RACKLA METALS INC

FINANCIAL REVIEW

Fiscal Year Ended December 31, 2018

RACKLA METALS INC

(An Exploration Stage Company)

FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RACKLA METALS INC.

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

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

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

Material Uncertainty Related to Going Concern
We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a comprehensive loss of $163,826 during the year ended December 31, 2018 and, as of that date, the Company's liabilities exceeded its total assets by $2,857. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, 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 Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Smythe LLP | smythecpa.com

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Herve Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 27, 2019

RACKLA METALS INC.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
ASSETS				
Current assets				
Cash	$	92,267	$	245,217
Equity investments (Note 5)		3,376		4,501
Taxes receivable		1,369		1,144
		97,012		250,862
Non-current assets				
Deposit (Note 12)		61,000		61,000
Property and equipment (Note 6)		2,160		4,608
Exploration and evaluation assets (Note 7)		1		50,004
		63,161		115,612
TOTAL ASSETS	**$**	**160,173**	**$**	**366,474**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	17,500	$	17,425
Due to related parties (Note 12)		145,530		207,805
Total liabilities		163,030		225,230
Shareholders' deficiency				
Share capital (Note 9)		7,819,280		7,799,555
Other equity reserves		128,023		128,023
Accumulated other comprehensive income (loss)		(56,374)		1,500
Deficit		(7,893,786)		(7,787,834)
Total shareholders' equity (deficiency)		(2,857)		141,244
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**160,173**	**$**	**366,474**

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON MARCH 27, 2019:

"Simon Ridgway"
Simon Ridgway, Director

"William Katzin"
William Katzin, Director

The accompanying notes are an integral part of these financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
EXPLORATION EXPENDITURES (Note 8)	$ 25,789	$ 7,602
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization (Note 6)	2,448	2,448
Legal and audit fees	18,655	18,002
Management fees (Note 12)	42,000	42,000
Office and administrative (Note 12)	27,124	29,505
Salaries and benefits (Note 12)	25,974	13,220
Shareholder communications	5,740	5,480
Transfer agent and regulatory fees (Note 12)	9,992	11,511
Travel and accommodation (Note 12)	915	859
	132,848	123,025
	(158,637)	(130,627)
Loss on debt settlement (Note 9(a))	(4,061)	-
Loss on disposal of exploration and evaluation assets	(3)	-
Reversal of impairment of exploration and evaluation assets (Note 7)	-	50,000
Net loss for the year	**(162,701)**	**(80,627)**
Other comprehensive income		
Fair value gain (loss) on equity investments (Note 5)	(1,125)	750
Total comprehensive loss	**$ (163,826)**	**$ (79,877)**
Basic and diluted loss per share	$(0.01)	$(0.01)
Weighted average number of common shares outstanding	20,148,706	16,218,173

The accompanying notes are an integral part of these financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve - share-based payments	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2016	15,098,858	$ 7,549,555	$ 128,023	$ 750	$ (7,707,207)	$ (28,879)
Loss for the year	-	-	-	-	(80,627)	(80,627)
Warrants exercised	5,000,000	250,000	-	-	-	250,000
Fair value gain on equity investments	-	-	-	750	-	750
Balance, December 31, 2017	20,098,858	7,799,555	128,023	1,500	(7,787,834)	141,244
Impact of adopting IFRS 9 on January 1, 2018 (Note 3(k))	-	-	-	(56,749)	56,749	-
Balance, January 1, 2018	20,098,858	7,799,555	128,023	(55,249)	(7,731,085)	141,244
Loss for the year	-	-	-	-	(162,701)	(162,701)
Shares issued for debt settlement	162,450	20,306	-	-	-	20,306
Share issuance costs	-	(581)	-	-	-	(581)
Fair value loss on equity investments	-	-	-	(1,125)	-	(1,125)
Balance, December 31, 2018	**20,261,308**	**$ 7,819,280**	**$ 128,023**	**$ (56,374)**	**$ (7,893,786)**	**$ (2,857)**

The accompanying notes are an integral part of these financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the year	$	(162,701)	$	(80,627)
Items not involving cash:				
Amortization		2,448		2,448
Loss on debt settlement		4,061		-
Loss on disposal of exploration and evaluation assets		3		-
Reversal of impairment of exploration and evaluation assets		-		(50,000)
		(156,189)		(128,179)
Changes in non-cash working capital items:				
Taxes receivable		(225)		388
Prepaid expenses		-		-
Accounts payable and accrued liabilities		75		(59)
Due to related parties		(46,030)		91,813
		(202,369)		(36,037)
FINANCING ACTIVITIES				
Proceeds on issuance of common shares		-		250,000
Share issuance costs		(581)		-
		(581)		250,000
INVESTING ACTIVITIES				
Proceeds from sale of exploration and evaluation assets		50,000		-
		50,000		-
Increase (decrease) in cash		(152,950)		213,963
Cash, beginning of year		245,217		31,254
Cash, end of year	**$**	**92,267**	**$**	**245,217**

Supplemental cash flow information:

	2018	2017
Shares issued for debt settlement (Notes 9(a) and 12(d))	20,306	-

The accompanying notes are an integral part of these financial statements

1. CORPORATE INFORMATION

Rackla Metals Inc. (the "Company") is pursuing opportunities related to exploration of mineral resource properties. The Company was incorporated in the Province of British Columbia on September 20, 2011, and its common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol RAK.

The address of the Company's corporate office and principal place of business is 650 - 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Ability to Continue as a Going Concern

These financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2018, the Company had not yet achieved profitable operations, has an accumulated deficit of $7,893,786 (2017 - $7,787,834) since inception, and is expected to incur further losses in the development of its business, all of which raises significant doubt about its ability to continue as a going concern. The Company will periodically have to raise funds to continue operations; although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. If the Company is unable to obtain additional financing, management may be required to curtail certain discretionary expenses.

These financial statements do not give effect to adjustments to the recoverability of assets and satisfaction of liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In a loss year, potentially dilutive equity instruments are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share is the same for all years presented.

(b) Income Taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the income tax is recognized in equity or other comprehensive loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(c) Foreign Currency Translation

The functional currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the exchange rate in effect as at the statement of financial position date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses, at the exchange rates on the date of the transactions.

Exchange differences arising from the translations are recorded as a gain or loss on foreign currency translation in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Property, Equipment and Amortization

Recognition and Measurement

Property and equipment are recorded at cost less accumulated amortization and any impairment losses.

Amortization

Amortization is recognized in profit or loss. Property and equipment are amortized over their estimated useful lives using the following method:

Leasehold improvements	7 to 8 years straight-line

Additions during the year are amortized on a pro-rated basis.

(e) Exploration and Evaluation Assets and Expenditures

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs may include cash consideration, the value of common shares issued based on fair values, and the fair value of share purchase warrants and options issued based on amounts determined using the Black-Scholes option pricing model.

Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, development expenditures on the property are capitalized.

When there is little prospect of further work on a property being carried out by the Company or an optionee, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount. Acquisition costs are also tested for impairment before the assets are transferred to development properties. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Exploration and evaluation assets acquired under an option agreement where payments are made at the sole discretion of the Company are capitalized at the time of payment. The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized, with any excess cash recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets, are undertaken annually at the financial year-end and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ("CGU"), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversal of impairment losses are recognized in profit and loss.

(g) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

At December 31, 2018 and 2017, exploration and evaluation rehabilitation costs were $Nil.

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

(h) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(h) Share Capital *(cont'd)*

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit"), and entitle the warrant holder to exercise the warrants for a stated number of common shares in the Company at a stated price per share. The value allocated to unit components is measured using the residual value approach.

(i) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where terms and conditions of options are modified before they expire, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the fair value of goods or services received in exchange for the share-based payment cannot be reliably estimated, they are measured by use of a valuation model.

All equity-settled share-based payments are reflected in other equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserves is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expired, the recorded value is transferred to deficit.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(j) Financial Instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(j) Financial Instruments *(cont'd)*

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period, which are unpaid. Accounts payable and accrued liabilities are unsecured and are usually paid within 45 days of recognition.

The Company has made the following designations of its financial instruments:

Cash	FVTPL
Equity investments	FVTOCI
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

(k) New Standard Adopted

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9"), which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. 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 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of our financial instruments on transition date. IFRS 9 does not require restatement of comparative periods. Accordingly, the Company has reflected the retrospective impact of the adoption of IFRS 9 due to the change in accounting policy for equity investments as an adjustment to opening components of equity as at January 1, 2018.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) New Standard Adopted *(cont'd)*

	January 1, 2018	
	IAS 39	**IFRS 9**
Financial Asset		
Cash	Fair value through profit or loss ("FVTPL")	FVTPL
Receivables	Amortized cost	Amortized cost
Equity investments	Fair value through other comprehensive income ("FVTOCI")	FVTOCI
Financial Liability		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The Company's equity investments consist of equity securities. For equity securities not held for trading, the Company may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Company elected to designate its equity securities as financial assets at FVTOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be recycled into income (loss) upon disposition. As a result of this change, the Company reclassified $56,749 of impairment losses recognized in prior years on equity securities which continue to be held by the Company as at January 1, 2018 from opening deficit to accumulated other comprehensive income. As a result of adopting IFRS 9, the net change in fair value of the equity securities, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to profit or loss in the Statements of Comprehensive Loss.

The adoption of IFRS 9 has not had a significant impact on the Company's policies related to financial assets of cash and receivables and financial liabilities.

(l) New Standards and Interpretations Not Yet Adopted

The Company will be required to adopt the following standards and amendments issued by the IASB as described below.

IFRS 16 *Leases*

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019.

The Company does not anticipate the adoption of IFRS 16 to have a significant impact on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(l) New Standards and Interpretations Not Yet Adopted

IFRS 17 *Insurance Contracts*

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

This standard will be effective for the Company's annual period beginning January 1, 2021. The Company has yet to assess the impact of IFRS 17 on its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

i) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

ii) The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

iii) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its operating expenditures, meet its liabilities for the subsequent year, and to fund planned contractual exploration programs, involves significant judgement based on historical experiences and other factors including expectation of future events that are believed to be reasonable under the circumstances.

(Expressed in Canadian Dollars)

5. EQUITY INVESTMENTS

As of December 31, 2018, equity investments (formerly called available-for-sale investments) consisted of 75,000 common shares of Damara Gold Corp. ("Damara"), a public company, and 200,000 common shares of Voyager Gold Corp. ("Voyager"), a private company with a common director. The private company shares were initially measured at fair value and subsequently written down to $1.

As at December 31, 2018, the carrying amount for the equity investments was $3,376 (2017: $4,501).

During the year ended December 31, 2018, there was a decrease in fair value of the Damara shares by $1,125. This amount was recorded as a fair value loss in other comprehensive income.

During the year ended December 31, 2017, there was an increase in value of the Damara shares by $750. This amount was recorded as a fair value gain in other comprehensive income.

	Damara	Voyager	Total
Balance, December 31, 2016	$ 3,750	$ 1	$ 3,751
Change in fair value	750	-	750
Balance, December 31, 2017	4,500	1	4,501
Change in fair value	(1,125)	-	(1,125)
Balance, December 31, 2018	**$ 3,375**	**$ 1**	**$ 3,376**

6. PROPERTY AND EQUIPMENT

	Leasehold improvements
Cost	
Balance, December 31, 2016	$ 19,060
Additions	-
Balance, December 31, 2017	19,060
Additions	-
Balance, December 31, 2018	**$ 19,060**
Accumulated amortization	
Balance, December 31, 2016	$ 12,004
Charge for the year	2,448
Balance, December 31, 2017	14,452
Charge for the year	2,448
Balance, December 31, 2018	**$ 16,900**
Carrying amounts	
At December 31, 2017	$ 4,608
At December 31, 2018	**$ 2,160**

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the years ended December 31, 2018 and 2017:

	Rivier	Scarlet	Sixty Mile	Face	Total
Balance, December 31, 2016	$ 1	$ 1	$ 1	$ 1	$ 4
Reversal of impairment	-	41,000	-	9,000	50,000
Balance, December 31, 2017	1	41,001	1	9,001	50,004
Disposal of assets	-	(41,001)	(1)	(9,001)	(50,003)
Balance, December 31, 2018	**$ 1**	**$ -**	**$ -**	**$ -**	**$ 1**

(i) Rivier Property – Yukon Territory

The Rivier Property, located in the Watson Lake Mining District, consisted of 116 claims of which 16 claims are 100% owned and 100 claims were held pursuant to an option agreement (the "Initial Option") with the property owner (the "Rivier Owner") until the Initial Option was terminated by the Company during the 2017 fiscal year.

During the year ended December 31, 2018, the Company entered into an agreement (the "Rivier and Sixty Mile Agreement") with the Rivier Owner whereby the Company has acquired 100% ownership of the 100 Rivier claims previously subject to the Initial Option, in consideration for transferring to the Rivier Owner 63 of the Company's Sixty Mile claims, agreeing to make annual advance royalty payments of $10,000 to the Rivier Owner commencing in April 2020, and granting to the Rivier Owner a 2% net smelter return royalty. As a result of the Rivier and Sixty Mile Agreement, the Rivier Property consists of 116 claims owned by the Company.

(ii) Sixty Mile Area – Yukon Territory

The Sixty Mile Property consisted of 508 100% owned claims located in the Dawson Mining District. During the year ended December 31, 2018:

(a) the Company entered into an agreement dated March 8, 2018 to sell 81 of its Sixty Mile claims (the "Sold Claims"). In consideration therefor, the purchaser has agreed to: (i) keep the Sold Claims in good standing for five years; and (ii) pay to the Company 25% of any cash or share payments the purchaser may receive during the next five years in respect of the Sold Claims and certain additional claims adjacent to the Sold Claims which the purchaser proposes to acquire;

(b) the Company relinquished 18 of its Sixty Mile claims to a previous owner in accordance with an underlying agreement previously assumed by the Company with respect to these claims;

(c) the Company allowed 346 claims to lapse; and

(d) the Company entered into the Rivier and 60 Mile Agreement dated April 16, 2018 whereby it sold the remaining 63 of its Sixty Mile claims to the Rivier Owner.

As a result of the above transactions, the Company no longer owns any Sixty Mile claims.

7. EXPLORATION AND EVALUATION ASSETS *(cont'd)*

(iii) Scarlet Property – Yukon Territory

The Scarlet Property consisted of 100% owned claims located in the Mayo Mining District and was divided into two claim blocks, Scarlet East and Scarlet West.

During the 2017 fiscal year, a total 193 Scarlet West claims were allowed to lapse. During the year ended December 31, 2018, the Company allowed all remaining 320 Scarlet West claims to lapse.

During the year ended December 31, 2018, the Company entered into an agreement (the "Scarlet and Hat Agreement") dated April 5, 2018 whereby it sold its 230 Scarlet East claims, and 49 Hat claims (see Face Property below), in consideration for a cash payment of $50,000 (received) and a 1% net smelter return royalty. As a result of this transaction, the $41,001 carrying value of the Scarlet East claims that was previously recorded as an asset held for sale was reduced to nil.

As a result of the above transactions, the Company no longer owns any Scarlet claims.

(iv) Face Property – Yukon Territory

The Face Property consisted of 49 100% owned claims located in the Dawson Mining District. As noted above, during the year ended December 31, 2018, the Company sold these claims pursuant to the Scarlet and Hat Agreement dated April 5, 2018. As a result of this transaction, the $9,001 carrying value of the Face Property that was previously recorded as an asset held for sale was reduced to nil.

8. EXPLORATION EXPENDITURES

During the year ended December 31, 2018, the Company incurred $160 (2017: $160) on general care and maintenance of its mineral properties and $25,629 (2017: $7,442) on property investigation costs (Note 12).

9. SHARE CAPITAL AND RESERVES

(a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

During the year ended December 31, 2018, the Company issued 162,450 common shares with a fair value of $20,306 at the date of issuance to a related party to settle debt with a carrying value of $16,245 (Note 12). The amount of $20,306 was recorded to equity and the difference of $4,061 between the fair value of the shares issued and the carrying value of the debt was charged to operations as a loss on debt settlement. Share issuance costs associated with this transaction totaled $581.

During the year ended December 31, 2017, a total of 5,000,000 share purchase warrants were exercised for gross proceeds of $250,000.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES *(cont'd)*

(b) Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2018 and 2017 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2016	5,000,000	$0.05
Exercised	(5,000,000)	$0.05
Balance, December 31, 2017 and 2018	**-**	**-**

10. SHARE-BASED PAYMENTS

Option Plan Details

The Company has in place a stock option plan (the "Plan") that allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

Share Purchase Options

There was no stock option activity during the years ended December 31, 2018 and 2017.

As at December 31, 2018 and 2017, the following stock options were outstanding:

Expiry date	Number of options	Exercise price
July 19, 2022	245,000	$0.75

The weighted average remaining contractual life of the options outstanding at December 31, 2018 is 3.55 (2017: 4.55) years.

(Expressed in Canadian Dollars)

11. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2017: 26.00%) to income before income taxes. The reasons for the differences are as follows:

		2018		2017
Net loss for the year	$	(162,701)	$	(80,627)
Canadian statutory tax rate		27.00%		26.00%
Income tax recovery computed at statutory rates		(43,929)		(20,963)
Items not deductible for tax purposes		5,584		109
Change in timing differences		-		521
Effect of change in tax rate		6,714		(27,163)
Expired losses		152		-
Under (over) provided in prior years		(13,000)		-
Unused tax losses and tax offsets not recognized in tax asset		44,479		47,496
Income tax recovery	**$**	**-**	**$**	**-**

The Company recognizes tax benefits on losses or other deductible amounts where it is probable that the Company will generate sufficient taxable income to utilize its deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2018		2017
Non-capital losses	$	1,241,000	$	1,177,000
Available-for-sale investments		104,000		103,000
Property plant and equipment		17,000		14,000
Share issue costs and other		1,000		1,000
Mineral properties		1,318,000		1,243,000
Capital losses		136,000		136,000
Unrecognized deductible temporary differences	**$**	**2,817,000**	**$**	**2,674,000**

As at December 31, 2018, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years.

Non-capital Canadian tax losses expire as follows:

Year of expiry		Taxable losses
2031	$	21,000
2032		349,000
2033		209,000
2034		170,000
2035		162,000
2036		145,000
2037		71,000
2038		114,000
	$	**1,241,000**

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

The Company had transactions during the years ended December 31, 2018 and 2017 with related parties consisting of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Mill Street Services Ltd. ("Mill Street")	Management services

Balances and transactions with related parties not disclosed elsewhere in these financial statements are as follows:

(a) During the years ended December 31, 2018 and 2017, the Company reimbursed Gold Group for the following costs:

		2018		2017
General and administrative expenses:				
Office and administrative	$	28,340	$	28,823
Salaries and benefits		25,970		13,220
Transfer agent and regulatory fees		1,898		3,094
Travel and accommodation		1,634		859
	$	**57,842**	**$**	**45,996**

Gold Group is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Chief Financial Officer and Corporate Secretary.

(b) Deposits as of December 31, 2018 consist of $61,000 (2017: $61,000) paid to Gold Group and are related to a shared office and administrative services agreement with Gold Group. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.

(c) Amounts due to related parties as of December 31, 2018 consist of $4,373 (2017: $112,255) due to Gold Group, $139,650 (2017: $95,550) due to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees, and $1,507 (2017: $Nil) due to the President of the Company. The balance due to Gold Group is collateralized by a deposit and the balance due to Mill Street is unsecured, non-interest bearing and due on demand.

(d) During the year ended December 31, 2018, an amount of $16,245 owed to the President of the Company for geological fees and expense reimbursement was settled with the issuance of 162,450 common shares of the Company (Note 9(a)).

These transactions are measured at fair value of the services rendered.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

		2018		2017
Geological fees	$	9,000	$	-
Management fees		42,000		42,000
Salaries and benefits		5,042		2,587
	$	**56,042**	**$**	**44,587**

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk. The Company is not exposed to the risk related to the fluctuation of foreign currency rates.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to not be significant.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's equity investments are exposed to equity price risk due to the potentially volatile and speculative nature of the businesses in which the equity investments are held. The common shares held in Damara and Voyager are monitored by management with decisions on sale taken at Board level. A 10% change in fair value of the shares would result in a $337 increase or decrease in comprehensive loss.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd)*

(b) Credit Risk

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. The Company's credit risk is primarily attributable to its cash and equity investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or equity investments that are invested in asset-based commercial paper.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2018, the Company had cash of $92,267 (2017: $245,217) available to apply against short-term business requirements and current liabilities of $163,030 (2017: $225,230). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. All financial instruments at December 31, 2018 are carried at amortized cost, apart from the equity investment in a public company with shares in an active market of $3,375 (2017: $4,500), which is carried at fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The statement of financial position carrying amounts for cash, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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

The equity investment in Damara is based on a quoted price and is therefore considered to be Level 1.

The equity investment in Voyager was recorded at fair value when it was acquired and assessed as impaired as at December 31, 2018 and 2017. This investment is considered to be Level 3.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its mineral properties. The Company defines its capital as all components of equity. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out any planned exploration and pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management during the year. As at December 31, 2018, the Company is not subject to any externally imposed capital requirements. The Company does not expect its capital resources to be sufficient to cover its corporate operating costs and future exploration expenditures through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

15. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities. All of the Company's long-term assets and operations are in Canada.

RACKLA
METALS INC

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2018

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited financial statements of the Company for the year ended December 31, 2018. The following information, prepared as of March 27, 2019, should be read in conjunction with the December 31, 2018 financial statements. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relevant to the Company's activities can be found on SEDAR at (www.sedar.com).

Forward-looking Information

This MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation ("Forward-looking Statements"). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this MD&A include, without limitation, statements relating to the Company's plans for exploration of its properties; the sufficiency of the Company's cash position; and its ability to raise equity capital or access debt facilities. Often, but not always, these Forward-looking Statements can be identified by the use of words such as "anticipates", "believes", "plans", "estimates", "expects", "forecasts", "scheduled", "targets", "possible", "strategy", "potential", "intends", "advance", "goal", "objective", "projects", "budget", "calculates" or statements that events, "will", "may", "could" or "should" occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration;
- fluctuations in commodity prices, foreign exchange rates, and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters and local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions;

as well as those factors referred to in the "Risks and Uncertainties" section in this MD&A.

Forward-looking Statements contained in this MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company's properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matters;
- exploration activities proceeding on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Business of the Company

The Company is a Vancouver-based mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. Management is focusing its efforts towards actively seeking prospective projects for acquisition by the Company, as well as possible joint ventures or other transactions for the Company's Rivier Property described below.

Rivier Property

The Company has held a 100% interest in 16 Rivier claims for some years, and until late 2017, had an option to acquire an additional 100 Rivier claims. In April 2018, the Company entered into an agreement (the "Rivier and Sixty Mile Agreement") with the owner (the "Rivier Owner") of the 100 Rivier claims, to acquire such claims in consideration for transferring 63 of the Company's Sixty Mile claims to the Rivier Owner, agreeing to make annual advance royalty payments of $10,000 to the Rivier Owner commencing in April 2020, and granting to the Rivier Owner a 2% net smelter return royalty. As a result of the Rivier and Sixty Mile Agreement, the Rivier Property currently consists of 116 claims owned by the Company and which are in good standing until 2024.

The Rivier claims are located 90 kilometres southeast of Ross River, Yukon and are targets for lode gold mineralization of the Motherlode type. Geochemical results from soil sample programs identified three zones of anomalous gold values adjacent to a structurally controlled ultramafic body indicating the potential for significant gold mineralization. Each of the three zones includes at least one soil sample that contained over 2 grams per tonne gold.

Qualified Person: Bruce Smith, M.Sc., M.Eng., a member of the Australian Institute of Geoscientists, is the Company's Qualified Person as defined by National Instrument 43-101, and is responsible for the accuracy of the technical information in this MD&A.

Selected Financial Information

The following table provides financial results for the years ended December 31, 2018, 2017 and 2016:

	2018 ($)	**2017 ($)**	**2016 ($)**
Exploration expenditures	25,789	7,602	260
General and administrative expenses	132,848	123,025	141,254
Net loss	162,701	80,627	219,288
Basic and diluted loss per share	0.01	0.01	0.01
Total assets	160,173	366,474	104,597
Total liabilities	163,030	225,230	133,476
Shareholders' equity (deficiency)	(2,857)	141,244	(28,879)

Quarterly Information

The following table provides quarterly information for the eight fiscal quarters ended December 31, 2018:

Quarter Ended	Dec. 31, 2018 ($)	Sep. 30, 2018 ($)	Jun. 30, 2018 ($)	Mar. 31, 2018 ($)	Dec. 31, 2017 ($)	Sep. 30, 2017 ($)	Jun. 30, 2017 ($)	Mar. 31, 2017 ($)
Exploration expenditures	7,788	-	18,001	-	7,602	-	-	-
General and administrative expenses	45,837	24,730	30,788	31,493	40,259	26,774	24,773	31,219
Net income (loss)	(53,625)	(28,791)	(48,792)	(31,493)	2,139	(26,774)	(24,773)	(31,219)
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.00)

The net income for the quarter ended December 31, 2017 was a result of the reversal of impairment of exploration and evaluation properties of $50,000. Exploration expenditures for the quarters presented were mostly related to the investigation of new property opportunities.

Results of Operations

Quarter ended December 31, 2018

The quarter ended December 31, 2018 had a net loss of $53,625, compared to a net income of $2,139 for the quarter ended December 31, 2017. The comparative quarter's net income is from a gain of $50,000 from a recovery of a past mineral property impairment loss. The net loss for the current quarter consisted of $7,788 in exploration expenditures and $45,837 in general and administrative expenses compared to $7,602 and $40,259, respectively, for the comparative quarter. All general and administrative costs for the current quarter, except for salaries and benefits and shareholder communications, were either similar or lower than those for the comparative quarter. The salaries and benefits expense for the current quarter was higher due to the Company's portion of shared personnel costs increasing since the prior year.

Year ended December 31, 2018

The net loss for the year ended December 31, 2018 was $162,701 compared to $80,627 for the year ended December 31, 2017, an increase of $82,074. The net loss for the current year consisted of $25,789 in exploration expenditures, $132,848 in general and administrative expenses and a $4,061 loss on debt settlement whereas the comparative year net loss consisted of $7,602 in exploration costs and $123,025 in general and administrative expenses that were partially offset by the gain of $50,000 relating to a mineral property impairment reversal. The current year loss on debt settlement was the result of 162,450 common shares being issued to settle an amount of $16,245 owing to the President of the Company whereby the fair value of the shares on the issuance date was greater than the carrying value of the debt as of the date of the debt settlement agreement. As in the quarterly comparison, general and administrative costs, except for salaries and benefits expense, were either similar or lower in the current year.

Liquidity and Capital Resources

The Company is in the exploration stage and therefore has no cash flow from operations. The Company no longer has option agreements relating to the Rivier Property that had cash and share payments scheduled to be paid and received, although for as long as the Company owns the Rivier Property, the Company has a commitment to make annual advance royalty payments of $10,000 to the former property owner commencing in April 2020.

As at December 31, 2018, current assets were $97,012 of which $92,267 was cash and $3,376 was the fair value of equity investments (formerly called available-for-sale investments). Current liabilities were $163,030, resulting in a working capital deficiency of $66,018. The current liabilities balance includes $145,530 owing to related parties, of which the majority has been accrued since 2015. The Company's last private placement to raise funds was in 2015 for $250,000. Issued in this private placement were 5,000,000 share purchase warrants with an exercise price of $0.05 per share, of which all were exercised during the 2017 fiscal year for proceeds of $250,000. During the year ended December 31, 2018, the Company received proceeds of $50,000 upon the sale of its Scarlet East and Face properties. Current funds are being used for new project investigations and for general working capital purposes.

The Company has primarily funded its operations through the issuance of equity financing. The Company does not expect its capital resources to be sufficient to cover its corporate operating costs and future exploration expenditures through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity.

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk. The Company is not exposed to the risk related to the fluctuation of foreign currency rates.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to not be significant.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's equity investments are exposed to equity price risk due to the potentially volatile and speculative nature of the businesses in which the equity investments are held. The common shares held in Damara and Voyager are monitored by management with decisions on sale taken at Board level. A 10% change in fair value of the shares would result in a $337 increase or decrease in comprehensive loss.

(b) Credit Risk

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. The Company's credit risk is primarily attributable to its cash and available-for-sale investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or available-for-sale investments that are invested in asset-based commercial paper.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2018, the Company had cash of $92,267 (2017: $245,217) available to apply against short-term business requirements and current liabilities of $163,030 (2017: $225,230). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Related Party Transactions

The Company had transactions during the periods ended December 31, 2018 and 2017 with related parties who consisted of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Mill Street Services Ltd. ("Mill Street")	Management services

During the years ended December 31, 2018 and 2017, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
General and administrative expenses:				
Office and administration	$ 6,338	$ 6,712	$ 28,340	$ 28,823
Salaries and benefits	7,229	3,785	25,970	13,220
Transfer agent and regulatory fees	45	198	1,898	3,094
Travel and accommodation	969	217	1,634	859
	$ 14,581	**$ 10,912**	**$ 57,842**	**$ 45,996**

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Chief Financial Officer and Corporate Secretary.

Deposits as of December 31, 2018 consist of $61,000 (2017: $61,000) paid to Gold Group and are related to the shared office and administrative services agreement with Gold Group that was effective July 1, 2012. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.

Amounts due to related parties as of December 31, 2018 consist of $4,373 (2017: $112,255) due to Gold Group, $139,650 (2017: $95,550) due to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees, and $1,507 (2017: $Nil) due to the President of the Company for expenses. The balance due to Gold Group is collateralized by a deposit and the balance due to Mill Street is unsecured, non-interest bearing and due on demand.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation, other than those included in salaries and benefits above, comprises:

	Three months ended December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Geological fees	$ -	$ -	$ 9,000	$ -
Management fees	10,500	10,500	42,000	42,000
Salaries and benefits	1,833	688	5,042	2,587
	$ 12,333	**$ 11,188**	**$ 56,042**	**$ 44,587**

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Warrants and Options

As at March 27, 2019, the Company had 20,261,308 common shares issued and outstanding and the following incentive stock options are currently outstanding:

STOCK OPTIONS

No. of options	Exercise price	Expiry date
245,000	$0.75	July 19, 2022

Accounting Policies and Basis of Presentation

The Company's significant accounting policies and future changes in accounting policies are presented in the audited financial statements for the year ended December 31, 2018. The following outlines the new accounting standard adopted by the Company effective January 1, 2018:

IFRS 9 Financial Instruments

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9"), which replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. 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 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of our financial instruments on transition date. The adoption of the ECL impairment model did not have an impact on the Company's financial statements. IFRS 9 does not require restatement of comparative periods. Accordingly, the Company has reflected the retrospective impact of the adoption of IFRS 9 due to the change in accounting policy for equity investments as an adjustment to opening components of equity as at January 1, 2018.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

	January 1, 2018	
	IAS 39	**IFRS 9**
Financial Asset		
Cash	Fair value through profit or loss ("FVTPL")	FVTPL
Receivables	Amortized cost	Amortized cost
Equity investments	Fair value through other comprehensive income ("FVTOCI")	FVTOCI

	January 1, 2018	
	IAS 39	**IFRS 9**
Financial Liability		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The Company's equity investments consist of equity securities. For equity securities not held for trading, the Company may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Company elected to designate its equity securities as financial assets at FVOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be recycled into income (loss) upon disposition. As a result of this change, the Company reclassified $56,749 of impairment losses recognized in prior years on equity securities which continue to be held by the Company as at January 1, 2018 from opening deficit to accumulated other comprehensive income. As a result of adopting IFRS 9, the net change in fair value of the equity securities, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to profit or loss in the Statements of Loss and Comprehensive Loss.

The adoption of IFRS 9 has not had a significant impact on the Company's policies related to financial assets of cash and receivables and financial liabilities.

Future Accounting Changes

The Company will be required to adopt the following standards and amendments issued by the IASB as described below.

IFRS 16 *Leases*

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

The Company does not anticipate the adoption of IFRS 16 to have a significant impact on its financial statements.

IFRS 17 *Insurance Contracts*

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

Effective for the Company's annual period beginning January 1, 2021. The Company has yet to assess the impact of IFRS 17 on its financial statements.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

Joint Venture Funding Risk

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party.

Financing and Share Price Fluctuation Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

Political and Regulatory Risks

The Company is currently operating in Canada which has a stable political and regulatory environment. However, changing political aspects may affect the regulatory environment in which the Company operates.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are considered low in Canada, the principal country of operation of the Company, but a change in social expectations could add new layers of risk to the viability of exploration and development properties.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.