



**RESOLVE VENTURES INC.  
ANNUAL FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2018 AND 2017**  
(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Resolve Ventures Inc.

### Report on the financial statements

We have audited the accompanying financial statements of Resolve Ventures Inc., which comprise the statements of financial position as at August 31, 2018 and 2017, and the statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Resolve Ventures Inc. as at August 31, 2018 and 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 financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada

*"Morgan & Company LLP"*

December 20, 2018

Chartered Professional Accountant

# RESOLVE VENTURES INC.

## STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian Dollars)

	August 31, 2018	August 31, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,100	\$ 8,031
GST recoverable	29,868	19,690
Prepaid expenses	1,202	7,377
<b>Total Current Assets</b>	<b>34,170</b>	35,098
<b>Equipment</b>	<b>918</b>	1,222
<b>Exploration and Evaluation Assets (Note 5)</b>	<b>150,000</b>	450,000
<b>Total Assets</b>	<b>\$ 185,088</b>	\$ 486,320
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 356,031	\$ 164,510
Due to related parties (Note 7)	326,178	319,988
Note payable (Note 8)	59,800	-
<b>Total Current Liabilities</b>	<b>742,009</b>	484,498
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 6)</b>	<b>11,649,039</b>	11,174,039
<b>Reserve</b>	<b>236,742</b>	236,742
<b>Deficit</b>	<b>(12,442,702)</b>	(11,408,959)
<b>Total Shareholders' Equity</b>	<b>(556,921)</b>	1,822
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 185,088</b>	\$ 486,320

### NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

These financial statements were approved and authorized for issue by the Board of Directors on December 20, 2018. They are signed on the Company's behalf by:

\_\_\_\_\_  
"Clive Massey"  
Director

\_\_\_\_\_  
"James Hyland"  
Director

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

# RESOLVE VENTURES INC.

## STATEMENTS OF COMPREHENSIVE LOSS (Expressed in Canadian Dollars)

	Years Ended August 31,	
	2018	2017
<b>Expenses</b>		
Audit and accounting (Note 7)	\$ 20,430	\$ 40,920
Consulting (Note 7)	61,500	72,000
Depreciation	304	304
Legal	19,231	1,617
Management and administrative services (Note 7)	96,000	90,000
Office, rent and telephone	22,488	16,992
Regulatory and filing fees	27,468	6,979
Shareholder's communication	3,000	4,661
Transfer agent	8,322	6,365
	(258,743)	(239,838)
<b>Other Items</b>		
Mineral property impairment	(775,000)	-
<b>Net Loss and Comprehensive Loss For the Year</b>	\$ (1,033,743)	\$ (239,838)
<b>Loss Per Share, Basic and Diluted</b>	\$ (0.23)	\$ (0.06)
<b>Weighted Average Outstanding Shares</b>	4,578,569	3,924,992

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

## RESOLVE VENTURES INC.

### STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars)

	Years Ended August 31	
	2018	2017
<b>Cash provided (used) by:</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (1,033,743)	(239,838)
Items not involving cash		
Depreciation	304	304
Mineral property impairment	775,000	-
Net changes in non-cash working capital items		
Prepaid expenses	6,175	2,088
Taxes recoverable	(10,178)	(8,237)
Accounts payable and accrued liabilities	197,711	218,871
Note payable	59,800	-
Net cash used in operating activities	(4,931)	(26,812)
<b>Decrease in cash</b>	(4,931)	(26,812)
<b>Cash, Beginning of Year</b>	8,031	34,843
<b>Cash, End of Year</b>	\$ 3,100	8,031
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ -	-
Income taxes paid	\$ -	-
<b>Non-cash investing and financing activities</b>		
Issue of shares for exploration assets	\$ 475,000	-

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

## RESOLVE VENTURES INC.

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Expressed in Canadian dollars, except number of shares)

	SHARE CAPITAL		RESERVE			TOTAL SHAREHOLDERS' EQUITY
	NUMBER OF SHARES	AMOUNT	WARRANTS	OTHER	DEFICIT	
Balance, August 31, 2016	3,924,992	\$ 11,174,039	\$ 196,000	\$ 40,742	\$ (11,169,121)	\$ 241,660
Net loss for the year	-	-	-	-	(239,838)	(239,838)
Balance, August 31, 2017	3,924,992	11,174,039	196,000	40,742	(11,408,959)	1,822
Shares issued for property acquisition	888,889	475,000	-	-	-	475,000
Consolidation adjustment	(26)	-	-	-	-	-
Net loss for the year	-	-	-	-	(1,033,743)	(1,033,743)
<b>Balance, August 31, 2018</b>	<b>4,813,855</b>	<b>\$ 11,649,039</b>	<b>\$ 196,000</b>	<b>\$ 40,742</b>	<b>\$ (12,442,702)</b>	<b>\$ (556,921)</b>

# RESOLVE VENTURES INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018 AND 2017 (Expressed in Canadian Dollars)

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Resolve Ventures Inc. ("the Company") was incorporated on March 31, 1980 under the laws of the province of British Columbia, Canada and its corporate office, principal place of business and registered records office is located at 700 – 838 West Hastings Street, Vancouver, BC, V6C 0A6. The Company is a public company listed on the TSX Venture Exchange, trading under the symbol "RSV".

The Company is engaged in the acquisition and exploration of mineral properties.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations. The ability of the Company to arrange additional financing in the future depends, in part, on the prevailing capital market conditions. The Company incurred a net loss and comprehensive loss of \$1,033,743 for the year ended August 31, 2018 (2017 – \$239,838) and had a deficit of \$12,442,702 (2017 – \$11,408,959). There is material uncertainty that may cast significant doubt upon the ability of the Company to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and or private placement of common shares.

### 2. BASIS OF PRESENTATION

#### a) Statement of Compliance

These financial statements have been prepared in accordance with International Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of annual financial statements.

#### b) Basis of Measurement

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

#### c) Significant Accounting Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

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**2. BASIS OF PRESENTATION (Continued)**

c) Significant Accounting Judgments and Estimates (Continued)

Critical judgments exercised where management's judgment in applying accounting policies that has the most significant effect on the amounts recognized in the financial statements are as follows:

- i. *Going concern assumption* - The determination of the going concern assumption requires management to make judgments regarding the viability of the Company.
- ii. *Economic recoverability and probability of future benefits of exploration and evaluation costs* - The assessment of indications of impairment for the Company's exploration and evaluation assets and related determination of recoverable values and write-down of those assets where applicable.
- iii. *Determination of cash generating units* - In performing impairment assessments of corporate assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management is required to exercise judgment in identifying these cash generating units.
- iv. *Tax provisions and deferred income tax balances* - Management is required to assess the recoverability of deferred income tax assets, which arise from the differences between the carrying amount of assets and liabilities and their tax bases in accordance with IAS 12 Income Taxes, to the extent that it is probable future taxable profits will be available against which the temporary differences can be utilized.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment of the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Valuation of share-based payments* - The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future period.

# RESOLVE VENTURES INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018 AND 2017 (Expressed in Canadian Dollars)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Cash

Cash includes cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. As at August 31, 2018 and 2017, the Company had no cash equivalents.

#### b) Equipment

Equipment is carried at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any cost directly attributable to bringing the asset to the location and condition necessary for its intended use and initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is calculated using the following annual rates, which are used to estimate the useful lives of the assets:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%

#### c) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Facts and circumstances as defined in IFRS 6 exploration and evaluation assets are as follows:

- the period for which the entity 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.

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

c) Exploration and Evaluation Assets (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgement that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

d) Impairment of Non-Financial Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

As asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

e) Income Taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred income taxes are recognized in net income except to the extent that the amounts relate to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

f) Loss Per Common Share

Basic loss per common share is computed by dividing losses by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. In computing diluted loss per share, no shares were added to the weighted average number of common shares outstanding during the period ended August 31, 2018 and 2017 for the dilutive effect of employee stock options and warrants as they were all anti-dilutive. No adjustments were required to report loss from operations in computing diluted per share amounts.

g) Share-based Payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

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

g) Share-based Payments (continued)

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

h) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values using the residual method to determine the fair value of warrants issued. Warrants issued to brokers are evaluated using the Black-Scholes Model.

i) Foreign Currency Transactions

The presentation currency and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

j) Accounting Standards and Amendments Issued Not Yet Effective

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

*IFRS 9 – Financial Instruments*

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has yet to assess the full impact of IFRS 9.

*IFRS 16 - Leases*

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019.

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**4. FINANCIAL INSTRUMENTS**

a) Designations

The Company's financial instruments consist of cash and accounts payable and accrued liabilities.

The Company has designated its cash as held-for-trading; and accounts payable and accrued liabilities as other financial liabilities.

b) Fair Value

The three levels of the fair value hierarchy are:

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 data.

The Company has no assets or liabilities subject to fair value measurement on a recurring basis.

	<b>FAIR VALUE INPUT LEVEL</b>		<b>AS AT AUGUST 31, 2018</b>			<b>AS AT AUGUST 31, 2017</b>	
			<b>CARRYING AMOUNT</b>	<b>ESTIMATED FAIR VALUE</b>		<b>CARRYING AMOUNT</b>	<b>ESTIMATED FAIR VALUE</b>
<b>Financial Assets:</b>							
Cash	1	\$	3,100	\$ 3,100	\$	8,031	\$ 8,031
<b>Financial Liabilities:</b>							
Accounts payable and accrued liabilities	2	\$	742,009	\$ 742,009	\$	484,498	\$ 484,498

Due to the relatively short term nature of cash and accounts payable and accrued liabilities, the fair value of these instruments approximates their carrying value.

c) Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

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**4. FINANCIAL INSTRUMENTS** (continued)

c) Risk Management (continued)

Credit Risk

The Company's credit risk is primarily attributable to cash. Cash is held in a reputable Canadian bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Our interest rate risk mainly arises from the interest rate impact on our cash. A change in interest rate would have a minimal effect on the profitability of the Company.

Liquidity Risk

As at August 31, 2018, the Company held cash of \$3,100 and had current liabilities of \$742,009. Those current liabilities included approximately \$433,271 accrued for fees deferred by executives and contractors, fees owed to the Board, and advances from the former President in the Company's efforts to conserve cash. These fees accrued and advances will not be paid until the financial position of the Company improves. The Company is seeking additional funds to ensure that it will have sufficient liquidity to meet liabilities.

**5. EXPLORATION AND EVALUATION ASSETS**

a) Neptune Property:

On May 3, 2016, the Company executed an Option and Joint Venture Agreement (the "Agreement") with Nevada Sunrise Gold Corporation ("Nevada Sunrise") of Vancouver, BC, Canada, for the Company to earn an exclusive option to acquire up to a 50% undivided interest in the Neptune lithium property ("Neptune Property"). Neptune Property consists of a block of 316 unpatented placer claims totaling approximately 6,320 acres (2526 hectares) located in the Clayton Valley, Esmeralda County, Nevada, USA.

Nevada Sunrise holds an option to acquire a 100% interest in the Neptune Property pursuant to an option agreement with the property owners. Neptune Property is subject to a 3% gross overriding royalty (the "Royalty") in favor of the current owners of the Neptune Property.

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

a) Neptune Property: (continued)

*Option to Earn a 25% Interest*

Under the terms of the Agreement, the Company can earn an initial 25% interest in Neptune Property by making cash and share payments to Nevada Sunrise, and funding exploration expenditures, on the following schedule:

- \$50,000 cash upon execution of a binding letter agreement dated March 2, 2016 (paid);
- \$50,000 cash upon filing of a NI 43-101 Technical Report (the "Report") (paid);
- 22,222 shares of the Company issued to Nevada Sunrise on the effective date of the Agreement (issued); and
- \$300,000 cash in advance in respect of exploration expenditures to be incurred by Nevada Sunrise according to the recommendations in the Report, upon the effective date of the Agreement (paid).

Nevada Sunrise will act as operator and will charge a 10% operatorship fee on exploration expenditures. All property claim payments would be split 75-25 between the two parties.

In order to proceed with its second option, the Company must provide notice to Nevada Sunrise 60 days before the 1st anniversary of the effective date of the Agreement. If the Company does not elect to proceed with the second option, a standard dilution formula will apply to its 25% interest should additional expenditures be incurred.

*Option to Earn a 50% Interest*

Upon an election to proceed with the second option, the Company can earn an additional 25% interest in Neptune Property by making additional cash or share payments to Nevada Sunrise, and funding exploration expenditures, as follows:

- A payment to Nevada Sunrise of either \$100,000 cash or 33,333 shares of the Company, at the Company's option, before the first anniversary of the effective date of the Agreement; and;
- Incurring \$700,000 in exploration expenditures on the Neptune Property on or before the second anniversary of the effective date of the Agreement (which the Company may satisfy by paying such amount in cash to Nevada Sunrise on or before the first anniversary of the effective date of the Agreement).

After completion of the exploration expenditures for Year 1 and Year 2 totaling \$1,000,000 and the payment of cash and shares as listed above, the Company would earn a 50% undivided interest in Neptune Property, and a joint venture would be formed.

In the event a joint venture is formed, Nevada Sunrise would be the operator of the joint venture and would be responsible for administering all exploration activities, including drilling, geophysical surveys, geological consulting, and claims fees according to usual business practice for a joint venture.

Nevada Sunrise has the right, under the terms of the Royalty, to purchase 1.0% of the Royalty at any time before September 2018 by paying the Royalty holders US\$1 million (the "Buydown"). Under the terms of the Agreement, the parties have agreed that if the joint venture exercises the Buydown, it will be paid by both parties according to their respective participating interests.

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**5. EXPLORATION AND EVALUATION ASSETS** (continued)

a) Neptune Property: (continued)

The Company issued 22,222 common shares to a finder in consideration for the finder identifying the property and facilitating negotiations between the parties. All shares issued by the Company in connection with the property option were subject to a four month hold period that expired on September 4, 2016.

On June 20, 2016, Nevada Sunrise has granted Advantage Lithium Corp. ("Advantage") the right to earn a 50% interest in the Neptune Property should the Company choose to waive its right to earn a further 25% interest in the Neptune Property, subject to, among other things:

- The Company waiving its right to earn a further 25% interest in the Neptune Property;
- Nevada Sunrise, the Company and Advantage entering into an amending agreement to the existing Neptune Option Agreement between the Company and Nevada Sunrise, on terms acceptable to all three parties;
- Advantage incurring exploration expenditures of \$700,000 on the Neptune Property; and
- Advantage exercising its option.

If these conditions are met, a joint venture would be formed between Advantage (50%), Nevada Sunrise (25%) and the Company (25%), on substantially the same terms as are set out in the current agreement between Nevada Sunrise and the Company.

Pursuant to an Amendment to Option and Joint Venture Agreement with Nevada Sunrise and Advantage, the Company agreed to terminate its right to a second-stage earn-in where it could have increased its interest to 50%.

During the year ended August 31, 2018, the agreement with Nevada Sunrise was terminated and as a result, the Company recorded an impairment of \$450,000.

b) Windfall Lake Property:

On March 31, 2017, the Company entered into an agreement to acquire a 100% in the Windfall Lake Property, Quebec, in consideration for 333,333 shares of the Company, subject to TSX-V approval. The acquisition consists of 29 map designated cells measuring 1,638 hectares. The majority of the acquisition lies in one block totaling 1,128 hectares. On November 1, 2017, the Company issued 333,333 shares at a deemed value of \$0.45 per share and completed the acquisition.

c) Mary Property:

On November 24, 2017, the Company entered into an option agreement to acquire a 100% interest in the Mary property located 30 kilometers southeast of Houston, BC. Under the terms of the agreement, the Company can earn a 100% interest in the property by issuing 555,556 common shares in the capital of the Company upon TSX Venture Exchange approval and incurring a minimum \$100,000 in exploration expenditures within the first year. The vendors shall retain a 2% net smelter returns royalty of which the Company may purchase 1% for \$1.5 million. The transaction was approved by the TSX Venture Exchange on December 28, 2017 and 555,556 shares were issued on the same date with a deemed value of \$0.585 per share.

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**5. EXPLORATION AND EVALUATION ASSETS** (continued)

c) Mary Property: (continued)

During the year ended August 31, 2018, the Company decide not to pursue the Mary Property and as a result, recorded an impairment of \$325,000

d) Son Property

On December 8, 2017, the Company entered into an option agreement to acquire a 100% interest in the Son property located 51 kilometers south of Houston, BC. Under the terms of the agreement, the Company can earn a 100% interest in the property by paying \$15,000 cash upon TSX Venture Exchange approval and incurring a minimum \$100,000 in exploration expenditures within the first year. The vendors shall retain a 2% net smelter returns royalty of which the Company may purchase 1% for \$1.5 million. The transaction was approved by the TSX Venture Exchange on December 28, 2017.

During the year ended August 31, 2018, the Company decided not to pursue the Son Property.

**6. SHARE CAPITAL**

a) Authorized:

Unlimited common shares without par value

b) Issued:

*During the year ended August 31, 2018*

On August 15, 2018, the Company consolidated its capital on a two-new-for-three-old basis. All references to the number of common shares and per common share amounts have been retroactively restated to reflect the common share consolidation.

On February 16, 2018, the Company consolidated its capital on a one-new-for-six-old basis. All references to the number of common shares and per common share amounts have been retroactively restated to reflect the common share consolidation.

On December 28, 2017, the Company issued 555,556 shares in order to complete the acquisition of the Mary Property (Note 5(c)).

On November 1, 2017, the Company issued 333,333 shares in order to complete the acquisition of the Windfall Lake Property (Note 5(b)).

*During the fiscal year ended August 31, 2017*

No transactions took place during the year ended August 31, 2017.

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**6. SHARE CAPITAL** (continued)

c) Incentive Stock Options

The Company has a rolling stock option plan whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan.

As at August 31, 2018, and 2017, there were no stock options granted, or outstanding for the purchase of common shares.

d) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as of August 31, 2018 and the changes during the period are presented below:

	Number	Exercise Price	Expiry Date
Outstanding at August 31, 2015	-	-	-
Issued through private placement	1,220,556	\$0.945	May 3, 2019
Issued as finders' fees	<u>120,944</u>	\$0.945	May 3, 2019
<b>Outstanding at August 31, 2018, 2017 and 2016</b>	<b><u>1,341,500</u></b>		

As at August 31, 2018, the weighted average remaining contractual life of the share purchase warrants was 0.67 years (2017 – 1.67 years) and the weighted average exercise price was \$0.945 (2017 – \$0.945).

On May 3, 2016, as a result of the private placement (Note 6(b)) the Company issued 1,220,556 transferable share purchase warrants at a price of \$0.945 per warrant share until May 3, 2019. The Company also issued 120,944 non-transferable finders' warrants having the same terms as the subscribers' warrants. The fair value of the 120,944 finders' warrants of \$196,000 was recorded as share issuance cost. The following assumptions were used for the Black-Scholes valuation of those finders' warrants: Stock price volatility 84%, Risk-free interest rate 0.66%, 3 year expected life of options, 0% expected dividend yield, 0% forfeiture rate.

**7. RELATED PARTY TRANSACTIONS**

Transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Transactions with Key Management Personnel

	<b>Years Ended August 31</b>	
	<b>2018</b>	<b>2017</b>
Management and consulting fees	<b>\$ 125,000</b>	<b>\$ 90,000</b>

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**7. RELATED PARTY TRANSACTIONS** (continued)

a) Transactions with Key Management Personnel (continued)

Payments and accruals to key management personnel including the President, a former director, and companies directly controlled by current and former key management personnel are for consulting fees or management fees and are directly related to their position in the organization.

b) The Company also entered into the following transactions with companies controlled by former related parties:

	<b>Years Ended August 31</b>	
	<b>2018</b>	<b>2017</b>
Fees for consulting services	<b>\$ 4,000</b>	\$ 24,000
Equipment rental	<b>1,453</b>	5,813

As at August 31, 2018, \$264,498 (2017 - \$265,115) of fees and expenses to related parties were accruals and included in accounts payable. As at August 31, 2018, \$61,680 (2017 - \$54,874) advance from the former President is also included in accounts payable.

**8. NOTE PAYABLE**

	<b>2018</b>	<b>2017</b>
Promissory note issued to a key management personnel, \$46,000 principal, 10% interest of principal amount due on February 26, 2018, additional 10% interest every 90 days thereafter, unsecured. The principal and \$13,800 of interest were paid subsequent to the year end.		
	<b>\$ 59,800</b>	\$ -

**9. CAPITAL MANAGEMENT**

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in Canada. The Company includes cash and the components of shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

# RESOLVE VENTURES INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018 AND 2017 (Expressed in Canadian Dollars)

### 9. CAPITAL MANAGEMENT (continued)

To ensure continued operations, the Company depends on external financing to fund its activities. The Company manages its capital requirements through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, changes in property holdings and related obligations, and exploration activities.

In the past, the Company has been successful in raising funds through the issuance of share capital. It is uncertain, however, how successful the Company will be in raising more funds in the current difficult market conditions.

### 10. INCOME TAXES

A reconciliation of income taxes at statutory rates to the Company's effective income tax expense is as follows:

	<u>2018</u>	<u>2017</u>
Statutory tax rate	27%	26%
Expected income tax recovery	\$ (276,000)	\$ (64,000)
Effect of changes in tax rate	(3,000)	(69,000)
Change in unrecognized deferred tax assets	<u>279,000</u>	<u>133,000</u>
	<u>\$ -</u>	<u>\$ -</u>

Details of deferred income taxes are as follows:

	<u>2018</u>	<u>2017</u>
Resource deductions	\$1,110,000	\$ 901,000
Non-capital loss carry forwards	970,000	897,000
Net capital loss carry forwards	77,000	77,000
Share issue cost	6,000	9,000
Equipment	3,000	3,000
Unrecognized deferred tax assets	<u>(2,166,000)</u>	<u>(1,887,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

# RESOLVE VENTURES INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018 AND 2017 (Expressed in Canadian Dollars)

### 10. INCOME TAXES (continued)

The Company has non-capital losses available to offset future income for tax purposes of approximately \$3,590,000 (2017 - \$3,321,000). These losses expire as follows:

2026	\$245,000
2027	\$342,000
2028	\$339,000
2029	\$322,000
2030	\$262,000
2031	\$253,000
2032	\$250,000
2033	\$291,000
2034	\$261,000
2035	\$236,000
2036	\$270,000
2037	\$250,000
2038	\$269,000

In addition, the Company has capital losses of \$569,000 (2017 - \$569,000) that can be applied indefinitely against future capital gains.

The Company has available approximately \$4,261,000 (2017 - \$3,786,000) of Canadian and foreign resource deductions which may be carried forward indefinitely to reduce taxable income of future years.

No deferred income tax asset has been recognized for temporary timing differences due to uncertainty as to whether they will be utilized. Any potential benefit will be recognized in the financial statements when it is more likely than not that it will be realized.

### 11. SUBSEQUENT EVENTS

- a) In October 2018, the Company closed a non-brokered private placement financing for total gross proceeds of \$363,000. The Company issued 6,600,000 common shares at a price of \$0.055 per share. In relation to the private placement, the Company paid finders' fees totalling \$12,320 and 119,000 common shares at a price of \$0.055 per share.
- b) In December 2018, the Company closed debt settlement agreements with certain arm's-length third parties and officers of the Company, pursuant to which the Company has issued an aggregate of 3,616,585 units and 1,349,998 common shares, both at a deemed price of \$0.07 per unit or share, to settle a total indebtedness of \$347,661. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable to acquire one common share for a period of five years at a price of \$0.09 per warrant.