# Rockwealth Resources Corp.

## Condensed Interim Consolidated Financial Statements

## For the Six Months Ended

## January 31, 2019

## Table of Contents

Condensed Interim Consolidated Statements of Financial Position ........ 1

Condensed Interim Condensed Interim Consolidated Statements of Loss and Comprehensive Loss ........ 2

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency) ........ 3

Condensed Interim Consolidated Statements of Cash Flows ........ 4

Notes to the Condensed Interim Consolidated Financial Statements ........ 5-16

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Rockwealth Resources Corp.**
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | Notes | As at January 31, 2019 | As at July 31, 2018 |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | | **322,108** | 92,673 |
| Amounts receivable | | **17,043** | 10,737 |
| Prepaid expense | | **-** | 2,975 |
| | | **339,151** | 106,385 |
| **Total Assets** | | **339,151** | 106,385 |
| **Liabilities and Shareholders' Deficiency** | | | |
| **Current Liabilities:** | | | |
| Accounts payable and accrued liabilities | | **213,851** | 216,806 |
| Due to related parties | **7** | **300,359** | 484,754 |
| Note payable to related party | **7** | **180,000** | 180,000 |
| **Total Liabilities** | | **694,210** | 881,560 |
| **Shareholders' Deficiency** | | | |
| Share capital | **5** | **61,051,503** | 60,746,503 |
| Reserves | | **354,000** | 354,000 |
| Accumulated deficit | | **(61,760,562)** | (61,875,678) |
| **Total Shareholders' Deficiency** | | **(355,059)** | (775,175) |
| **Total Liabilities and Shareholders' Deficiency** | | **339,151** | 106,385 |

**Nature of operations and going concern (Note 1)**

**Approved and authorized on March 26, 2019 on behalf of the Board:**

| */s/ Devinder Randhawa* | */s/ Ross McElroy* |
|---|---|
| Director | Director |

*The accompanying notes are integral to these interim consolidated financial statements.*

**Rockwealth Resources Corp.**
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

| | Note | For the Three Months Ended | | For the Six Months Ended | |
|---|---|---|---|---|---|
| | | **January 31, 2019** | January 31, 2018 | **January 31, 2019** | January 31, 2018 |
| | | **$** | $ | **$** | $ |
| **General and administrative expenses** | | | | | |
| Consulting | **7** | **48,672** | 38,000 | **90,847** | 72,000 |
| Exploration and evaluation costs | | **-** | - | **3,053** | - |
| Investor relations | | **-** | - | **-** | - |
| Legal and professional | | **12,477** | - | **15,177** | - |
| Office and administration | **7** | **20,508** | 18,566 | **25,807** | 24,415 |
| | | **(81,657)** | (56,566) | **(134,884)** | (94,415) |
| Gain on forgiveness of debt | **7** | **250,000** | - | **250,000** | - |
| **Net income (loss) and comprehensive income (loss) for the period** | | **168,343** | (56,566) | **115,476** | (94,415) |
| **Basic and diluted net income (loss) per common share** | | **0.00** | (0.01) | **0.00** | (0.00) |
| **Weighted average number of common shares outstanding** | | **4,858,606** | 4,858,605 | **4,858,606** | 4,858,605 |

*The accompanying notes are integral to these interim consolidated financial statements.*

**Rockwealth Resources Corp.**

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars except the number of shares)

| | Common shares | | | | | Total |
|---|---|---|---|---|---|---|
| | Outstanding Shares | Share Capital | Share Option Reserves | Warrant Reserves | Deficit | Shareholders' Deficiency Total |
| | | $ | $ | $ | $ | $ |
| **Balance, July 31, 2017** | **4,858,605** | **60,746,503** | **-** | **354,000** | **(61,663,822)** | **(563,319)** |
| Loss and comprehensive loss for the period | - | - | - | - | (96,415) | (96,415) |
| **Balance, January 31, 2018** | **4,858,605** | **60,746,503** | **-** | **354,000** | **(61,760,237)** | **(659,734)** |
| | | | | | | |
| **Balance, July 31, 2018** | **4,858,605** | **60,746,503** | **-** | **354,000** | **(61,875,678)** | **(775,175)** |
| **Private placement** | **3,700,000** | **305,000** | | | | 305,000 |
| **Net income (loss) and comprehensive loss for the period** | **-** | **-** | **-** | **-** | 115,116 | 115,116 |
| **Balance, January 31, 2019** | **8,558,605** | **61,051,503** | **-** | **354,000** | **(61,670,562)** | **(355,059)** |

*The accompanying notes are integral to these interim consolidated financial statements.*

**Rockwealth Resources Corp.**
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

| | Six Months Ended | |
|---|---|---|
| | **January 31, 2019** | January 31, 2018 |
| | **$** | $ |
| **Cash used in operating activities** | | |
| Net Income (loss) and comprehensive income (loss) for the period | **115,116** | (96,415) |
| **Non-cash items:** | | |
| Forgiveness of debt | **(250,000)** | - |
| **Changes in non-cash working capital items** | | |
| Decrease (increase) in receivables | **(6,305)** | (3,016) |
| Decrease in prepaid expenses | **2,975** | - |
| Increase in accounts payable and accrued liabilities | **62,648** | 31,029 |
| Due to related parties | **-** | 31,500 |
| **Cash used (excess) in operating activities** | **(75,565)** | (36,902) |
| | | |
| **Financing activities** | | |
| Private placement proceeds | **305,000** | - |
| Note payable from related party | **-** | 35,000 |
| **Cash provided by financing activities** | **305,000** | 35,000 |
| | | |
| **Change in cash & cash equivalents** | **229,435** | (1,902) |
| **Cash & cash equivalents, beginning of the year** | **92,673** | 18,893 |
| **Cash & cash equivalents, end of the year** | **322,108** | 16,991 |

*The accompanying notes are integral to these interim consolidated financial statements.*

## 1. Nature of Operations and Going Concern

Rockwealth Resources Corp. (the “Company”) is incorporated under the Business Corporations Act of British Columbia. The principal address and records office is 700-1620 Dickson Ave, Kelowna, British Columbia, V1Y 9Y2. The registered office of the Company is 700-595 Howe St., Vancouver, B.C. V6C 2T5. The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “RWC” (previously “CZH”).

The Company is an exploration stage company and engages principally in the acquisition, exploration and development of resource properties. The Company has yet to determine whether its exploration and evaluation assets contain economically viable ore reserves and there is no guarantee that mineral deposits will be discovered in the future. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon proving the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production and/or proceeds from the disposition thereof.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions discussed below create a material uncertainty which casts significant doubt about the Company’s ability to continue as a going concern.

At January 31, 2019, the Company had not achieved profitable operations, had an accumulated deficit of $61,760,562 since inception, a working capital deficiency of $355,059, and expects to incur further losses in the development of its business. The Company believes that, based on its cash flow forecasts, its ability to reduce certain expenditures, if required, and continued support from certain related parties, it will be able to continue as a going concern for at least the next twelve months. Management recognizes that the Company will need to obtain additional financial resources in order to meet its planned business objectives. There are no assurances that the Company will be able to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company’s assets and liabilities be restated on a liquidation basis, which values and statement of financial position classifications would differ significantly from the going concern basis.

## 2. Basis of Presentation

**Statement of compliance with International Financial Reporting Standards**
The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of March 26, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended July 31, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending July 31, 2019 could result in restatement of these unaudited condensed consolidated interim financial statements.

| Name of Subsidiary | Principal Activity | Incorporation | Interest at July 31, 2017 |
|---|---|---|---|
| Asian Arc Mining Resources Corp. | Mineral Exploration | Philippines | 100% |
| Crazy Horse Resources (BVI) Holdings Inc. | Holding Company | British Virgin Island | 100% |
| Crazy Horse Resources (BVI) Philippines Inc. | Holding Company | British Virgin Island | 100% |
| Taysan Port Corp. | Holding Company | Philippines | 40% |
| Lupang Barako Development Inc. | Holding Company | Philippines | 40% |

Since July 31, 2017, all subsidiaries of the Company are inactive and no further operations are expected.

These consolidated financial statements have been prepared and presented in Canadian dollars ("CAD") on a historical cost basis and unless otherwise noted all figures are in CAD.

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These financial statements are presented in CAD, being the Company's presentation and functional currency. Subsidiaries whose functional currency differ from that of the parent company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the balance sheet date and; income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences. The functional currencies of the Company's subsidiaries are the same as that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of loss.

## 3. Significant Accounting Policies

a) Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in banks and redeemable fixed term deposits cashable on demand or that have a term to maturity of three months or less at the time acquired.

b) Mineral Property Interests

i) Exploration and Evaluation

Property option payments, common shares issued, and other costs associated with acquiring the legal rights to explore a specific resource property are capitalized as mineral property interests and classified as intangible exploration and evaluation assets, whereas exploration and evaluation expenditures are recognized as expenses as

they are incurred during the period. Exploration and evaluation expenditures include costs of assaying, community development, consumables and supplies, drilling, geological consulting, scoping and feasibility study, site administration and other costs to maintain legal rights to explore an area.

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized. Development expenditure is net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Mineral property interests are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in the statements of comprehensive income/loss.

iii) Depreciation

Mineral property acquisition and development costs will be depreciated on a units-of-production method based on the estimated life of the ore reserves once production commences. The Company's management conducts an annual assessment of the estimated residual values, useful lives, and depreciation methods used for mineral property acquisition and development costs. Any material changes in estimates are applied prospectively.

iv) Impairment

The carrying value of all categories of mineral property interests and exploration and evaluation assets are reviewed for impairment at each reporting period for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

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 if there has been a change in the estimates used to determine the recoverable amount. 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 or amortization, if no impairment loss had been recognized.

c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as a finance expense.

d) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost net of accumulated depreciation and impairment losses. Depreciation is recorded on a declining-balance basis at the following annual rates:

| | |
|---|---|
| Exploration equipment | 30% |
| Assaying equipment | 30% |
| Office furniture and equipment | 20% |
| Computer equipment | 33% |
| Software | 33% |

e) Site Closure and Reclamation Provision

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

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

f) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss for the year except to the extent that it relates to items recognized either in other comprehensive income (loss) or directly in equity, in which case it is recognized in other comprehensive income (loss) or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. 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 at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Share Capital and Warrants

The Company records in shareholders' equity proceeds from share issuances net of issuance costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company allocates the proceeds received upon issue of equity units, consisting of shares and warrants, using a relative fair value method with respect to the measurement of shares and warrants issued. The relative fair values method requires each component to be valued at fair value and an allocation of the net proceeds received based on the pro-rata fair relative values of the components. The fair value of the warrant component is determined using the Black-Scholes pricing model. When warrants expire unexercised, the pro rata amounts attributed to the warrants are reclassified from reserves to share capital.

h) Earnings (Loss) per Share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares issued and outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per common share. Diluted and basic loss per share are the same because the effects of potential issuances of shares under options and warrants would be anti-dilutive.

i) Share-based Payments

From time to time, the Company grants options to purchase common shares to directors, officers, employees and non-employees. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

j) Financial Instruments

*Financial Assets*

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets and liabilities at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired as well as through the amortization process. The Company's loans and receivables consist of cash and cash equivalents, amounts receivable and deposits.

*Financial Assets or Liabilities at Fair Value Through Profit or Loss*

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company does not have any financial assets or liabilities at fair value through profit or loss.

*Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on

available-for-sale equity instruments, are recognized in other comprehensive loss. When an instrument is derecognized, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss. The Company does not have any available-for-sale financial assets.

*Held-to-maturity Investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any held-to-maturity investments.

*Financial Liabilities*

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost using the effective interest method. These liabilities include accounts payable and accrued liabilities and due to related parties.

k) Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used and judgements made include, among others, the assessment of the Company's ability to continue as a going concern and the Company's ability to renew and/or receive approval of its mining and exploration permits, and the amounts recorded for the recoverability and impairment of mineral
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is included in the following notes:

Note 1 – going concern assessment
Note 4 – impairment of exploration and evaluation assets

***New Standards, Amendments and Interpretations***

There were no new standards effective August 1, 2017 that had an impact on the Company’s consolidated financial statements. The IASB issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company’s financial year beginning on or after August 1, 2017. No new or revised standards or amendments are expected to have a significant impact on the Company’s financial statements.

## 4. Mineral Property Interests

### Taysan Project – Batangas, Philippines Property

On November 12, 2010, the Company signed a property purchase agreement (the "Taysan Agreement") with Taysan Copper Corp. ("Taysan Copper") for the acquisition of a 100% interest in the advanced Taysan copper-gold porphyry project, located in Batangas province, Philippines, consisting of two exploration permits and three exploration permit applications covering a total of 11,309 hectares.

Under the terms of the Taysan Agreement, on November 12, 2010 the Company acquired at arm's length all of Taysan Copper's 100% interest in the project in exchange for (a) the issue of 20 million common shares of the Company to the shareholders of Taysan Copper, (b) the payment of US$1.7 million, and (c) the grant of a 1.5% net smelter return royalty ("NSR"). The shares issued to Taysan Copper were valued at $30,000,000 using a market value of $1.50 per share which was determined by the closing market price of the Company on November 12, 2010. The Company issued 500,000 shares valued at $750,000 as a finder's fee in connection with the acquisition of the Taysan project.

On August 1, 2010, the Company acquired all the outstanding shares of Asian Arc Mining Resources Corp. ("Asian Arc"), a Philippine registered entity. Asian Arc was acquired to hold the mineral rights to the Taysan project. The Company paid nominal consideration for the acquisition and assumed $67,211 of liabilities that were expensed during the year ended July 31, 2011.

Due to uncertainties in the economic environment, the Company identified potential indications of impairment of the Taysan Project as at July 31, 2013 in accordance with IAS 36 - Impairment of Assets. The Company assessed the recoverable amount of the Taysan Project to be $3,090,000 as at July 31, 2013, based on the project's value in use determined using a cash-flow forecast model with discount rates between 10-18%. Accordingly, the carrying value of $31,738,930 was written down to $3,090,000 resulting in an impairment loss of $28,648,930, which was recorded as write-down of mineral property interest on the consolidated statements of loss for the year ended July 31, 2013.

The capitalized mineral property acquisition costs have been written down from $3,090,000 to Nil as at July 31, 2016 as the current political environment is not conducive to mining in the Philippines.

The cumulative historical exploration and evaluation costs are as follows:

| **Exploration and Evaluation** | **January 31, 2019** | July 31, 2018 |
|---|---|---|
| Opening cumulative expenditure | **$ 17,284,583** | $ 17,284,583 |
| Exploration and evaluation costs: | | |
| Mobilization and camp costs | **-** | - |
| Permitting | **-** | - |
| Total exploration and evaluation costs | **-** | - |
| Ending cumulative expenditure | **$ 17,284,583** | $ 17,284,583 |

## 5. Shareholders' Equity

### a) Authorized

Unlimited number of common shares without par value.

On April 24, 2017, the common shares of the Company were consolidated on a ten for one basis.

On January 31, 2019, the Company closed a previously announced private placement by issuing 3,700,000 Units at a price of $0.10 per Unit. Each Unit comprised one common share and one share purchase warrant exercisable for two years at a price of $0.125 per share.

On February 5, 2019, the Company announced it intends to undertake a private placement financing of up to $500,000 at a price of $0.10 per Unit. Each Unit will comprise one common share and one share purchase warrant exercisable for two years at a price of $0.125 per share. A finder's fee of 7% may be paid upon closing.

### b) Stock Options and Warrants

The Company has a share-holder approved stock option plan which allows the Board of Directors to grant stock options to directors, officers, employees, contractors and consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less any applicable discount. The options can be granted for a maximum term of five years with vesting terms determined by the Board of Directors at the time of any grant.

#### i. Warrants

On January 31, 2019, 3,700,000 share purchase warrants were granted as part of a private placement. Each share purchase warrant is exercisable for two years at a price of $0.125 per share.

#### ii. Options

The Company has no options issued or outstanding.

## 6. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the exploration of its mineral properties, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future exploration of mineral property interest. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and/or acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects.

## 7. Related Party Transactions

Unless otherwise noted, amounts due to related parties were non-interest bearing, unsecured and had no fixed terms of repayment. The following related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties:

a) Included in due to related parties is $300,359 (2018 – $484,754) for management fees payable to related corporations with related directors and executives.

b) Included in Note payable to related party is $180,000 owing to the Chief Executive Officer of the Company. The funds were accounted for as an unsecured note payable, bearing no interest and due on demand.

c) During the period ended January 31, 2019 and 2018, the Company incurred the following expenses paid or payable to key management personnel, directors, and companies with a common director or officer.

d) During the period ended January 31, 2019, $250,000 of previously accrued management fees was forgiven.

| | Period Ended January 31 | |
|---|---|---|
| Amounts paid or payable to key management personnel: | **2019** | 2018 |
| Management and consulting fees | **$ 60,000** | $ 65,000 |
| Amounts included in exploration and evaluation assets | **-** | - |
| | **60,000** | 65,000 |
| Amounts paid or payable to other related parties: | | |
| Office expenses | **-** | - |
| Rent | **-** | - |
| | **$ -** | $ - |

## 8. Financial Instruments

The classification of the financial instruments and their carrying values are:

| | **January 31, 2019** | July 31, 2018 |
|---|---|---|
| Financial assets | **$ 339,151** | S 92,673 |
| Financial liabilities | **694,210** | 881,560 |

### a) Fair Value of Financial Instruments

The fair value of cash, amounts receivable, accounts payables and accrued liabilities, and due to related parties approximates their carrying value due to their short-term maturity.

### b) Management of Risks Arising from Financial Instruments

The Company is exposed to various types of market risks including, but not limited to:

**(i) Credit Risk** – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk is associated primarily with its cash and cash equivalents and amounts receivables. The credit risk is minimized by placing cash with major financial institutions.

**(ii) Interest Rate Risk** – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate less interest revenue. Presently the Company has minimal risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments.

**(iii) Liquidity Risk –** Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and anticipated exercise of share purchase options and warrants. The Company's cash is held in business accounts which are available on demand for the Company's programs. Accounts payable, accrued liabilities and amounts due to related parties are due within 12 months of the date on the statements of financial position.

(iv) Foreign Exchange Rate Risk – The Company operates in Canada and formerly in the Philippines and is exposed to low foreign exchange risk as there are no financial assets in the Philippine pesos ("PhP"). Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in the foreign currency.