

RIDGESTONE MINING INC.

Consolidated Financial Statements

Year Ended December 31, 2018

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ridgestone Mining Inc.:

Opinion

We have audited the consolidated financial statements of Ridgestone Mining Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive loss, changes in equity and cash flows for the year ended December 31, 2018 and the period from March 30, 2017 (incorporation) to December 31, 2017, 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 financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the period from March 30, 2017 (incorporation) to December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which indicates that as at December 31, 2018 the Company has not generated any revenue and has accumulated losses of \$2,567,058 since inception. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

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

Responsibilities of Management and Those Charged with Governance for the 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.

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CHARTERED PROFESSIONAL ACCOUNTANTS

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 consolidated 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 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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

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

April 11, 2019

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RIDGESTONE MINING INC.Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31, 2018 \$	December 31, 2017 \$
ASSETS		
Current assets		
Cash	84,788	1,316,051
Prepays and deposits (Note 3)	120,439	1,688
Taxes recoverable	14,897	1,227
Total current assets	220,124	1,318,966
Non-current assets		
Exploration and evaluation assets (Note 3)	913,368	332,802
Total assets	1,133,492	1,651,768
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	38,515	16,086
Due to related parties (Note 5)	28,959	–
Total liabilities	67,474	16,086
Shareholders' equity		
Share capital (Note 6)	3,166,254	793,584
Equity reserve (Note 7)	480,822	–
Special warrants (Note 8)	–	1,111,320
Deficit	(2,581,058)	(269,222)
Total shareholders' equity	1,066,018	1,635,682
Total liabilities and shareholders' equity	1,133,492	1,651,768

Nature of operations and continuance of business (Note 1)
Subsequent Event (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on April 11, 2019:

/s/ "Hsin-Chen Liu"

Hsin-Chen Liu, Director

/s/ "Erwin Wong"

Erwin Wong, Director

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

RIDGESTONE MINING INC.Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	For the year ended December 31, 2018 \$	Period from March 30, 2017 (date of incorporation) to December 31, 2017 \$
Expenses		
Consulting fees (Note 5)	454,075	–
General and administrative	271,250	62,648
Mineral exploration costs (Notes 3 and 5)	912,539	126,365
Professional fees	199,972	80,209
Share-based compensation (Notes 5 and 7)	480,822	–
Total expenses	2,318,658	269,222
Net loss before other income	(2,318,658)	(269,222)
Other income		
Interest income	6,822	–
Net loss and comprehensive loss	(2,311,836)	(269,222)
Loss per share, basic and diluted	(0.11)	(0.02)
Weighted average shares outstanding, basic and diluted	20,190,455	10,836,959

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

RIDGESTONE MINING INC.

Consolidated statement of changes in equity
(Expressed in Canadian dollars)

	Share capital		Special warrants \$	Equity reserve \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$				
Balance, March 30, 2017 (date of incorporation)	–	–	–	–	–	–
Shares issued for cash (Note 6)	10,000,002	600,000	–	–	–	600,000
Special warrants issued (Note 8)	–	–	1,111,320	–	–	1,111,320
Shares issued pursuant to mineral property assignment agreement (Notes 3 and 6)	4,000,000	200,000	–	–	–	200,000
Share issuance costs (Note 6)	–	(6,416)	–	–	–	(6,416)
Net loss for the period	–	–	–	–	(269,222)	(269,222)
Balance, December 31, 2017	14,000,004	793,584	1,111,320	–	(269,222)	1,635,682
Units issued for cash (Note 6)	5,000,000	900,000	–	–	–	900,000
Shares issued pursuant to mineral property assignment agreement (Notes 3 and 6)	1,833,939	461,350	–	–	–	461,350
Cancellation of shares issued pursuant to mineral property assignment agreement (Notes 3 and 6)	(2,000,000)	(100,000)	–	–	–	(100,000)
Exercise of special warrants into common shares (Notes 6 and 8)	5,292,000	1,111,320	(1,111,320)	–	–	–
Share-based compensation (Note 7)	–	–	–	480,822	–	480,822
Net loss for the year	–	–	–	–	(2,311,836)	(2,311,836)
Balance, December 31, 2018	24,125,943	3,166,254	–	480,822	(2,581,058)	1,066,018

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

RIDGESTONE MINING INC.

Consolidated statements of cash flows

(Expressed in Canadian dollars)

	For the year ended December 31, 2018 \$	Period from March 30, 2017 (date of incorporation) to December 31, 2017 \$
Operating activities		
Net loss	(2,311,836)	(269,222)
Item not involving cash:		
Share-based compensation	480,822	—
Changes in non-cash operating working capital:		
Prepaid expenses	(118,751)	(1,688)
Taxes recoverable	(13,670)	(1,227)
Accounts payable and accrued liabilities	22,429	16,086
Due to related parties	28,959	—
Net cash used in operating activities	(1,912,047)	(256,051)
Investing activities		
Acquisition of exploration and evaluation assets	(219,216)	(132,802)
Net cash used in investing activities	(219,216)	(132,802)
Financing activities		
Proceeds from issuance of units	900,000	—
Proceeds from issuance of common shares, net	—	593,584
Proceeds from issuance of special warrants	—	1,111,320
Net cash provided by financing activities	900,000	1,704,904
Change in cash	(1,231,263)	1,316,051
Cash, beginning of year	1,316,051	—
Cash, end of year	84,788	1,316,051
Non-cash investing and financing activities		
Shares issued pursuant to mineral property assignment agreement	461,350	200,000
Cancellation of shares issued pursuant to mineral property assignment agreement	(100,000)	—
Exercise of special warrants into common shares	1,111,320	—
Supplemental disclosures:		
Interest paid	—	—
Income taxes paid	—	—

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

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Ridgestone Mining Ltd., (the "Company"), was incorporated in British Columbia, Canada on March 30, 2017 under the name 1113414 B.C. Ltd. On March 30, 2017, the Company changed its name to Ridgestone Mining Ltd. The Company's principal business plan is to acquire, explore and develop mineral properties and ultimately seek earnings by exploiting mineral claims. On February 16, 2018, the Company's common shares became listed and commenced trading on the TSX Venture Exchange ("Exchange") under the symbol "RMI". The Company's registered and records office is Suite 409, 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at December 31, 2018, the Company has not generated any revenue and has accumulated losses of \$2,581,058 since inception. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. There is no guarantee that the Company will be able to complete any of the above objectives. These factors indicate the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Summary of 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 ("IASB") applicable to the preparation of financial statements.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cerro de Oro Minerales, S.A. de C.V., a company incorporated on September 21, 2018, in Mexico. All inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, which is also the Company and its subsidiary's functional currency.

(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 fair value of share-based payments, recoverability of exploration and evaluation assets, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption 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.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

(c) 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 amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts payable	Amortized cost	Amortized cost
Due to related party	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(ii) Measurement (continued)

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

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

Financial liabilities

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

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

(e) Exploration and Evaluation Assets

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs related to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

(e) Exploration and Evaluation Assets (continued)

The amounts shown for mineral properties represent acquisition costs and option payments, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production. The Company reviews the carrying values of mineral properties when there are any events or change in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property is less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property.

(f) Mineral Exploration and Development Costs

Exploration costs are charged to operations as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Exploration costs that are incurred before the Company has obtained the legal rights to explore and develop a property are expensed.

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset 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 ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of comprehensive loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of comprehensive loss.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates. The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statement of comprehensive loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(i) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

Valuation of equity units issued in private placements

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

(j) Foreign Currency Translation

The Company's functional currency, being the currency of the primary economic environment in which the Company operates, 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 retranslated 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. Foreign exchange gains and losses are included in the statement of comprehensive loss.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

(k) 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 statement of comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income

Deferred income tax is provided using the asset and liability 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 tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) Comprehensive Income (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 statement of comprehensive loss. As at December 31, 2018, the Company had no items that represent comprehensive income or loss.

(m) Loss Per Share

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2018, the Company had no potentially dilutive shares outstanding.

(n) Share-based Payments

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

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

(o) Accounting Standards Issued But Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2019, or later periods.

The following new IFRSs that have not been early adopted in these consolidated financial statements will not have a material effect on the Company's future results and financial position:

i) IFRS 16, "Leases"

The Company has not early adopted these revised standards and based upon the Company's preliminary assessment, the adoption of this standard will not have a material impact on the 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 financial statements.

3. Exploration and Evaluation Assets

Mineral property acquisition costs:

	Cimarron Property \$	Rebeico Property \$	Total \$
Balance, March 30, 2017 (date of inception)	–	–	–
Additions	332,802	–	332,802
Balance, December 31, 2017	332,802	–	332,802
Additions	32,045	648,521	680,566
Cancellation of common shares	(100,000)	–	(100,000)
Balance, December 31, 2018	264,847	648,521	913,368

Mineral exploration costs:

	Year ended December 31, 2018 \$	Period from March 30, 2017 (date of incorporation) to December 31, 2017 \$
<u>Cimarron Property, Nevada, USA</u>		
General exploration	4,555	50,214
Geological and geophysics	–	28,380
Meals and accommodations	–	748
Sampling and assays	–	47,023
	4,555	126,365
<u>Rebeico Property, Sonora, Mexico</u>		
Drilling	223,544	–
General exploration	414,410	–
Geological and geophysics	222,456	–
Meals and accommodations	47,574	–
	907,984	–
	912,539	126,365

As at December 31, 2018, deposits of \$74,312 (2017: \$1,688) related to mineral property exploration costs were included in prepaids and deposits.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

3. Exploration and Evaluation Assets (continued)

Cimarron Property

On May 17, 2017, the Company entered into an Assignment Agreement with 1082223 B.C. Ltd. (the "Assignor"), and Nevada Select Royalty Inc. ("Nevada Select"), to acquire the Assignor's interest in an Option Agreement between the Assignor and Nevada Select, in respect of certain mineral claims, known as the Cimarron property, located in NYE County, Nevada. The Assignor is a private company controlled by an individual who became a member of the Board of Directors of the Company subsequent to the signing of the Assignment Agreement. In consideration for the assignment, the Company agreed to issue 4,000,000 post-forward-split shares of common stock (issued with a fair value of \$200,000) and pay cash consideration of \$100,000, of which, \$25,000 is due upon execution of the Assignment Agreement (paid) and \$75,000 is due by July 15, 2017 (paid). On February 9, 2018, the Company cancelled 2,000,000 post-forward-split shares of common stock in relation to the above share issuance (Note 6).

Upon closing of the Assignment Agreement, the Company assumed all of the Assignor's rights and obligations under the Option Agreement dated May 16, 2017 ("Effective Date"). Under the Option Agreement, the Company is required to make the following payments to Nevada Select during the option period as follows:

- i) US\$10,000 cash within three business days from the Effective Date (paid \$13,610);
- ii) US\$15,000 cash on the six-month anniversary of the Effective Date (paid \$19,192);
- iii) US\$25,000 cash on the first-year anniversary of the Effective Date (paid \$32,045);
- iv) US\$25,000 cash on the second-year anniversary of the Effective Date;
- v) US\$25,000 cash on the third-year anniversary of the Effective Date; and
- vi) US\$150,000 cash on the fourth-year anniversary of the Effective Date.

Once the above payments have been made, the Company can exercise the option and acquire 100% of the right, title and interest in and to the Cimarron property. Upon execution of the option, Nevada Select will be granted a 2.5% net smelter royalty in respect of all products produced from the property.

Rebeico Property

On March 8, 2018, the Company entered into an Assignment Agreement with 1082223 B.C. Ltd. (the "Assignor"), a private company controlled by a member of the Board of Directors of the Company, and YQ Gold Mexico, S. de R.L. de C.V. ("YQ Gold"), to acquire the Assignor's interest in an Option Agreement between the Assignor and YQ Gold, in respect of certain mineral claims, known as the Rebeico property, located in Sonora, Mexico. In consideration for the assignment, the Company agreed to pay cash consideration of \$55,000 (paid). Upon closing of the Assignment Agreement, the Company assumed all of the Assignor's rights and obligations under the Option Agreement dated December 21, 2017 ("Effective Date"), as amended April 6, 2018, and December 14, 2018. On April 6, 2018, and December 14, 2018, the Company entered into an Amendment Agreement and Second Amending Agreement, respectively, with YQ Gold with respect to the Option Agreement assigned on March 8, 2018, on the Rebeico Property. Under the Amendment Agreement and Second Amending Agreement, the Company's required payment of US\$500,000 to YQ Gold shall be made as follows:

- i) US\$50,000 (\$64,810) cash (paid) and an additional US\$150,000 which, at the sole option of the Company, may be satisfied in either cash or through the issuance of common shares of the Company having an equivalent fair market value within three business days from receipt of Exchange approval (paid by issuance of 845,347 common shares with a fair value of \$194,430);
- ii) US\$100,000 cash, of which US\$50,000 (\$67,361) shall be paid on or before December 21, 2018 (paid) and US\$50,000 shall be paid upon the earlier of (i) the closing of the first debt and/or equity financing or (ii) January 31, 2019, and an additional US\$200,000 which, at the sole option of the Company, may be satisfied in either cash or through the issuance of common shares of the Company having an equivalent fair market value on or before the six-month anniversary of receipt of Exchange approval (paid by issuance of 988,592 common shares with a fair value of \$266,920).

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

3. Exploration and Evaluation Assets (continued)

The Company must also incur exploration expenditures of US\$1,000,000 within two years from Exchange approval. Once the above payments have been made, the Company can exercise the option and acquire 100% of the right, title and interest in and to the Rebeico property. Upon execution of the option, YQ Gold will be granted a 2% net smelter royalty (subject to an optional repurchase of 1% of the NSR by the Company for US\$1,000,000) in respect of all products produced from the property. In addition, the Company is also required to pay 50% of the profit derived from commercial production from the Property, to a maximum of US\$1,450,000, to YQ Gold.

4. Accounts Payable and Accrued Liabilities

	December 31, 2018	December 31, 2017
	\$	\$
Accounts payable	28,865	16,086
Accrued liabilities	9,650	-
	<u>38,515</u>	<u>16,086</u>

5. Related Party Transactions

The remuneration of directors and other members of key management for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
	\$	\$
Consulting fees	215,985	-
Share-based compensation	240,411	-
	<u>456,396</u>	<u>-</u>

- During the year ended December 31, 2018, the Company incurred \$49,000 (period from incorporation on March 30, 2017, to December 31, 2017 - \$nil) in consulting fees to the President of the Company. As at December 31, 2018, the Company owed \$9,611 (2017 - \$nil) to the President of the Company. The balance is unsecured, non-interest bearing and due on demand.
- During the year ended December 31, 2018, the Company incurred \$49,000 (period from incorporation on March 30, 2017, to December 31, 2017 - \$nil) in consulting fees to the Chief Financial Officer ("CFO") of the Company. As at December 31, 2018, the Company owed \$9,348 (2017 - \$nil) to the CFO of the Company. The balance is unsecured, non-interest bearing and due on demand.
- During the year ended December 31, 2018, the Company incurred \$15,000 (period from incorporation on March 30, 2017, to December 31, 2017- \$nil) of geological and geophysics expenses to a private company controlled by a director of the Company.
- During the year ended December 31, 2018, the Company incurred \$97,985 (US\$75,000) (period from incorporation on March 30, 2017, to December 31, 2017- \$nil) of consulting fees to a private company controlled by a director of the Company.
- During the year ended December 31, 2018, the Company incurred \$20,000 (period from incorporation on March 30, 2017, to December 31, 2017- \$nil) of consulting fees to a director of the Company.
- During the year ended December 31, 2018, the Company entered into an Assignment Agreement with 1082223 B.C. Ltd. (the "Assignor"), a private company controlled by a member of the Board of Directors of the Company, and YQ Gold, to acquire the Assignor's interest in an Option Agreement between the Assignor and YQ Gold, in respect of certain mineral claims, known as the Rebeico property, located in Sonora, Mexico. The Company paid cash of \$55,000 to the Assignor in consideration for the assignment (Note 3).

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

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6. Share Capital

Authorized: Unlimited common shares without par value

Share transactions for the period ended December 31, 2017:

- (a) On March 30, 2017, the Company issued 2 shares at \$0.005 per share.
- (b) On April 1, 2017, the Company issued 2,000,000 shares at \$0.0075 per share for gross proceeds of \$15,000.
- (c) On April 26, 2017, the Company issued 2,000,000 shares at \$0.0175 per share for gross proceeds of \$35,000.
- (d) On May 18, 2017, the Company issued 4,000,000 common shares with a fair value of \$200,000 pursuant to the Assignment Agreement (Note 3).
- (e) On May 18, 2017, the Company issued 1,000,000 shares at \$0.05 per share for gross proceeds of \$50,000.
- (f) On May 23, 2017, the Company issued 2,000,000 shares at \$0.10 per share for gross proceeds of \$200,000.
- (g) On August 31, 2017, the Company issued 3,000,000 shares at \$0.10 per share for gross proceeds of \$300,000.
- (h) The Company incurred share issuance costs of \$6,416 in relation to these issuances.

Share transactions for the year ended December 31, 2018:

- (a) On February 6, 2018, the Company cancelled 2,000,000 of the 4,000,000 common shares that were issued to 1082223 B.C. Ltd. in relation to the Option Agreement with Nevada Select (Note 3).
- (b) On February 13, 2018, the Company issued 5,292,000 common shares pursuant to the exercise of 5,292,000 Special Warrants (Note 8).
- (c) On May 14, 2018, the Company completed a two for one forward share split of the outstanding common shares of the Company. All share and per share data in these consolidated financial statements and footnotes have been retrospectively adjusted to account for this forward share split.
- (d) On June 8, 2018, the Company completed a private placement of 5,000,000 units at \$0.18 per unit for gross proceeds of \$900,000. Each unit consists of one common share and one share purchase warrant, in which each warrant is exercisable at \$0.25 per share until June 8, 2021. No value was attributed to the warrants using the residual method.
- (e) On June 11, 2018, the Company issued 845,347 common shares with a fair value of \$194,430 pursuant to the Option Agreement, as amended, on the Rebeico property (Note 3).
- (f) On December 21, 2018, the Company issued 988,592 common shares with a fair value of \$266,920 pursuant to the Option Agreement, as amended, on the Rebeico property (Note 3).

Escrow shares

At December 31, 2018, the Company has 7,875,000 common shares held in escrow, which will be released in stages every six months over the next 36 months. During the year ended December 31, 2018, a total of 2,625,000 shares were released from escrow.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

7. Stock Options

The Company's Board of Directors approved a stock incentive plan dated November 15, 2017. The Board of directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price will not be less than the discounted market price defined in the policies of the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding ten years. Provided the Company is listed on the Exchange, the option holders can elect to exercise options on a cashless basis.

The following table summarizes information about the options at December 31, 2018, and 2017, and the changes for the periods then ended:

	Number of options	Weighted average exercise price \$
Options outstanding – December 31, 2017	–	–
Granted	2,300,000	0.21
Options outstanding – December 31, 2018	2,300,000	0.21
Options exercisable – December 31, 2018	2,300,000	0.21

The following table summarizes information about stock options outstanding and exercisable at December 31, 2018:

Exercise price \$	Options outstanding	Options exercisable	Weighted average remaining contracted life (years)
0.21	2,300,000	2,300,000	4.86

Share-based compensation expense is determined using the Black-Scholes Option Pricing Model. During the year ended December 31, 2018, the Company recognized share-based compensation expense of \$480,822 (2017: \$Nil) in equity reserves, of which \$240,411 pertains to directors and officers of the Company. The weighted average fair value of each option granted during the year ended December 31, 2018, was \$0.21 per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

Risk-free interest rate	2018
Dividend yield	2.46%
Expected Volatility	0%
Expected life (years)	98%
Forfeiture rate	5.00%
	0%

Equity reserve

The equity reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

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8. Special Warrants

During the period from March 30, 2017 (incorporation) to December 31, 2017, the Company issued 5,292,000 Special Warrants at a price of \$0.21 per Special Warrant. Each warrant entitles the holder to acquire, for no additional consideration, one common share (a "Special Warrant Share"). The Special Warrants are exercisable by the holders thereof at any time after the closing date of the final prospectus (the "Offering") for no additional consideration and all unexercised Special Warrants will be deemed to be exercised on the first business day after the date on which a receipt for a final prospectus of the Company qualifying the distribution of the Special Warrant Shares issuable on exercise of the Special Warrants has been issued by the securities regulatory authority in British Columbia at which time each Special Warrant shall be automatically exercised for one Special Warrant Share, subject to adjustment in certain circumstances, without payment of any additional consideration and without any further action on the part of the holder.

On February 9, 2018, the Company obtained the receipt for its Offering filed with the British Columbia Securities Commission. As a result, all unexercised Special Warrants were deemed to be exercised on February 13, 2018 and an aggregate of 5,292,000 common shares were issued by the Company (Note 6). The holders of common shares are entitled to one vote at meetings of shareholders for each share held and all common shares rank equally with respect to the payment of dividends and on any distribution of the assets of the Company on dissolution or winding up.

9. Warrants

The following table summarizes information about the warrants at December 31, 2018, and 2017, and the changes for the periods then ended:

	Number of warrants	Weighted average exercise price \$
Warrants outstanding – December 31, 2017	–	–
Issued	5,000,000	0.25
Warrants outstanding – December 31, 2018	5,000,000	0.25

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at December 31, 2018:

Exercise Price \$	Expiry date	Warrants outstanding	Weighted average remaining contracted life (years)
0.25	June 8, 2021	5,000,000	2.69

RIDGESTONE MINING INC.

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December 31, 2018

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10. Financial Instruments

(a) Categories of Financial Instruments and Fair Value Measurements

The Company classifies cash as FVTPL, and accounts payable and due to related parties as other liabilities.

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at December 31, 2018 and 2017, as follows:

	Fair Value Measurements Using			Balance, December 31, 2018 \$	Balance, December 31, 2017 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$		
Cash	84,788	–	–	84,788	1,316,051

The fair values of other financial instruments, which consists of accounts payable and 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 that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Management monitors the amount of credit extended to the parties for expense recoveries. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in the currencies that differ from the respective functional currency. The Company operates in Canada, United States and Mexico. Future exploration programs and option payments may be denominated in U.S. dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

(d) 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. Liquidity risk is assessed as high.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

RIDGESTONE MINING INC.

Notes to the consolidated financial statements

December 31, 2018

(Expressed in Canadian dollars)

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.

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 issues 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 during the period ended December 31, 2018.

12. Commitment

On December 7, 2017, the Company entered into a lease agreement for use of an office space. The Company agreed to pay a total of \$1,300 per month. The agreement is for a 1-year term commencing on January 1, 2018.

13. Income Taxes

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

	2018	2017
	\$	\$
Statutory income tax rate	27%	26%
Income tax recovery at statutory rate	(624,196)	(69,998)
Temporary differences	97,512	31,187
Effect of change in tax rate	(1,493)	-
Change in valuation allowance	528,177	38,811
Deferred income taxes recovered	-	-

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

	2018	2017
	\$	\$
Non-capital loss	350,539	37,476
Share issuance costs	1,039	1,335
Exploration and evaluation assets	215,410	-
Valuation allowance	(566,988)	(38,811)
Deferred income taxes recovered	-	-

As of December 31, 2018, the Company has non-capital tax losses of approximately \$1,289,000 that may be offset against future Canadian and United States taxable income. These losses expire commencing 2037.

14. Subsequent Event

On March 7, 2019, the Company entered into an unsecured loan agreement with one of its directors in the amount of \$65,000 (the "Loan"). The Loan is for a two year period and is subject to an annual interest rate of 12%. In connection with the Loan, the lender will be entitled to bonus common shares in the capital of the Company in the amount of 20% of the Loan divided by the market price.