc. was incorporated on April 3, 2018, as a result there are no comparative figures for the three months ended October 31, 2018.

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

CONNAUGHT VENTURES INC.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollar)

(Unaudited)

	<u>Share Capital</u>		Deficit	Reserves	Total Shareholders' Equity
	Common Shares	Amount			
Balance, April 3, 2018	- \$	- \$	- \$	- \$	-
Comprehensive loss for the period	-	-	(8,860)	-	(8,860)
Shares issued for cash	2,000,000	100,000	-	-	100,000
Balance, July 31, 2018	2,000,000	100,000	(8,860)	-	91,140
Shares issued for cash	2,000,000	200,000	-	-	200,000
Share issuance costs	-	(59,898)	-	10,628	(49,270)
Share-based payments	-	-	-	30,076	30,076
Comprehensive loss for the period	-	-	(53,828)	-	(53,828)
Balance, October 31, 2018	4,000,000	240,102	(62,688)	40,704	218,118

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

CONNAUGHT VENTURES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED OCTOBER 31,
(Expressed in Canadian Dollars)
(Unaudited)

	2018
CASH FLOWS USED IN OPERATING ACTIVITIES	
Loss for the period	\$ (53,828)
Item not affecting cash:	
Share-based payments	30,076
Change in non-cash working capital item:	
Prepaid expenses	<u>21,250</u>
Net cash used in operating activities	<u>(2,502)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds on issuance of share capital	200,000
Share issuance costs	<u>(49,270)</u>
Net cash from financing activities	<u>150,730</u>
Change in cash during the period	148,228
Cash, beginning of period	<u>69,890</u>
Cash, end of period	<u>\$ 218,118</u>

The Company did not incur any interest or tax expenditures for three months ended October 31, 2018.

During the period ended October 31, 2018, included in share issuance costs was agent warrants valued at \$10,628.

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

CONNAUGHT VENTURES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED OCTOBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Connaught Ventures Inc. (the “Company”) is a company domiciled in Canada. The Company was incorporated on April 3, 2018 under the laws of the Province of British Columbia. The address of the Company’s registered and head office is Suite 1510, 789 West Pender Street, Vancouver, B.C., V6C 1H2.

During the period ended October 31, 2018 the Company completed the process of applying to list its common shares on the TSX-Venture Exchange (“TSX-V”) as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSX-V Corporate Finance Manual and completed its initial public offering of its common shares.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended July 31, 2018.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended February 28, 2018, except for the following:

Financial instruments

On April 3, 2018, the Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking ‘expected loss’ impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company’s business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company’s financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.
- The adoption of the new “expected credit loss” impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION (continued)

They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements are presented in Canadian dollars unless otherwise noted.

Approval of the financial statements

The unaudited condensed interim consolidated financial statements of the Company for the three months ended October 31, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on December 14, 2018.

New standard not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended October 31, 2018 and have not been applied in preparing these condensed interim consolidated financial statements. The new and revised standards are as follows:

- **IFRS 16 – Leases:** On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.
- **IFRIC 23 – Uncertainty Over Income Tax Treatments:** clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

Critical Accounting Estimates and Judgments

The preparation of these condensed interim 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 financial statements and the reported expenses during the period. Actual results could differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

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.

The classification determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. Receivables and reclamation bonds are measured at amortized cost with subsequent impairments recognized in profit or loss and cash and investments are classified as FVTPL.

Impairment

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 balance sheet subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the balance sheet at amortized cost.

As at October 31, 2018, the Company does not have any derivative financial liabilities.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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4. SHARE CAPITAL

Authorized: Unlimited common shares without par value

During the period ended July 31, 2018, the Company issued 2,000,000 common shares at a price of \$0.05 for gross proceeds of \$100,000.

In October 2018, the Company completed its initial public offering and issued 2,000,000 common shares for gross proceeds of \$200,000. The Company paid a finder's fee of \$20,000 and issued 200,000 agent warrants, entitling the holder to acquire one common share per warrant for \$0.10 for a period of two years. The Company has estimated the fair value of the agent warrants to be \$10,628 based on the Black-Scholes option pricing model. The assumptions used for the Black-Scholes valuation of the agent warrants were as follows: a risk-free interest rate of 2.29%, an expected life of two years, a dividend rate of 0%, forfeiture rate of 0%, and an annualized volatility of 100%. In addition, the Company incurred other costs of \$29,270 in completing its initial public offering.

STOCK OPTIONS

The Company has a rolling stock option plan (the "plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, April 3, 2018 and July 31, 2018	-	-
Granted	400,000	\$ 0.10
Outstanding and exercisable, October 31, 2018	400,000	\$ 0.10

During the period ended October 31, 2018, the Company granted 400,000 stock options to directors and officers of the Company. The fair value of the options granted during the period is \$30,076, based on the Black-Scholes option pricing model. The weighted average of the fair value per option was \$0.075. The Company used the following assumptions for the Black-Scholes option pricing model:

	2018
Risk-free interest rate	2.49%
Expected life of options	5.0 years
Annualized volatility	100%
Dividend rate	0.00%
Forfeiture rate	0.00%

As at October 31, 2018, the Company had 400,000 stock options exercisable at a price of \$0.10 per option to October 28, 2023.

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4. SHARE CAPITAL (continued)

WARRANTS

The following table summarizes the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, April 3, 2018 and July 31, 2018	-	\$ -
Issued	<u>200,000</u>	0.10
Outstanding, October 31, 2018	<u>200,000</u>	\$ 0.10

As at October 31, 2018, the Company had 200,000 warrants exercisable at \$0.10 per warrant to October 28, 2020.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash. Cash has been designated as fair value through profit and loss. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the period.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution.

b) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments fluctuations in market rates do not have a significant impact on estimated fair values as of October 31, 2018. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

d) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

6. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year. There have been no changes to the Company's approach to capital management during the period.