

**HYBRID MINERALS INC.**

Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Hybrid Minerals Inc.

#### Opinion

We have audited the consolidated financial statements of Hybrid Minerals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$6,567,867 during the year ended December 31, 2018 and, as of that date, the Company has a working capital deficit of \$320,770 and an accumulated deficit of \$7,828,195. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance consolidated conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Lonny Wong.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

May 1, 2019

**HYBRID MINERALS INC.**Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	December 31, 2018 \$	December 31, 2017 \$
<b>Assets</b>		
Current assets		
Cash	307,502	375,522
Amounts receivable	40,870	23,297
Loan receivable (Note 4)	–	233,081
<b>Total assets</b>	<b>348,372</b>	<b>631,900</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	341,555	130,497
Loan payable (Note 6)	7,000	57,000
Due to related parties (Note 7)	320,587	–
<b>Total liabilities</b>	<b>669,142</b>	<b>187,497</b>
Shareholders' equity (deficit)		
Share capital	6,691,912	948,835
Share-based payment reserve	845,724	145,396
Share subscriptions received (Note 8)	–	610,500
Accumulated other comprehensive loss	(30,211)	–
Deficit	(7,828,195)	(1,260,328)
<b>Total shareholders' equity (deficit)</b>	<b>(320,770)</b>	<b>444,403</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>348,372</b>	<b>631,900</b>

Nature of business and continuing operations (Note 1)  
Subsequent event (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on May 1, 2019:

/s/ "Glen Macdonald"

Glen Macdonald, Director

/s/ "Glen Indra"

Glen Indra, Director

(The accompanying notes are an integral part of these consolidated financial statements)

**HYBRID MINERALS INC.**Consolidated Statements of Operations and Comprehensive Loss  
(Expressed in Canadian dollars)

	Year ended December 31, 2018 \$	Year ended December 31, 2017 \$
Expenses		
Business development	5,451	–
Consulting fees	334,957	142,570
Foreign exchange loss	–	7,625
Management fees (Note 7)	92,250	60,000
Office and miscellaneous	162,550	12,277
Professional fees	113,476	6,500
Rent	48,500	72,000
Share-based compensation (Note 9)	633,165	–
Transfer agent and filing fees	16,010	3,185
<b>Total expenses</b>	<b>1,406,359</b>	<b>304,157</b>
<b>Loss before other income (expense)</b>	<b>(1,406,359)</b>	<b>(304,157)</b>
Other income (expense)		
Interest income	21,096	–
Impairment of exploration and evaluation assets (Note 5)	(5,182,604)	–
<b>Total other expense</b>	<b>(5,161,508)</b>	<b>–</b>
<b>Net loss</b>	<b>(6,567,867)</b>	<b>(304,157)</b>
Other comprehensive loss:		
Unrealized loss on foreign currency translation	(30,211)	–
<b>Total comprehensive loss</b>	<b>(6,598,078)</b>	<b>(304,157)</b>
<b>Loss per share, basic and diluted</b>	<b>(0.22)</b>	<b>(0.02)</b>
<b>Weighted average number of common shares outstanding</b>	<b>29,534,796</b>	<b>12,781,371</b>

(The accompanying notes are an integral part of these consolidated financial statements)

**HYBRID MINERALS INC.**Consolidated Statements of Changes in Equity  
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Share subscriptions received \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$					
Balance, December 31, 2017	9,480,001	676,135	145,396	–	–	(956,171)	(134,640)
Shares issued for cash	5,000,000	300,000	–	–	–	–	300,000
Share issuance costs	–	(27,300)	–	–	–	–	(27,300)
Share subscriptions received	–	–	–	610,500	–	–	610,500
Net loss for the year	–	–	–	–	–	(304,157)	(304,157)
Balance, December 31, 2017	14,480,001	948,835	145,396	610,500	–	(1,260,328)	444,403
Shares issued for cash	6,000,000	1,500,000	–	(610,500)	–	–	889,500
Share issuance costs	–	(121,923)	67,163	–	–	–	(54,760)
Shares issued for the acquisition of subsidiaries	9,700,001	4,365,000	–	–	–	–	4,365,000
Fair value of stock options granted	–	–	633,165	–	–	–	633,165
Foreign currency translation loss	–	–	–	–	(30,211)	–	(30,211)
Net loss for the year	–	–	–	–	–	(6,567,867)	(6,567,867)
Balance, December 31, 2018	30,180,002	6,691,912	845,724	–	(30,211)	(7,828,195)	(320,770)

(The accompanying notes are an integral part of these consolidated financial statements)

**HYBRID MINERALS INC.**Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year ended December 31, 2018 \$	Year ended December 31, 2017 \$
Operating activities		
Net loss for the year	(6,567,867)	(304,157)
Items not involving cash:		
Impairment of exploration and evaluation assets	5,182,604	–
Share-based compensation	633,165	–
Unrealized foreign exchange loss	–	7,625
Changes in non-cash operating working capital:		
Amounts receivable	(16,789)	(14,209)
Accounts payable and accrued liabilities	209,058	26,769
Due to related parties	(129,909)	–
Net cash used in operating activities	(689,738)	(283,972)
Investing activities		
Loan receivable	–	(240,706)
Exploration and evaluation expenditures	(170,763)	–
Cash acquired from acquisition of subsidiary	37,952	–
Net cash used in investing activities	(132,811)	(240,706)
Financing activities		
Proceeds from loan payable	–	57,000
Repayment of loan payable	(50,000)	(40,000)
Proceeds from issuance of shares	889,500	910,500
Share issuance costs	(54,760)	(27,300)
Net cash provided by financing activities	784,740	900,200
Effects of foreign exchange rate changes on cash	(30,211)	–
Change in cash	(68,020)	375,522
Cash, beginning of year	375,522	–
Cash, end of year	307,502	375,522

(The accompanying notes are an integral part of these consolidated financial statements)

## **HYBRID MINERALS INC.**

Notes to the Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

### 1. Nature of Business and Continuing Operations

Hybrid Minerals Inc. (the "Company") was incorporated on November 7, 2011 under the Business Corporations Act (British Columbia). The head office of the Company is located at Suite 701, 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

The Company's principal business activities include the acquisition and exploration of mineral property assets.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2018, the Company has not generated any revenues from operations, has a working capital deficit of \$320,770, and has an accumulated deficit of \$7,828,195. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### 2. Significant Accounting Policies

#### (a) Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Hybrid Minerals USA Inc. and Mineral One Corporation. All significant inter-company balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

#### (b) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of exploration and evaluation assets, fair value of share-based compensation, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available

## HYBRID MINERALS INC.

Notes to the Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (b) Use of estimates and judgments (continued)

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

#### (c) Application of New IFRS

##### *IFRS 9 Financial Instruments*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, effective January 1, 2018 using the full retrospective method, with no significant impact on the Company's consolidated financial statements.

#### (d) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amount of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

#### (e) Exploration and evaluation expenditures

##### (i) Exploration and evaluation expenditures

Asset acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of asset acquisition costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to assets acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the consolidated financial statements upon payment.

Option payments received are treated as a reduction of the carrying value of the related asset until the Company's option and/or royalty payments received are in excess of costs incurred and then are credited to income

## HYBRID MINERALS INC.

Notes to the Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (e) Exploration and evaluation expenditures (continued)

##### (i) Exploration and evaluation expenditures (continued)

All expenditures related to the cost of exploration and evaluation of assets including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be depreciated over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned, or determined to be impaired.

The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

##### (ii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carry amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The 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 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 consolidated statement of operations.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that 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 the consolidated statement of operations.

## HYBRID MINERALS INC.

Notes to the Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (f) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money and risks specific to the liability are used to calculate the net present value. These costs are charged to the statement of operations over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in the consolidated statement of operations. The Company has no restoration, rehabilitation and environmental obligations as at December 31, 2018 and 2017.

#### (g) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of operations.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	Amortized cost
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Due to related parties	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## HYBRID MINERALS INC.

Notes to the Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

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

##### Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss. The Company's accounts payable and accrued liabilities, loan payable, and amounts due to related parties are measured at amortized cost.

##### Impairment of Financial Assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations 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.

#### (h) Financial Liabilities and Equity Instruments

##### Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

## HYBRID MINERALS INC.

Notes to the Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (h) Financial Liabilities and Equity Instruments (continued)

##### Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### (i) Income taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

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

#### (j) Foreign Currency Translation

The functional and reporting currency the Company and its wholly-owned subsidiaries is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Realized foreign exchange gains and losses are included in the consolidated statement of operations.

## HYBRID MINERALS INC.

Notes to the Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (k) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced to flow through share investors, the deferred income tax liability associated with the renounced tax deductions is recognized through the statement of operations with a pro-rata portion of the deferred premium.

#### (l) Share-based payments

The Company has an equity-settled share-based compensation plan. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of operations such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### (m) Loss per share

The Company presents basic and diluted 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. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. As at December 31, 2018 and 2017, the Company has 9,135,600 (2017 – 5,200,000) potentially dilutive shares outstanding.

#### (n) Comprehensive loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. During the years ended December 31, 2018 and 2017, other comprehensive loss includes foreign currency translation gains and losses.

#### (o) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these consolidated financial statements.

##### New standard IFRS 16, "Leases"

The Company has not early adopted this revised standard and it is not expected to have a significant impact on the Company's consolidated financial statements.

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

## HYBRID MINERALS INC.

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### 3. Acquisition of subsidiaries

On October 27, 2017, the Company entered into a share purchase agreement to acquire all of the shares in Hybrid Minerals USA Inc. and its wholly owned subsidiary, Mineral One Corporation ("Mineral One"). In consideration, the Company issued 9,700,001 common shares on January 15, 2018.

In accordance with IFRS 3, *Business Combinations*, the acquisition was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the acquisition date. The following table summarizes the consideration paid, the fair value of assets acquired, and liabilities assumed at the acquisition date:

	\$
Fair value of shares issued	4,365,000
Total consideration paid	4,365,000
Cash	37,952
Amounts receivable	784
Exploration and evaluation assets	5,011,841
Due to related party	(685,577)
Net assets acquired	4,365,000

### 4. Loan Receivable

As at December 31, 2018, the amount of \$nil (2017 - \$223,081) is loaned to a related party which is non-interest bearing, unsecured, and due on demand.

### 5. Exploration and Evaluation Assets

#### CAS Cobalt-Gold Property (the "CAS Property")

The CAS Property consists of 55 mineral claims located in Lemhi County, Idaho, USA.

On June 1, 2017, Mineral One entered into an assignment agreement with Utah Mineral Resources LLC ("UMR"), a related party by common shareholders, to obtain a 100% interest in the CAS Property with assignment fees of US\$235,000.

Under the agreement, Mineral One assumes all of UMR's interests and obligations in the CAS Property. These include:

- Total cash payments of US\$925,000 (US\$50,000 was paid by UMR) to the original owner of the CAS Property over the next ten-year period as follows:
  - Pay US\$25,000 on or before September 24, 2017 (paid by UMR);
  - Pay US\$50,000 on or before March 24, 2018 (paid);
  - On each anniversary of this agreement from March 24, 2019 to 2026, a payment of US\$100,000.
- A work commitment (exploration expenditures) of US\$300,000 is required per year for the first ten years of the agreement (2017 to 2026). If the Company fails to spend the work commitment in any one year, it may need to pay the original owner of the property the shortfall due to be spent that year in full satisfaction of that year's work commitment. In situations that the Company cannot incur the US\$300,000 spending requirement, but exceeds 75% of the amount due, it will not be in breach of the agreement if the shortfall is completed in the following year.
- A 2% net smelter returns ("NSR") royalty payable to the original owner on any production from the CAS Property claims, of which 1% of the NSR can be purchased for US\$1,000,000 at any time within ten years from March 24, 2017.

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### 5. Exploration and Evaluation Assets (continued)

As at December 31, 2018, the Company recognized an impairment losses of \$5,182,604 on the CAS Property as it decided to discontinue exploration on the property.

### 6. Loan Payable

As at December 31, 2018, the amount of \$7,000 (2017 - \$57,000) is owed to an unrelated party which is non-interest bearing, unsecured, and due on demand

### 7. Related Party Transactions

(a) As at December 31, 2018, the amount of \$7,250 (2017 – \$nil) was owed to the President of the Company, which is non-interest bearing, unsecured, and due on demand. The amount is included in accounts payable and accrued liabilities.

(b) As at December 31, 2018, the amount of \$113,400 (2017 – \$nil) was owed to a Company controlled by the President of the Company, which is non-interest bearing, unsecured, and due on demand. The amount is included in accounts payable and accrued liabilities.

(c) As at December 31, 2018, the amount of \$320,587 (US\$235,000) was owed to a company controlled by former directors of the Company.

(d) As at December 31, 2018, the amount of \$1,500 (2017 - \$1,500) was owed to a company controlled by the former Chief Financial Officer of the Company.

(e) During the year ended December 31, 2018, the amount of \$139,477 (2017 – \$60,000) was incurred to the President of the Company for management fees.

### 8. Share Capital

Authorized: Unlimited common shares without par value

(a) On March 30, 2017, the Company issued 5,000,000 units at a price of \$0.06 per share for gross proceeds of \$300,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.08 per share expiring on March 30, 2018. In connection with this private placement, the Company incurred a finder's fee of \$27,300.

(b) On January 15, 2018, the Company issued 6,000,000 units at a price of \$0.25 per share for gross proceeds of \$1,500,000 of which \$610,500 was received as at December 31, 2017. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.35 per share expiring on November 29, 2019. In connection with this private placement, the Company incurred a finder's fee of \$54,760 and issued 335,600 broker's warrants with a fair value of \$67,163. Each broker's warrant is exercisable at \$0.35 per warrant expiring on January 15, 2019.

(c) On January 15, 2018, the Company issued 9,700,001 common shares with a fair value of \$4,365,000 for the acquisition of Hybrid Minerals USA Inc. Refer to Note 3.

### 9. Stock Options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant to directors, officers, and consultants to the Company, non-transferable options to purchase common shares. The number of common shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to five years from the date of grant.

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### 9. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2016 and 2017	200,000	0.15
Granted	2,800,000	0.40
Expired	(200,000)	0.15
Outstanding, December 31, 2018	2,800,000	0.40

Additional information regarding stock options outstanding as at December 31, 2018, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of stock options	Weighted average contractual life (years)	Weighted average exercise price \$
0.40	2,800,000	2.1	0.40

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	2018	2017
Risk-free interest rate	2.08%	—
Expected life (in years)	3	—
Expected volatility	87.507%	—

The total fair value of stock options vested during the year ended December 31, 2018 was \$633,165 (2017 - \$nil) which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the year ended December 31, 2018 was \$0.20 (2018 - \$nil) per share.

### 10. Share Purchase Warrants

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2016	—	—
Issued	5,000,000	0.08
Balance, December 31, 2017	5,000,000	0.08
Issued	6,335,600	0.35
Expired	(5,000,000)	0.08
Balance, December 31, 2018	6,335,600	0.35

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### 10. Share Purchase Warrants (continued)

As at December 31, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
6,335,600	0.35	November 29, 2019

### 11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, share-based payment reserve, and share subscriptions received.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2017.

### 12. Financial Instruments and Risk Management

#### (a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, amounts receivable, loan receivable, accounts payable and accrued liabilities, loan payable and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) Credit Risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and amounts receivable. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Amounts receivable consists of GST receivable from the Government of Canada. The carrying amount of these financial assets represents the maximum credit exposure.

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

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### 12. Financial Instruments and Risk Management (continued)

#### (d) Foreign Exchange Rate Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's liabilities is denominated in U.S. dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

#### (e) Interest Rate Risk

The Company is not exposed to significant interest rate risk.

#### (f) Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

### 13. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rates) of the significant temporary differences, which comprise of deferred income tax assets and liabilities, are as follows:

	2018 \$	2017 \$
Canadian statutory income tax rate	27%	26%
Income tax recovery at statutory rate	(1,773,324)	(79,081)
Tax effect of:		
Permanent differences and other	1,297,805	(7,098)
Change in enacted tax rates	—	(11,893)
Change in unrecognized deferred income tax assets	475,524	98,072
Income tax provision	—	—

The significant components of deferred income tax assets and liabilities are as follows:

	2018 \$	2017 \$
Deferred income tax assets		
Non-capital losses carried forward	474,363	263,237
Resource properties	291,510	51,976
Share issuance costs	30,758	5,897
Total gross deferred income tax assets	796,631	321,110
Unrecognized deferred income tax assets	(796,631)	(321,110)
Net deferred income tax asset	—	—

## HYBRID MINERALS INC.

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### 13. Income Taxes (continued)

As at December 31, 2018, the Company has non-capital losses carried forward of \$1,756,895, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2031	31
2032	34,387
2033	103,654
2034	187,647
2035	194,032
2036	111,942
2037	343,259
2038	781,943
	<hr/> 1,756,895 <hr/>

The Company also has available mineral resource related expenditure pools totalling \$1,079,666, which may be deducted against future taxable income on a discretionary basis.

### 14. Subsequent Event

On February 19, 2019, the Company entered into a property acquisition agreement to acquire a 100% interest in the Wicheeda Lake Property located near Prince George, BC. To earn this 100% interest, the Company is to:

- Issue 1,500,000 units which is to comprise of one common share and one share purchase warrant upon receiving regulatory approval. Each warrant will be exercisable at \$0.10 per common share for a period of two years from the date of issuance. These units were issued on March 15, 2019.
- Pay \$25,000 upon receiving regulatory approval; and
- Pre-pay advance royalties commencing two years from the date of the agreement in the amount of \$25,000 annually.

The optionor retains a 2% Net Smelter Royalty ("NSR") on the property. The Company has the right to purchase one-half of the NSR for \$1,000,000 at any time.