(formerly Canadian Platinum Corp.)

# Consolidated Financial Statements

## For the years ended December 31, 2018 and December 31, 2017

(expressed in Canadian Dollars)

260-2366 Avenue C North
Saskatoon, SK S7L 5X5

## TSX.V: AURX

RSM Alberta LLP

777 8th Ave SW
Suite 1400
Calgary, AB T2P 3R5

O +1 403 298 1500
F +1 403 298 5814

www.rsmcanada.com

# Independent Auditor's Report

To the Shareholders of
Aurex Energy Corp.

## Opinion

We have audited the consolidated financial statements of Aurex Energy Corp. (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year 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 financial position of the Corporation as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 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 Consolidated Financial Statements section of our report. We are independent of the Corporation 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 2 to the consolidated financial statements which indicates that the Corporation incurred a net loss during the year ended December 31, 2018, and as of that date, the Corporation's current liabilities exceeded its current assets. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Matter

The consolidated financial statements of the Corporation for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 27, 2018.

### Other Information

Management is responsible for the other information. The other information comprises 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 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. We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is 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 these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation’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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation 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 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 Corporation’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 Corporation’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 Corporation 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 compiled 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 Christin Giebelhaus.

RSM Alberta LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
June 3, 2019

AUREX ENERGY CORP

**(formerly Canadian Platinum Corp.)**
## Consolidated Statements of Financial Position
## as at December 31, 2018 and 2017
*(amounts in Canadian dollars)*

| **Assets** | **Notes** | | **2018** | | **2017** |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash | | $ | 1,743 | $ | 179,478 |
| Prepaid expenses | | | 42,139 | | - |
| GST recoverable | | | 11,011 | | 4,711 |
| Total current assets | | | 54,893 | | 184,189 |
| Exploration and evaluation assets | 6 | | 1,304,572 | | 3,079,645 |
| Total assets | | $ | 1,359,465 | $ | 3,263,834 |
| | | | | | |
| **Liabilities** | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 7 | $ | 320,849 | $ | 173,988 |
| Total liabilities | | | 320,849 | | 173,988 |
| | | | | | |
| **Shareholders' Equity** | | | | | |
| Share capital | 9 | | 16,842,750 | | 16,324,350 |
| Warrants | 9 | | 501,049 | | 139,949 |
| Contributed surplus | | | 3,659,636 | | 3,659,636 |
| Deficit | | | (19,964,819) | | (17,034,089) |
| Total shareholders' equity | | | 1,038,616 | | 3,089,846 |
| Total liabilities and shareholders' equity | | $ | 1,359,465 | $ | 3,263,834 |
| Going concern | 2 | | | | |
| Commitments | 6, 12 | | | | |
| Subsequent events | 14 | | | | |

See accompanying notes to the consolidated financial statements.

Approved by the Board:

(Signed) "Gary Billingsley"_____, Director

(Signed) "Douglas Billingsley"_____, Director

AUREX ENERGY CORP

## (formerly Canadian Platinum Corp.)
## Consolidated Statements of Loss and Comprehensive Loss
## For the Years Ended December 31
*(amounts in Canadian dollars)*

| | Notes | | 2018 | | 2017 |
|---|---|---|---|---|---|
| Expenses | | | | | |
| Marketing and promotion | | $ | 136,939 | $ | 7,804 |
| General exploration and evaluation expenses | | | 67,143 | | - |
| Impairment of exploration and evaluation assets | 6 | | 2,500,000 | | 445,698 |
| Office and other | | | 50,132 | | 25,769 |
| Professional fees | 10 | | 124,856 | | 92,223 |
| Filing fees | | | 8,375 | | 3,621 |
| Share-based compensation | 9 | | - | | 140,000 |
| Transfer agent | | | 22,881 | | 32,374 |
| Total expenses | | | 2,910,326 | | 747,489 |
| Loss from operations | | | (2,910,326) | | (747,489) |
| Finance expense | 12 | | 20,404 | | - |
| Gain on disposal of exploration and evaluation assets | 11 | | - | | 1,926 |
| Gain on debt settlement | 11 | | - | | 250,288 |
| Loss and comprehensive loss for the year | | $ | (2,930,730) | $ | (495,275) |
| Basic and diluted loss per share (post-consolidation) (8,656,300 weighted average common shares) (2017 – 6,936,500)) | 1 | $ | (0.34) | $ | (0.07) |

See accompanying notes to the consolidated financial statements.

AUREX ENERGY CORP

## (formerly Canadian Platinum Corp.)
## Consolidated Statements of Changes in Shareholders' Equity
## For the Years Ended December 31
*(amounts in Canadian dollars)*

| | Notes | Number of common shares | Share Capital stated value | Number of Warrants | Warrants stated value | Contributed surplus | Deficit | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2017** | | **126,124,565** | **$15,512,816** | **-** | **-** | **$3,519,636** | **$(16,538,814)** | **$2,493,638** |
| Private placement, net proceeds (issue for cash) | 9 | 19,983,333 | 144,675 | 19,983,333 | 139,949 | - | - | 284,624 |
| Acquisition of exploration and evaluation assets | 9 | 50,000,000 | 500,000 | - | - | - | - | 500,000 |
| Debt settlement | 9 | 8,342,931 | 166,859 | - | - | - | - | 166,859 |
| Stock-based compensation | 9 | - | - | - | - | 140,000 | - | 140,000 |
| Loss and comprehensive loss | | - | - | - | - | - | (495,275) | (495,275) |
| **Balance at December 31, 2017** | | **204,450,829** | **$16,324,350** | **19,983,333** | **$139,949** | **$3,659,636** | **($17,034,089)** | **$3,089,846** |
| | | | | | | | | |
| **Balance at January 1, 2018** | | **204,450,829** | **$16,324,350** | **19,983,333** | **$139,949** | **$3,659,636** | **($17,034,089)** | **$3,089,846** |
| Private placements, net proceeds (issue for cash) | 9 | 29,306,000 | 368,400 | 29,306,000 | 361,100 | - | - | 729,500 |
| Acquisition of exploration and evaluation assets | 9 | 7,500,000 | 150,000 | - | - | - | - | 150,000 |
| Loss and comprehensive loss | | - | - | - | - | - | (2,930,730) | (2,930,730) |
| **Balance at December 31, 2018** | | **241,256,829** | **$16,842,750** | **49,289,333** | **$501,049** | **$3,659,636** | **($19,964,819)** | **$1,038,616** |

See accompanying notes to the consolidated financial statements.

AUREX ENERGY CORP

**(formerly Canadian Platinum Corp.)**
**Consolidated Statements of Cash Flows**
**For the Years Ended December 31**
*(amounts in Canadian dollars)*

| | Notes | 2018 | 2017 |
|---|---|---|---|
| Cash provided by (used in): | | | |
| Operating activities | | | |
| Loss and comprehensive loss for the year | | $ (2,930,730) | $ (495,275) |
| Adjustments for: | | | |
| Stock-based compensation | 9 | - | 140,000 |
| Impairment of exploration and evaluation assets | 6 | 2,500,000 | 445,698 |
| Gain on disposal of exploration and evaluation assets | 6 | - | (1,926) |
| Gain on debt settlement | 11 | - | (250,288) |
| Changes in non-cash working capital | 11 | 33,734 | 29,956 |
| Net cash used in operating activities | | (396,996) | (131,835) |
| Financing activities | | | |
| Advances from related party | 10 | 120,000 | 57,775 |
| Repayments to related party | 10 | (120,000) | - |
| Proceeds from promissory note | 12 | 100,000 | - |
| Repayment of promissory note | 12 | (100,000) | - |
| Private placements for cash, net of issue costs | 9 | 729,500 | 284,624 |
| Net cash from financing activities | | 729,500 | 342,399 |
| Investing activities | | | |
| Exploration and evaluation expenditures | 6 | (574,927) | (79,361) |
| Changes in non-cash working capital | 11 | 64,688 | 47,812 |
| Net cash used in investing activities | | (510,239) | (31,549) |
| Change in cash | | (177,735) | 179,015 |
| Cash, beginning of year | | 179,478 | 463 |
| Cash, end of year | | $ 1,743 | $ 179,478 |
| Supplemental cash flow information | 11 | | |

See accompanying notes to the consolidated financial statements.

1. Nature of Operations

Aurex Energy Corp. (formerly Canadian Platinum Corp.) (the "Corporation") is a public company whose shares are listed on the TSX-V. The Corporation is in the business of acquiring, exploring and developing mining properties in the province of Saskatchewan, Alberta, Canada and in the state of Nevada, United States of America. The mineral properties of the Corporation are all in the exploration stage. The address of business of the Corporation is Suite 260 – 2366 Avenue C North, Saskatoon, Saskatchewan, Canada, S7L 5X5.

On November 15, 2018 the Shareholders of the Corporation, at a Special Meeting of Shareholders, approved the consolidation all of its issued and outstanding common shares on the basis of twenty six (26) pre-consolidation Common Shares into one (1) Common Share. The consolidation occurred subsequent to year end, along with the concurrent name change. (see Note 14) These consolidated financial statements are presented on a pre-consolidation basis except for basic and diluted earnings per share that have presented on a post-consolidation.

The Corporation has incorporated a US subsidiary called Desert Strike Resources (US) Inc. (Note 3(c)). At December 31, 2018, the subsidiary was not active.

Subsequent to year end, on February 20, 2019, the Corporation acquired 100% of the issued and outstanding common shares of a privately-held US company with substantial natural gas reserves in the Barnett Shale, in the state of Texas. (see Note 14)

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 3, 2019.

2. Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Corporation has not yet earned operational revenue as it is still in the exploration phase of its business. The operations of the Corporation are currently being financed from funds which the Corporation raised from past private and public placements of its shares. The Corporation is reliant on the continuing support from its existing directors and future shareholders. The Corporation incurred a net loss of $2,930,730 (2017 - $495,275) for the year ended December 31, 2018 and has an accumulated deficit of $19,964,819 (2017 - $17,034,089) and working capital deficiency of $265,956 at December 31, 2018 (2017 - $10,201). These factors create a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

The Corporation will need to raise additional equity or incur additional debt to continue operations for the foreseeable future and to meet its liabilities as they fall due. There is no assurance that the Corporation will be successful in completing the raising of additional equity or will be able to obtain additional debt on terms acceptable to the Corporation. The Corporation's ability to continue as a going concern is dependent on its ability to obtain the necessary financing to fund its operations. The Corporation obtained financing subsequent to year end (see Note 14).

3. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the standards and interpretations issued by the International Accounting Standards Board ("IASB"). These include International Financial Reporting Standards ("IFRS") and the interpretations of the IFRS Interpretations Committee which are effective and applicable to the Corporation as at the end of its current fiscal year.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value.

(c) Principles of consolidation

During the year ended December 31, 2018 the Corporation incorporated Desert Strike Resources (US) Inc., a wholly-owned subsidiary. The accounts of the Corporation and its wholly-owned subsidiary is fully consolidated from the date of incorporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through the power over the subsidiary.

All intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the Corporation's functional currency. The Corporation's subsidiary functional currency is the United States Dollar.

(e) Significant accounting estimates and judgments

The preparation of consolidated financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

*Valuation of exploration and evaluation assets*

Management must make an assessment of impairment indicators related to its exploration and evaluation assets and use their judgment to determine whether there is any indication that these assets may be impaired. The assessment includes a review of future mineral prices, future capital expenditures, environmental and regulatory restrictions and management's assessment of the Corporation's ability to obtain additional financing to ensure work commitment are performed to keep claims in good standing. In the event an impairment test is performed, management considers future plans related to the specific CGU and will consider the recoverable amount to be $nil if no further expenditures are planned.

*Income taxes*

The amounts disclosed for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Corporation utilizing certain tax pools and assets which, in turn, is dependent on estimates of mineral reserves, production rates, future mineral prices and changes in legislation, tax rates and interpretations by taxation authorities. The availability of tax pools is subject to audit and interpretation by taxation authorities.

*Stock-based compensation and warrants*

The Corporation utilizes the Black-Scholes option pricing model to determine the fair value of stock options and warrants issued as part of a unit. The Corporation uses judgment in the evaluation of the input variables in the Black-Scholes Calculation which includes: estimates of the future volatility of the Corporation's share price, forfeiture rates, expected lives of the underlying security, expected dividends and other relevant assumptions.

*Flow-through share premium*

The amounts recorded for flow-through share premium and related deferred income tax effect are based on management's estimates of the market values of the Corporation's shares on the date of issuance, excluding the flow-through premium.

*Asset acquisition*

The fair value determined for common shares issued for the acquisition of mineral properties is based on the market price of the common shares on the measurement date. The measurement date is based on management's judgment as to when the closing of the agreement has occurred.

4. Significant accounting policies

(a) Exploration and evaluation expenditures

The Corporation accounts for exploration and evaluation costs according to IFRS 6 "Exploration for and Evaluation of Mineral Resources".

All license acquisitions and exploration and evaluation costs that are directly attributable to each identifiable project area are capitalized and relate to the initial search for deposits of minerals with economic value. These costs include researching and analyzing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, care and maintenance costs and/or completing prefeasibility and feasibility studies. Costs accumulated in respect of each identifiable project area are classified as exploration and evaluation assets and are only carried forward to the extent that they are expected to be recouped through the successful development of the areas or where activities in the areas have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Pre-license costs are expensed immediately. Other costs are also expensed unless commercial reserves have been established or the determination process has not been completed. Accumulated costs in relation to an abandoned area are written off in profit or loss in the period in which the decision to abandon the area is made.

Exploration and evaluation assets are not depleted or depreciated. When production commences, the accumulated costs for the identifiable project will be transferred to property and equipment and will be depleted or depreciated over the estimated life of the commercial reserves on a unit-of-production basis.

(b) Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment whenever facts or circumstances suggest that the carrying amount exceeds the recoverable amount. Indicators of impairment arise typically when one of the following circumstances applies:

- unexpected geological occurrences that render the resource uneconomic;
- title to the asset is compromised;
- variations in metal prices that render the project uneconomic;
- the Corporation no longer retains the legal right to conduct exploration activities; and
- the Corporation determines that it no longer wishes to continue to evaluate or develop the property.

Impairment reviews for exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit ("CGU"), defined as the lowest levels for which there are separately identifiable cash inflows. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs of disposal and value in use) if the estimated recoverable amount is less than the asset's carrying amount. Given the stage of development of the Corporation's projects, fair value less costs of disposal is used to determine recoverable amount. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(c) Provisions and contingent liabilities

Provisions are recognized by the Corporation when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

*Decommissioning provisions*

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Corporation's exploration and evaluation assets. The best estimate of the expenditure required to settle the present obligation at the statement of financial position is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated exploration and evaluation asset. The provision is accreted over time through charges to financing expenses with actual expenditures charged against the accumulated obligation. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and related asset. Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any differences between the recorded provision and the actual costs incurred are recorded as a gain or loss.

Management has considered the need for any necessary decommissioning provisions for the cost of rectifying any environmental damage as might be required under legislation and the Corporation's mining claims obligations. In its view, no provision is necessary at December 31, 2018 or 2017, for any future costs of decommissioning or any environmental damage.

(d) Flow-through shares

From time to time, the Corporation finances a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. The stated capital recorded on flow-through share issuances is equal to the estimated fair value of the common shares, exclusive of the flow-through component, on the date of issue. The difference between the gross proceeds received and the stated capital recorded is a liability "flow-through share premium" until qualifying expenditures are incurred. When the expenditures are incurred, the resulting deferred tax liability is recorded through income tax expense less the reversal of the flow-through share premium previously reported.

(e) Income taxes

Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

(f) Leases

The Corporation's leases (premise lease) is accounted for as an operating lease and the lease costs are expenses as incurred.

(g) Finance expense

Finance expense includes bonus interest expense on monies received and paid back during the year. Finance expense is recognized in profit or loss using the effective interest rate method.

(h) Share-based payments

The Corporation has a stock option plan as described in Note 9. Stock options granted to directors and officers of the Corporation are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the stock options at the grant date using the Black-Scholes option pricing model.

The Corporation measures stock-based compensation to non-employees at the fair value of the goods or services received at the date the goods or services are received. If the fair value of the goods or services cannot be measured reliably, the value of the options granted is measured using the Black-Scholes option pricing model.

Each tranche in an award is considered a separate award with its own vesting period and grant date from value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of stock options that vest.

(i) Share purchase warrants

The Corporation issues units as a means of raising capital. Ordinarily, each unit contains one common share of the Corporation and a whole, or fraction of, a share purchase warrant. The Corporation allocates the proceeds from each unit to the common share and warrant components based on their relative fair value. Warrants are valued using the Black-Scholes pricing model. Transaction costs arising on the issue of units are recognized as equity as a reduction of the proceeds allocated to issued share capital and warrants on a pro-rata basis.

(j) Loss per share

The computation of basic loss per share uses the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that would occur if stock options and warrants were exercised. The diluted loss per share calculation assumes that all outstanding stock options and warrants with an exercise price below the average market prices are exercised and assumed proceeds plus the unamortized portion of stock-based compensation are used to purchase the Corporation's common shares at the average market price during the period.

For the years ended December 31, 2018 and 2017, the stock options and warrants are not dilutive.

(k) Foreign currency translation

Foreign currency transactions are initially translated into the functional currency at the transaction date exchange rate. At year-end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the historical rate effective on the date of the transactions. All foreign currency adjustments are expensed.

Financial statements of the subsidiary for which the functional currency is not the Canadian dollar are translated into Canadian dollars as follows: all asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as exchange differences on translating foreign operations in accumulated other comprehensive income ("AOCI").

(l) Segment reporting

The Corporation considers the geographical segment is the best distinguishable component of its operations because it is based on a particular economic environment, which is subject to risks and rewards that is different from other segments.

(m) Recent accounting pronouncements

(i) New accounting standard adopted

*IFRS 9 "Financial Instruments"*

*Adoption*
On January 1, 2018, the Corporation adopted IFRS 9, which replaced IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 provides a revised model for the classification and measurement of financial assets that eliminates the previous categories of financial assets under IAS 39 of "available for sale", "held-to-maturity", or "loans and receivables". Under IFRS 9, on initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"). The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 replaces the "incurred" loss model in IAS 39 with "an expected credit loss" ("ECL") model for calculating impairment for financial assets measured at amortized cost. This new standard also increases required disclosure about an entity's risk management strategy. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table summarizes the changes for the Corporation's financial assets and financial liabilities as a result of the adoption of IFRS 9 related to measurement categories.

| | **IAS 39** | **IFRS 9** |
|---|---|---|
| **Financial Assets** | | |
| Cash | FVPL | Amortized Cost |
| | | |
| **Financial Liabilities** | | |
| Accounts payable and accrued liabilities | Amortized Cost | Amortized Cost |

The measurement for these instruments and the line item in which they are included in the financial statements were unaffected by the adoption of IFRS 9 and there were no adjustments to the carrying amounts of the Corporation's financial instruments. In accordance with the transitional provisions, the comparative information for prior periods have not been restated.

*Classification and measurement of financial assets*
The Corporation initially measures financial assets and liabilities at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issuances of financial liabilities measured at amortized cost, are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition.

Financial assets are measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- it is held with the objective of collecting contractual cash flows; and
- Its contractual term gives rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at amortized cost using the effective interest method, less any expected credit loss. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

*Classification and measurement of financial liabilities*
Financial liabilities are measured at amortized cost using the effective interest method, unless the Corporation on initial recognition irrevocably designates the financial liability as FVPL.

The Corporation derecognizes a financial liability when and only when the obligation is discharged, cancelled or expires. The difference, if any, between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

(ii) Pronouncement effective for annual periods beginning on or after January 1, 2019

*IFRS 16 "Leases"*

The IASB has developed a new standard, IFRS 16 *"Leases",* which supersedes IAS 17 *"Leases".* IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). Lessee accounting will change substantially under this new standard while there is little change for the lessor. IFRS 16 eliminates the classification of leases as either operating leases or financing leases and, instead, introduces a single lessee accounting model. A lessee will be required to recognize assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and will be required to present depreciation of leased assets separately from interest on lease liabilities in the consolidated statement of loss.

The Corporation plans to adopt IFRS 16 retrospectively with a cumulative adjustment to deficit and no restatement of comparative prior periods. The Corporation has not yet completed its evaluation of the effect of adopting this standard and the impact it may have on its consolidated financial statements.

5. Financial instruments, risk management and capital management

(a) *Risk management overview*

The Corporation's activities expose it to a variety of financial risks including credit risk, currency risk and liquidity risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and polices to ensure that any exposure to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the year ended December 31, 2018.

The Corporation's risk exposures and their impacts on the Corporation's financial instruments are summarized below.

(i) *Credit risk*

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The financial instrument that potentially subjects the Corporation to a significant concentration of credit risk consists of cash and represents the maximum exposure to credit risk at the statement of financial position date. The Corporation mitigates its exposure to credit loss by placing its cash in a major financial institution.

(ii) *Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meets its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. As at December 31, 2018, the Company had current assets available of $54,893 to settle current liabilities of $398,674.

At December 31, 2018, the Corporation's accounts payable and accrued liabilities are all due within the next year. In addition, the Corporation is committed to spend $310,000 by December 31, 2019 on qualifying expenditures related to its flow-through share obligation, $250,000US in the next two years related to the Whiskey Flats Project (Note 6) and required to make two additional payments related to the Whiskey Flats Project (Note 6) of US$66,666, June 1, 2019 and US$66,666, June 1, 2020. To December 31, 2018, the Corporation has spent approximately $NIL related to the flow-through share obligation and $140,000 towards the Whiskey Flats Project obligation.

The Corporation will need to complete further equity issuances, issue debt or postpone/cease certain expenses and/or exploration and evaluation assets expenditures in order to settle all financial liabilities in the next twelve months.

(iii) *Foreign currency risk*

As the Corporation operates outside of Canada, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Corporation's foreign currency risk arises primarily with respect to the United States dollar. Fluctuations in the exchange rates between this currency and the Canadian dollar could have a material effect on the Corporation's exploration activities and business operations in the state of Nevada. At December 31, 2018, the Corporation does not have any US denominated financial instruments.

(b) *Fair value of financial instruments*

The fair values of cash and accounts payable and accrued liabilities approximate their carrying value due to the short-term maturity of those instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

(c) *Capital management*

The Corporation's policy for managing capital is to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources available to fund the identification and evaluation of potential mining interests. To secure the additional capital necessary to pursue these plans, the Corporation may adjust spending, raise additional funds through the issuance of equity or by securing strategic partners. The Corporation's ability to raise additional equity or debt financing is impacted by external conditions including the global economic downturn. The Corporation's officers are responsible for managing the Corporation's capital and the Corporation's Board of Directors is responsible for overseeing this process. There were no changes in the Corporation's approach to capital management during the year ended December 31, 2018.

*(amounts in Canadian dollars)*

The Corporation includes shareholders' equity in the definition of capital as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Shareholders' equity | $ 1,038,616 | $3,089,846 |

The Corporation's capital decreased significantly from prior year as a result of the loss incurred in the year. The Corporation will need to raise sufficient capital resources in order to carry its exploration plans and operations for the upcoming year. The Corporation is not subject to externally imposed capital requirements at December 31, 2018.

6. Exploration and evaluation assets

Exploration and evaluation ("E&E") assets consist entirely of capitalized exploration and evaluation expenditures. E&E assets include costs incurred in relation to the acquisition and development of the Corporation's mineral properties.

| | **December 31, 2016** | **Additions (Impairment loss), Net** | **December 31, 2017** | **Additions (Impairment loss), Net** | **December 31, 2018** |
|---|---|---|---|---|---|
| **Peter Lake(Canada)** | | | | | |
| Property acquisition costs | $ 586,632 | $ - | $ 586,632 | $ - | $ 586,632 |
| Geological and consulting | 3,962,207 | 1,141 | 3,963,348 | - | 3,963,348 |
| Drilling | 5,915,340 | - | 5,915,340 | - | 5,915,340 |
| Impairment loss | (7,519,622) | (445,698) | (7,965,320) | (2,500,000) | (10,465,320) |
| | 2,944,557 | (444,557) | 2,500,000 | - | - |
| **Brabrant Lake(Canada)** | | | | | |
| Acquisition | 141,340 | - | 141,340 | - | 141,340 |
| Geological and consulting | 231,776 | - | 231,776 | - | 231,776 |
| Disposal of property | - | (38,074) | (38,074) | - | (38,074) |
| Impairment loss | (335,042) | - | (335,042) | - | (335,042) |
| | 38,074 | (38,074) | - | - | - |
| **Cook Gold Project(US)** | | | | | |
| Acquisition | - | 521,970 | 521,970 | - | 521,970 |
| Geological and consulting | - | 56,250 | 56,250 | 341,260 | 397,510 |
| | - | 578,220 | 578,220 | 341,260 | 919,480 |
| **Whiskey Flats Project(US)** | | | | | |
| Acquisition | - | - | - | 239,860 | 239,860 |
| Geological and consulting | - | - | - | 141,107 | 141,107 |
| | - | - | - | 380,967 | 380,967 |
| **Craig Lake(Canada)** | | | | | |
| Geological and consulting | 1,425 | - | 1,425 | 2,700 | 4,125 |
| | 1,425 | - | 1,425 | 2,700 | 4,125 |
| Total exploration and evaluation assets | $ 2,984,056 | $ 95,589 | $ 3,079,645 | $ (1,775,073) | $ 1,304,572 |

During the year, the Corporation capitalized salaries of $112,500 (2017 - $56,250) related directly to exploration activities.

The outcome of ongoing exploration and evaluation activities, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain. Management has reviewed the Projects above at December 31, 2018 for any indicators of impairment and determined that no indicators were present other than for the Peter Lake Project. This assessment includes a review of the expiry dates of claims, the likelihood of meeting the annual expenditure requirements to maintain the claims in good standing, management's assessments of the results of geological studies, drilling and the intentions to carry on future work on these claims based on the results to date.

Peter Lake Platinum Project

The Peter Lake Property, located in northern Saskatchewan, comprises 6 mining claims covering 26,437 hectares. During the current year 6 claims covering 12,558 hectares were allowed to lapse and may be restaked at a later date. Management has allowed mining claims to expire since 2013 and has determined that exploration activities in this area at this time are no longer being pursued. As a result, the Corporation recorded an accumulative impairment loss of $7,965,320 to December 31, 2017 and has recorded a further impairment loss during the current year of $2,500,000. The active claims require the Corporation to incur annual exploration expenditures of $25 per hectare in each year after the tenth year following the effective date of staking. Exploration expenditures in excess of the annual requirements are carried forward as assessment credits. As at December 31, 2018 the Corporation had $4,465,043 in assessment credits. The assessment credits are sufficient to keep the remaining 6 claims in good standing as follows:

1 claim covering 5,249 hectares until August 12, 2021;
1 claim covering 5,621 hectares until August 12, 2022;
2 claims covering 8,039 hectares until August 12, 2024; and
2 claims covering 7,528 hectares until August 12, 2034

Brabant Lake Graphite Project

The Brabant Lake Property, located in northern Saskatchewan, comprised 1 mining claim. Management has allowed mining claims to expire since 2013 and the Corporation has recorded cumulative impairment losses of $335,042 to December 31, 2016. The remaining claim covering 703 hectares had $27,332 in assessment credits which were sufficient to keep the claim in good standing until August 12, 2019. The Corporation entered into a Sale and Purchase Agreement during 2017 with a related party (the "Purchaser"), a former director of the Corporation, whereby the Corporation agreed to transfer the Brabant Lake Property to the Purchaser in settlement of the full amount of related party debt of $40,000 owed to the Purchaser.

Cook Gold Project

In 2017 the Corporation acquired a 70% working interest in the Cook Gold Project in Humboldt County Nevada. Consideration for the acquisition required the issuance of 50 million common shares of the Corporation with an estimated fair value of $500,000. At the date of closing the seller was a non-arm's length party which owned more than 10% of the issued and outstanding shares of the Corporation. The property consists of 88 lode claims covering 740 hectares and is located 100km northwest of Winnemucca, Nevada. There are no work commitments, but the Corporation keeps the mineral claims in good standing by paying the required annual maintenance fee. The property is subject to a 2.5% net smelter royalty in favour of arm's length third parties.

The first phase of exploration work, including airborne geophysical surveys, airborne hyperspectral surveys and ground mapping and sampling, has been completed on the property during the year.

*(amounts in Canadian dollars)*

Craig Lake

The Craig Lake property consists of 1 mining claim in Saskatchewan covering 2,764 hectares. This claim is subject to a 3% net smelter royalty which may be acquired by the Corporation, at any time, for a cash payment of $5,000,000. As at December 31, 2018 the Corporation had $369,423 in assessment credits to offset the $41,460 of required expenditures on the Craig Lake claims. The assessment credits are sufficient to keep the current claim in good standing until April 9, 2026.

Whiskey Flats Project

On February 21, 2018 the Corporation signed a formal agreement with Silver Reserve Corp ("Owner") to purchase a 50% interest in the Whiskey Flats Copper-Zinc Project, a former-producing copper-zinc property in Mineral County, Nevada. The property consists of 12 patented lode claims and 17 unpatented lode claims covering approximately 230 hectares. The terms of the acquisition required the Corporation to issue 7,500,000 common shares of the Corporation with an estimated fair value of $150,000 and will require cash payments totaling US$200,000 over a 24 month period of which US$66,666 paid to date and the balance due as follows: US$66,666, June 1, 2019 and US$66,666, June 1, 2020. The 50% interest title transfer will occur on receipt by the Owner of the final cash payment. In addition, the Corporation is responsible for all costs to complete the pre-feasibility study. Once the final cash payment is made on June 1, 2020, the Corporation and the Owner will enter into a joint venture arrangement governing the operation and development of the Whiskey Flats Project.

There are no work commitments other than the annual maintenance fee and per the agreement noted above, the Corporation is required to incur US$125,000 per year in exploration expenditures over a 2 year period and the Corporation must bring the facility to a state suitable for commercial production by June 21, 2021 as noted in the agreement with Owner. To December 31, 2018, the Corporation has spent approximately $140,000 towards the Whiskey Flats Project obligation.

Initial exploration work, including an airborne hyperspectral survey and underground mapping and sampling was completed on the property during the year.

7. Accounts payable and accrued liabilities

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Trade payables | $ | 11,179 | $ | 14,238 |
| Accounts payable to related parties (Note 10) | | 240,370 | | 133,750 |
| Other accrued liabilities | | 69,300 | | 26,000 |
| | $ | 320,849 | $ | 173,988 |

*(amounts in Canadian dollars)*

8. Income taxes

(a) The provision for income taxes differs from the results which would be obtained by applying the combined federal and provincial income tax rates to loss before taxes as follows:

| | | **2018** | | **2017** |
|---|---|---|---|---|
| **Loss before income taxes** | $ | (2,930,730) | $ | (495,275) |
| Effective statutory income tax rate | | 27% | | 27% |
| Expected income tax recovery | $ | (791,300) | $ | (133,700) |
| Difference resulting from: | | | | |
| Stock-based compensation | | - | | 37,800 |
| Flow-through share obligation | | 82,600 | | - |
| Gain on debt settlement | | - | | (67,600) |
| Tax asset not recognized | | 708,700 | | 163,500 |
| Deferred income tax recovery | $ | - | $ | - |

(b) Deferred tax assets

The following information summarizes the timing differences:

| | | **2018** | | **2017** |
|---|---|---|---|---|
| Deferred tax assets (liabilities) | | | | |
| Other | $ | 30,600 | $ | 31,200 |
| Exploration and evaluation assets | | 1,934,200 | | 1,373,100 |
| Non-capital losses carried forward | | 758,200 | | 610,000 |
| Tax assets not recognized | | (2,723,000) | | (2,014,300) |
| Net deferred tax assets | $ | - | $ | - |

(c) Losses carried forward

As at December 31, 2018 the Corporation has approximately $2,808,000 of non-capital losses carried forward which are available to reduce taxable income expiring as follows:

| | | |
|---|---|---|
| 2038 | $ | 568,000 |
| 2037 | | 165,000 |
| 2036 | | 150,000 |
| 72035 | | 221,000 |
| 2034 | | 218,000 |
| 2033 | | 372,000 |
| 2032 | | 511,000 |
| 2031 | | 47,000 |
| 2030 | | 369,000 |
| 2029 | | 127,000 |
| 2028 | | 43,000 |
| 2027-2020 | | 17,000 |
| | $ | 2,808,000 |

9. Share capital

The authorized share capital of the Corporation is an unlimited number of common shares without par value and an unlimited number of preferred shares, issuable in series, with the rights, privileges, restrictions and conditions designated by the Board of Directors at the time of issuance.

*2017 transactions*

During the year ended December 31, 2017 the Corporation issued 50,000,000 common shares of the Corporation as consideration for the purchase of a 70% working interest in the Cook Gold Project (Note 6). These shares had an estimated fair value of $0.01 per share for a total non-cash consideration of $500,000.

Also during 2017, the Corporation entered into a Debt Settlement Agreement with a related party pursuant to which the Corporation issued 8,342,931 common shares of the Corporation with an estimated fair value at $0.02 per share in order to settle an outstanding debt of $417,147 related to cash advances made to the Company. A gain on debt settlement of $250,288 was recognized on the transaction (Note 10).

On November 21, 2017, the Company completed a private placement financing offering by issuing a total of 19,983,333 Units at a purchase price of $0.015 per Unit for gross proceeds of $299,750. Each Unit consisted of one common share and one common share purchase warrant (“Warrant”). Issuance costs associated with the private placement amounted to $15,126 for net proceeds of $284,624. The fair value of the Unit of $284,624 was allocated $144,675 to the common shares and $139,949 to the Warrants.

*2018 transactions*

During the year ended December 31, 2018, the Corporation issued 7,500,000 common shares of the Corporation as initial consideration for the purchase of a 50% working interest in the Whiskey Flats Copper-Zinc Project. (Note 6) These shares had an estimated fair value of $0.02 per share for a total non-cash consideration of $150,000.

On June 7, 2018, the Corporation closed a private placement of flow-through (“FT”) financing offering which resulted in the issuance of 12,400,000 Units at a purchase price of $0.025 per Unit for gross proceeds of $310,000. Each FT Unit consists of one FT common share and one common share purchase warrant (“Warrant”). The fair value of the Unit of $310,000 was allocated $159,000 to the common shares, $151,000 to the Warrants.

On July 17, 2018 and August 6, 2018 the Corporation closed private placement financing offerings which resulted in the issuance of 16,906,000 Units at a purchase price of $0.025 per Unit for gross proceeds of $422,650. Each Unit consisted of one common share and one common share purchase warrant (“Warrant”). Issuance costs associated with the private placements amounted to $3,150 for net proceeds of $419,500. The fair value of the Unit of $419,500 was allocated $209,400 to the common shares and $210,100 to the Warrants.

*(amounts in Canadian dollars)*

Each Warrant issued in 2017 and 2018 entitles the holder thereof to acquire one common share of the Corporation at $0.05 per share for 24 months following the closings. The following weighted average assumptions were used in the Black-Scholes pricing model to determine the value of the share purchase warrants:

| | 2018 | 2017 |
|---|---|---|
| Market price of common share on issuance | $0.02 to $0.025 | $0.02 |
| Expected stock price volatility | 300% | 325% |
| Expected life of warrants | 2 | 2 |
| Risk free interest rate | 1.90% | 1.86% |
| Expected dividend yield | 0% | 0% |
| Forfeiture rate | 0% | 0% |
| Fair value of warrant | $0.018 to $0.023 | $0.02 |

*Stock options*

The Corporation has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and contractors of the Corporation as well as persons providing ongoing services to the Corporation. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Corporation. Unless otherwise determined by the Board of Directors of the Corporation, the exercise price of options equals the closing price of the common shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten year term.

On August 28, 2017 the Corporation granted 7,000,000 stock options to directors and management which vested on December 28, 2017 and have an exercise price of $0.05 per share resulting in $140,000 share-based compensation expense. No stock options were granted during the year ended December 31, 2018.

The following assumptions were used to estimate the fair value of options granted:

| | 2017 |
|---|---|
| Market price of common share on issuance | $0.005 |
| Expected stock price volatility | 325% |
| Expected life of options | 10 |
| Risk free interest rate | 1.86% |
| Expected dividend yield | 0% |
| Forfeiture rate | 0% |
| Fair value per option | $0.02 |

(amounts in Canadian dollars)

A summary of the status of the Corporation's stock option plan as at December 31, 2018 and 2017 is as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Number of options | | Weighted Average Exercise Price | Number of Options | | Weighted Average Exercise Price |
| Outstanding, beginning of year | 17,300,000 | $ | 0.09 | 10,300,000 | $ | 0.12 |
| Granted | - | | - | 7,000,000 | | 0.05 |
| Outstanding, end of year | 17,300,000 | $ | 0.09 | 17,300,000 | $ | 0.09 |
| Exercisable, end of year | 17,300,000 | $ | 0.09 | 17,300,000 | $ | 0.09 |

17,300,000 stock options outstanding and exercisable at December 31, 2018 have a weighted average remaining contractual life of 7.09 years.

*Share purchase warrants*

A summary of the status of the Corporation's share purchase warrants as at December 31, 2018 and 2017 is as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Number of Warrants | | Weighted Average Exercise Price | Number of Warrants | | Weighted Average Exercise Price |
| Outstanding, beginning of year | 19,983,333 | $ | 0.05 | - | $ | - |
| Private placement | 29,306,000 | | 0.05 | 19,983,333 | | 0.05 |
| Outstanding, end of year | 49,289,333 | $ | 0.05 | 19,983,333 | $ | 0.05 |

19,983,333 outstanding warrants are exercisable for a period of 24 months, expiring on November 21, 2019; 12,400,000 are exercisable for a period of 24 months, expiring on June 7, 2020; 12,626,000 are exercisable for a period of 24 months, expiring on July 17, 2020; and 4,280,000 are exercisable for a period of 24 months, expiring on August 6, 2020.

10. Related party transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation has determined that this consists of corporate officers, executive and non-executive members of the Corporation's Board of Directors and companies owned by these individuals. During the year, the Corporation was charged $200,000 (2017 - $125,000) by key management personnel for management fees which $87,500 (2017 - $68,750) is included in professional fees and $112,500 (2017 - $56,250) was capitalized for geological and consulting work relating to the Cook Gold and Whiskey Flats Projects. Included in accounts payable and accrued liabilities, including amounts relating to prior years charges, is $240,370 (2017 - $133,750) payable as funds become available without interest.

*(amounts in Canadian dollars)*

In addition the following transactions occurred during the year:

- the President advanced funds of $120,000 to the Corporation for general business purposes. The advanced funds were repaid in full during the year; and

- the President purchased 4,000,000 Units in the private placement (Note 9) for total consideration of $100,000

Additional related party transactions are included in Note 6 and Note 9.

11. Supplemental cash flows information

Changes in non-cash working capital for the periods ended December 31, 2018 and 2017 is comprised of:

| | 2018 | 2017 |
|---|---|---|
| Provided by (used in): | | |
| GST recoverable | $ (6,300) | $ (1,256) |
| Prepaid expenses | (42,139) | - |
| Accounts payable and accrued liabilities | 146,861 | 79,024 |
| | $ 98,422 | $ 77,768 |
| Changes in non-cash working capital related to: | | |
| Operating activities | $ 33,734 | $ 29,956 |
| Investing activities | 64,688 | 47,812 |
| | $ 98,422 | $ 77,768 |

Non-cash transactions for the year ended:

December 31, 2018 and 2017

- Issuance of 7,500,000 (2017 - 50,000,000) common shares in the amount of $150,000 (2017 - $500,000) for exploration and evaluation assets.

December 31, 2017

- Proceeds on sale of exploration and evaluation assets in exchange for repayment of due to related parties in the amount of $40,000 (Note 6).

- Issuance of 8,342,931 common shares at fair value amount of $166,859 for settlement of debt which was due to a related party in the amount of $417,147 resulting in a gain of $250,288 (Note 6).

There was no interest or income taxes paid during the periods ended December 31, 2018 or 2017.

12. Commitments

The Corporation entered into a one year lease agreement for its office premises with monthly payments of $1,295, which expires on October 31, 2019.

*(amounts in Canadian dollars)*

During the year the Corporation issued and repaid a promissory note ("Note") in the amount of $100,000 from a third party. The debt was unsecured with interest at 5% per annum and was payable on demand. In addition the Corporation has agreed to issue to the debtor bonus shares in an amount equal to 20% of the value of the Note divided by the market price of the Corporation's common shares on the TSX Venture Exchange. On the date of receipt of the funds, the market price of the common shares was trading at $0.025, resulting in an obligation by the Corporation to issue 800,000 common shares for the bonus interest in the amount of $20,000. The issuance of these common shares are subject to approval by the TSX Venture Exchange ("TSX"). As at year end the Corporation has not received approval by TSX. The $20,000 is included in finance expenses and other accrued liabilities (Note 7). The market value of shares at year end remained the same as date of issuance resulting in no change in the amount initially recorded.

13. Segmented information

The Corporation has one operating segment and operations in the mining, exploration and development business. The Corporation's Board of Directors evaluates the performance of these two geographical locations and allocates resources based on certain measures. The Corporation operates in Canada and United States of America.

The information based on the geographical location of the assets is as follows:

| December 31, 2018 | **Canada** | **US** | **Consolidated** |
|---|---|---|---|
| Current assets | $ 54,493 | $ 400 | $ 54,893 |
| Exploration and evaluation assets | 4,125 | 1,300,447 | 1,304,572 |
| Total assets | $ 58,618 | $ 1,300,847 | $ 1,359,465 |

| December 31, 2017 | **Canada** | **US** | **Consolidated** |
|---|---|---|---|
| Current assets | $ 184,189 | $ - | $ 184,189 |
| Exploration and evaluation assets | 2,501,425 | 578,220 | 3,079,645 |
| Total assets | $ 2,685,614 | $ 578,220 | $ 3,263,834 |

14. Subsequent events

Subsequent to year end, the Corporation completed a share consolidation resulted in all of the issued and outstanding common shares being consolidated on the basis of twenty-six (26) pre-consolidation shares into one (1) common share. Concurrent with this consolidation, the Corporation completed a name change to Aurex Energy Corp.

The Corporation issued a promissory note ("Note") of $100,000 to a third party on January 31, 2019. The debt is unsecured with interest at 12% per annum and was due on March 31, 2019 which has been extended until the Corporation has available cash to repay the Note. In addition the Corporation has agreed to either issue to the debtor bonus shares in an amount equal to 20% of the value of the Note divided by the market price of the Corporation's common shares on the TSX Venture Exchange (discounted by 10%), or in lieu of bonus share issuance the debtor may elect to receive a cash payment in an amount equal to 20% of the value of the Note.

On February 27, 2019, the Corporation issued 12,705,000 (post-consolidation) common shares of the Corporation as consideration for the purchase of 100% of the issued and outstanding common shares of a privately-held company (the “Subsidiary”) with substantial natural gas reserves in the Barnett Shale, Texas. On the date of acquisition, the common shares of Aurex had an estimated fair value of $0.65 per share (post consolidation) for a total non-cash consideration of $8,258,250. In addition, the Corporation incurred cash costs of $ 36,690 related to this acquisition.

In April 2019, the Corporation obtained a demand loan facility of $50,000 to finance the day-to-day operations. Any advances drawn on the facility bear interest at prime plus 2% per annum and is secured by a general security agreement providing a first security interest on all present and after acquired property of the Corporation and full guarantee of the facility by two specific board members of the Corporation. The facility is subject to annual review by the lender.

This Management Discussion and Analysis ("MD&A") of the financial condition and results of operations for Aurex Energy Corp. (formerly Canadian Platinum Corp.) (the "Corporation") is dated June 3, 2019 and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2018, together with the accompanying notes thereto.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management quarterly to review the consolidated financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

## Forward-looking Statements

This MD&A may contain certain forward-looking statements with respect to the Corporation. These forward-looking statements are subject to both known and unknown risks and uncertainties which may cause actual results, performances or achievements to be materially different from those contemplated by such forward-looking statements. The Corporation considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but caution the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect. The Corporation does not, except as required by law, undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Overview

Aurex Energy Corp. (formerly Canadian Platinum Corp.) is a Canadian-based, publicly listed company that trades on the TSX.V under the symbol "AURX".

On November 15, 2018 the Shareholders of the Corporation, at a Special Meeting of Shareholders, approved the consolidation all of its issued and outstanding common shares on the basis of twenty six (26) pre-consolidation Common Shares into one (1) Common Share. The consolidation occurred subsequent to year end, along with the concurrent name change. These consolidated financial statements are presented on a pre-consolidation basis except for basic and diluted earnings per share that have presented on a post-consolidation.

The Corporation has incorporated a US subsidiary called Desert Strike Resources (US) Inc. At December 31, 2018, the subsidiary was not active.

Subsequent to year end, on February 20, 2019, the Corporation acquired 100% of the issued and outstanding common shares of a privately-held US company with substantial natural gas reserves in the Barnett Shale, in the state of Texas.

The Corporation is an exploration stage company and has no revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain the necessary approval and financing to complete the development, and future profitable production from the properties or proceeds from disposition. The Corporation has, in the past, been dependent on raising cash through the sale of its common shares, either by way of private placement or through the exercise of warrants or options. The Corporation fully anticipates undertaking further private placements or public offerings in the future in order to finance business opportunities as they may arise.

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

## Performance Summary

The Corporation has written down the value of its properties to the current assessed value of the projects and will continue to focus on developing its project portfolio to achieve near-term and longer-term goals. The Corporation has acquired a 70% working interest in the Cook Gold Project in Humboldt County, Nevada and acquired a 50% working interest in the Whiskey Flats Project in Mineral County, Nevada. In addition, subsequent to year end, the Corporation has acquired 100% of the common shares of a privately-held company with substantial natural gas reserves in the Barnett Shale, Texas.

Subject to the availability of capital, the Corporation will continue to carry out exploration and development work on its projects as warranted. The Corporation may also seek out joint ventures and other opportunities to enhance shareholder value.

## Assets of the Corporation

In addition to cash, prepaid expenses, and GST recoverable, the Corporation's major asset is its investment in mineral properties. As of December 31, 2018, the Corporation's investment in mineral properties totaled $1,304,572 as compared to $3,079,645 at December 31, 2017.

## Exploration Properties

The Corporation continues to focus on strengthening its portfolio of exploration projects through strategic acquisitions and dispositions. The portfolio currently consists of the Cook Gold Project in Nevada, USA; the Whiskey Flats Copper-Zinc Project in Nevada, USA; and the Craig Lake Base Metal Project in northern Saskatchewan. Management continues to actively seek out and evaluate other projects that would be a good corporate fit and could be of interest to potential investors in the Corporation.

### *Peter Lake Cu-Ni-PGE-Co Project*

The Peter Lake Property, located in northern Saskatchewan, approximately 110km south of Points North Landing, consists of 6 active mineral claims totaling 26,437 hectares. Additional mineral claims were allowed to expire since 2013 as management has determined the exploration activities in this area are no longer being pursued. The Corporation recognized a full impairment loss on this project and the carrying amount at December 31, 2018 is $nil.

### *Cook Gold Project*

The Corporation has acquired a 70% working interest in the Cook Gold Project in Humboldt County Nevada. The property consists of 88 lode claims covering 7.4 sq km and is located 100km northwest of Winnemucca, Nevada. There are no work commitments, but the Corporation does commit to keep the mineral claims in good standing by making the required annual fee payments of US$13,640 to the Bureau of Land Management. The property is subject to a 2.5% Net Smelter Royalty in favour of arm's length third parties. Subsequent to the end of the year, the Corporation engaged Axiom Exploration, of Saskatoon, SK, to commence the first phase of exploration work on the project. Work completed by the date of this report includes an airborne magnetometer survey, an airborne hyperspectral survey, orthomosaic photogrammetry, initial geologic mapping and surface sampling. Assay results from the surface sampling confirmed high-grade gold and copper mineralization on the property (see news release dated June 21, 2018).

***Brabant Lake Graphite Project***

The Brabant Lake Property is a grassroots prospect consisting of 1 mineral claim covering 703 hectares near Peter Lake in northern Saskatchewan. Management has determined the exploration activities in this area are no longer being pursued. The Corporation has recognized a full impairment loss on this project and the carrying amount at December 31, 2018 is $nil.

***Whiskey Flats Copper-Zinc Project***

On February 21, 2018 the Corporation signed a formal option agreement (the "Option") with Silver Reserve Corp ("Optionor") to earn a 50% interest in the Whiskey Flats Copper-Zinc Project, a former-producing copper-zinc property in Mineral County, Nevada. The terms of the acquisition required the Corporation to issue 7,500,000 common shares of the Corporation and will require cash payments totaling US$200,000 over a 24 month period. The Corporation is required to incur US$250,000 in exploration expenditures over a 24 month period. The property consists of 12 patented lode claims and 47 unpatented lode claims covering approximately 1,200 acres and the Corporation has recorded an additional 30 mineral lode claims. Exploration work completed by the date of this report includes an airborne hyperspectral survey, and underground mapping and sampling of the historic mine workings. Assays results were received subsequent to year-end and reported in a news release date March 14, 2019. The results confirm extensive copper-zinc-silver mineralization on the property over significant widths.

***Craig Lake/Flin Flon South***

The Craig Lake/Flin Flon South property consists of 1 mining claim covering 2,764 hectares. This claim is subject to a 3% net smelter royalty which may be acquired by the Corporation, at any time, for a cash payment of $5,000,000. Management has not actively explored this property since 2014 recorded a full impairment loss on this project to December 31, 2017. Due to interest from a third party in carrying out additional work on the property, the Corporation re-evaluated previous work and concluded that 2 DPEM targets warranted drilling. As a result permits to drill 2 diamond drill holes were applied for and received. Part of the financing, described below under "Share Capital" will be used to drill-test the DPEM targets.

## Results of Operations

The Corporation has no material revenues, and is dependent upon both satisfactory results from exploration and access to capital on reasonable terms in order to advance its projects.

## Selected Annual Financial Information

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net loss | ($2,930,730) | ($495,275) | ($3,123,805) |
| Basic and diluted loss per share(1) | ($0.34) | ($0.07) | ($0.02) |
| Total assets | $1,359,465 | $3,263,834 | $2,987,974 |

(1) Post-consolidation

## Selected Quarterly Financial Information

The following quarterly financial data is derived from the consolidated financial statements of the Corporation for the three-month periods ended on the dates indicated below:

| | Dec 31/18 | Sep 30/18 | Jun 30/18 | Mar 31/18 |
|---|---|---|---|---|
| Total assets | $1,359,465 | $3,742,684 | $3,700,448 | $3,274,829 |
| Exploration and evaluation assets | $1,304,572 | $3,696,072 | $3,546,516 | $3,253,646 |
| Working capital deficiency | ($265,956) | ($65,123) | ($123,226) | ($71,888) |
| Shareholders' equity | $1,038,616 | $3,630,949 | $3,423,290 | $3,181,757 |
| Net loss | ($2,534,244) | ($211,841) | ($126,556) | ($58,089) |
| Loss per share (basic and diluted) (1) | $(0.30) | $(0.02) | $(0.01) | $(0.01) |
| | | | | |
| | **Dec 31/17** | **Sep 30/17** | **Jun 30/17** | **Mar 31/17** |
| Total assets | $3,263,834 | $5,474,815 | $5,490,565 | $2,988,359 |
| Exploration and evaluation assets | $3,079,645 | $5,466,094 | $5,485,197 | $2,984,056 |
| Working capital deficiency | $10,201 | ($168,530) | ($543,566) | ($505,481) |
| Shareholders' equity | $3,089,846 | $5,297,563 | $4,941,631 | $2,478,575 |
| Net loss | ($382,053) | ($61,214) | ($36,944) | ($15,063) |
| Loss per share (basic and diluted) (1) | ($0.04) | $(0.01) | $(0.00) | $(0.00) |

(1) Post-consolidation

## Comparison of the Three Months Results

During the quarter ended December 31, 2018, the Company reported a net loss of $2,534,244 ($382,053 in 2017) including impairment charges of $2,500,000 ($445,698 in 2017).

The following is a comparison of significant items from operations: office expenses of $5,076 ($12,123 in 2017), marketing expenses of $Nil ($7,406 in 2017), professional fees of $45,945 ($20,008 in 2017), filing fees of $300 ($400 in 2017), and transfer agent fees of $Nil ($5,305 in 2017).

## Comparison of Annual Results

During the year ended December 31, 2018 the Company reported a net loss of $2,930,730 ($495,275 in 2017) including impairment charges of $2,500,000 ($445,698 in 2017).

The following is a comparison of significant items from operations: general exploration expenses of $67,143 ($Nil in 2017), office expenses of $50,123 ($25,769 in 2017), marketing expenses of $136,939 ($7,804 in 2017), professional fees of $124,856 ($92,223 in 2017), filing fees of $8,375 ($3,621 in 2017) and transfer agent fees of $22,881 ($32,374 in 2017).

## Capital Expenditures

The Corporation used its cash on hand for the acquisition and exploration of mineral properties. During the year ended December 31, 2018, the Corporation incurred $724,927 in capital expenditures as compared to $579,361 for the same period in 2017, of this amount $150,000 was a non-cash transaction through the issuance of 7,500,000 common shares as described under share capital. Subsequent to year end, the Corporation incurred $8,258,250 in capital expenditures in a non-cash transaction through the issuance of 12,705,000 common shares as described under share capital.

## Financial Condition/Liquidity/Capital Resources

The Corporation has historically relied upon advances from its shareholders and directors and the equity capital markets to raise funds to finance its mineral property acquisitions and exploration programs. As of December 31, 2018, the Corporation has a cash balance of $1,743 to fund its future activities. In addition, the directors have advanced funds to the Corporation since 2013 to fund general and administrative expenses. These advances are non-interest bearing, unsecured and have no set terms of repayment. The outstanding balance as at December 31, 2018 for advances from these related parties is $4,810 (2017 - $Nil).

## Share Capital

The authorized share capital of the Corporation is unlimited number of common shares without par value and an unlimited number of preferred shares, issuable in series, with the rights, privileges, restrictions and conditions designated by the Board of Directors at the time of issuance.

*2017 transactions*

During the year ended December 31, 2017 the Corporation issued 50,000,000 common shares of the Corporation as consideration for the purchase of a 70% working interest in the Cook Gold Project (Note 6). These shares had an estimated fair value of $0.01 per share for a total non-cash consideration of $500,000.

Also during 2017, the Corporation entered into a Debt Settlement Agreement with a related party pursuant to which the Corporation issued 8,342,931 common shares of the Corporation with an estimated fair value at $0.02 per share in order to settle an outstanding debt of $417,147 related to cash advances made to the Company.

On November 21, 2017, the Company completed a private placement financing offering by issuing a total of 19,983,333 Units at a purchase price of $0.015 per Unit for gross proceeds of $299,750. Each Unit consisted of one common share and one common share purchase warrant ("Warrant"). Issuance costs associated with the private placement amounted to $15,126 for net proceeds of $284,624.

*2018 transactions*

During the year ended December 31, 2018, the Corporation issued 7,500,000 common shares of the Corporation as initial consideration for the purchase of a 50% working interest in the Whiskey Flats Copper-Zinc Project. (Note 6) These shares had an estimated fair value of $0.02 per share for a total non-cash consideration of $150,000.

On June 7, 2018, the Corporation closed a private placement of flow-through ("FT") financing offering which resulted in the issuance of 12,400,000 Units at a purchase price of $0.025 per Unit for gross proceeds of $310,000. Each FT Unit consists of one FT common share and one common share purchase warrant ("Warrant").

On July 17, 2018 and August 6, 2018 the Corporation closed private placement financing offerings which resulted in the issuance of 16,906,000 Units at a purchase price of $0.025 per Unit for gross proceeds of $422,650. Each Unit consisted of one common share and one common share purchase warrant ("Warrant"). Issuance costs associated with the private placements amounted to $3,150 for net proceeds of $419,500.

Each Warrant issued in 2017 and 2018 entitles the holder thereof to acquire one common share of the Corporation at $0.05 per share for 24 months following the closings.

At December 31, 2018 there were 241,256,829 common shares outstanding, 49,289,333 warrants, and 17,300,000 stock options outstanding in the capital of the Corporation.

As at the date hereof and post-consolidation, there were 21,984,109 common shares outstanding, 1,895,744 warrants, and 665,385 stock options outstanding in the capital of the Corporation.

Stock options

The Corporation has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and contractors of the Corporation as well as persons providing ongoing services to the Corporation. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Corporation. Unless otherwise determined by the Board of Directors of the Corporation, the exercise price of options equals the closing price of the common shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten year term.

On August 28, 2017 the Company granted 7,000,000 stock options to directors and management which vested on December 28, 2017 with an exercise price of $0.05 per share resulting in $140,000 share-based compensation expense. No stock options were granted during the year ended December 31, 2018.

17,300,000 stock options outstanding and exercisable at December 31, 2018 have a weighted average remaining contractual life of 7.09 years.

| Options outstanding and exercisable | Exercise Price |
|---|---|
| 10,300,000 | $ 0.12 |
| 7,000,000 | $ 0.05 |

Share purchase warrants

19,983,333 outstanding share warrants are exercisable for a period of 24 months at $0.05, expiring on November 21, 2019; 12,400,000 are exercisable for a period of 24 months at $0.05, expiring on June 7, 2020; 12,626,000 are exercisable for a period of 24 months at $0.05, expiring on July 17, 2020; and 4,280,000 are exercisable for a period of 24 months at $0.05, expiring on August 6, 2020.

**Related Party Transactions**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation has determined that this consists of corporate officers, executive and non-executive members of the Corporation's Board of Directors and companies owned by these individuals. During the year, the Corporation was charged $200,000 (2017 - $125,000) by key management personnel for management fees which $87,500 (2017 - $68,750) is included in professional fees and $112,500 (2017 - $56,250) was capitalized for geological and consulting work relating to the Cook Gold and Whiskey Flats Projects. Included in accounts payable and accrued liabilities, including amounts relating to prior years charges, is $240,360 (2017 - $133,750) payable as funds become available without interest.

In addition the following transactions occurred during the year:

- the President advanced funds of $120,000 to the Corporation for general business purposes. The advanced funds were repaid in full during the year; and

- the President purchased 4,000,000 Units in the private placement (Note 10) for total consideration of $100,000

Additional related party transactions are included in Note 6 and Note 10 to the annual consolidated financial statements.

Recent accounting pronouncements

The following pronouncement has been adopted.

*IFRS 9 "Financial Instruments"*

On January 1, 2018, the Corporation adopted IFRS 9, which replaced IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 provides a revised model for the classification and measurement of financial assets that eliminates the previous categories of financial assets under IAS 39 of "available for sale", "held-to-maturity", or "loans and receivables". Under IFRS 9, on initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit and loss ("FVPL"), and FVOCI. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 replaces the "incurred" loss model in IAS 39 with "an expected credit loss" ("ECL") model for calculating impairment. This new standard also increases required disclosure about an entity's risk management strategy for financial assets measured at amortized cost. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table summarizes the changes for the Corporation's financial assets and financial liabilities as a result of the adoption of IFRS 9 related to measurement categories.

| | IAS 39 | IFRS 9 |
|---|---|---|
| **Financial Assets** | | |
| Cash | FVPL | Amortized Cost |
| **Financial Liabilities** | | |
| Agreement payable | Amortized Cost | Amortized Cost |
| Accounts payable and accrued liabilities | Amortized Cost | Amortized Cost |

The measurement for these instruments and the line item in which they are included in the consolidated financial statements were unaffected by the adoption of IFRS 9 and there were no adjustments to the carrying amounts of the Corporation's financial instruments. In accordance with the transitional provisions, the comparative information for prior periods have not been restated.

The following pronouncement has been issued but is not effective.

Pronouncement effective for annual periods beginning on or after January 1, 2019

*IFRS 16 "Leases"*

The IASB has developed a new standard, IFRS 16 *"Leases",* which supersedes IAS 17 *"Leases".* IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). Lessee accounting will change substantially under this new standard while there is little change for the lessor. IFRS 16 eliminates the classification of leases as either operating leases or financing leases and, instead, introduces a single lessee accounting model. A lessee will be required to recognize assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and will be required to present depreciation of leased assets separately from interest on lease liabilities in the statement of loss.

The Corporation plans to adopt IFRS 16 retrospectively with a cumulative adjustment to deficit and no restatement of comparative prior periods. The Corporation has not yet completed its evaluation of the effect of adopting this standard and the impact it may have on its consolidated financial statements.

## Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash, accounts payable and accrued liabilities and agreement payable. It is management's opinion that the Corporation is not exposed to significant liquidity, market or credit risks arising from its financial instruments and that the fair value of these financial instruments approximates their carrying values.

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Corporation will need to complete further equity issuances, issue debt or postpone/cease certain expenses and/or exploration and evaluation asset expenditure in order to settle all financial liabilities in the next twelve months.

Foreign currency risk is the exposure arising from transactions and balances denominated in foreign currencies. The Corporation's foreign currency risk arises primarily with respect to the United States dollar. Fluctuations in the exchange rates between this currency and the Canadian dollar could have a material effect on the Corporation's exploration activities and business operations in the state of Nevada.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk is managed by placing cash in a major Canadian financial institution.

## Risk Factors

Mineral exploration and evaluation involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Corporation's mineral exploration and evaluation activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that presently identified mineralization can be mined at a profit. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors, some of which are beyond the Corporation's control such as government policies and regulation and environmental protection.

The Corporation is dependent on debt and equity financing to carry out its future exploration and evaluation plans and maintain its mineral properties in good standing. There can be no assurance that such financing will be available to the Corporation.

There is a degree of uncertainty attributable to the calculation of resource tonnages and grades. Resource estimates are dependent partially on statistical influences drawn from drilling, sampling and other data. The measured and indicated and inferred resource figures set forth by the Corporation are estimates, and there is no certainty that these resources can be converted into reserves with profitable extraction. Declines in the market prices for metals may adversely affect the economics of converting a resource estimate into a reserve.

## Corporate Governance

Management of the Corporation is responsible for the preparation and presentation of the consolidated financial statements and the accompanying notes, the MD&A, and other information contained in this report.

Management also has the responsibility for the maintenance of adequate accounting records and internal controls, prevention and detection of fraud and errors, safeguarding of assets, selection, and application of suitable policies, and appropriate disclosure and the timely disclosure of financial information in the consolidated financial statements. The preparation of the consolidated financial statements in accordance with generally accepted accounting principles is also the responsibility of management.

## Subsequent events

Subsequent to year end, the Corporation completed a share consolidation resulted in all of the issued and outstanding common shares being consolidated on the basis of twenty-six (26) pre-consolidation shares into one (1) common share. Concurrent with this consolidation, the Corporation completed a name change to Aurex Energy Corp.

The Corporation issued a promissory note ("Note") of $100,000 to a third party on January 31, 2019. The debt is unsecured with interest at 12% per annum and was due on March 31, 2019 which has been extended until the Corporation has available cash to repay the Note. In addition the Corporation has agreed to either issue to the debtor bonus shares in an amount equal to 20% of the value of the Note divided by the market price of the Corporation's common shares on the TSX Venture Exchange (discounted by 10%), or in lieu of bonus share issuance the debtor may elect to receive a cash payment in an amount equal to 20% of the value of the Note.

On February 27, 2019, the Corporation issued 12,705,000 (post-consolidation) common shares of the Corporation as consideration for the purchase of 100% of the issued and outstanding common shares of a privately-held company (the "Subsidiary") with substantial natural gas reserves in the Barnett Shale, Texas. On the date of acquisition, the common shares of Aurex had an estimated fair value of $0.65 per share (post consolidation) for a total non-cash consideration of $8,258,250. In addition, the Corporation incurred cash costs of $ 36,690 related to this acquisition.

In April 2019, the Corporation obtained a demand loan facility of $50,000 to finance the day-to-day operations. Any advances drawn on the facility bear interest at prime plus 2% per annum and is secured by a general security agreement providing a first security interest on all present and after acquired property of the Corporation and full guarantee of the facility by two specific board members of the Corporation. The facility is subject to annual review by the lender.