Consolidated Financial Statements
(Expressed in Canadian dollars)

# ASIAN MINERAL RESOURCES LIMITED

For the three months ended September 30, 2019 and 2018

(Unaudited – Prepared by Management)

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of Asian Mineral Resources Limited (the “company”) have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for interim financial statements.

The Company’s independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute Of Chartered Accountants for a review of condensed interim financial statements by an entity’s auditors.

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Balance Sheets
(Expressed in Canadian dollars)
(Unaudited)

| | Notes | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | | $ 614,643 | $ 126,037 |
| Accounts receivable and prepaid expenses | 7 | 18,526 | 76,353 |
| | | 633,169 | 202,390 |
| Mineral property | 8 | 100,000 | 100,000 |
| | | 100,000 | 100,000 |
| Total assets | | $ 733,169 | $ 302,390 |
| **Liabilities and Shareholders' Equity (Deficit)** | | | |
| Current liabilities: | | | |
| Short-term loans | 9 | $ 56,212 | $ 102,314 |
| Trade payables and accrued liabilities | 10 | 39,954 | 53,457 |
| Investment advance | 11 | - | 359,500 |
| | | 96,166 | 515,271 |
| Total liabilities | | 96,166 | 515,271 |
| Shareholders' equity (deficit): | | | |
| Share capital | 12 | 132,256,259 | 131,256,259 |
| Share-based payments reserve | | 484,924 | 506,142 |
| Deficit | | (132,104,180) | (131,975,282) |
| Total shareholders' equity (deficit) | | 637,003 | (212,881) |
| Total liabilities and shareholders' equity (deficit) | | $ 733,169 | $ 302,390 |

Going concern (note 1)
Subsequent event (note 23)

The accompanying notes form an integral part of these consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian dollars)
For the three months ended September 30, 2019 and 2018
(Unaudited)

| | Notes | Three months ended September 30 2019 | Three months ended September 30 2018 | Nine months ended September 30 2019 | Nine months ended September 30 2018 |
|---|---|---|---|---|---|
| Care and maintenance costs | 13 | $ - | $ - | $ - | $ (147,357) |
| General and administrative expenses | 14 | (70,954) | (114,277) | (147,489) | (1,021,553) |
| Exploration | | - | - | (850) | 37,645 |
| Other income (expense) | | 27 | - | (71) | 44,974 |
| Operating loss | | (70,927) | (114,277) | (148,410) | (1,086,291) |
| Finance income | | 1,689 | 183 | 2,191 | 1,140 |
| Finance expense | | (1,330) | (40,704) | (3,898) | (127,093) |
| Gain on disposal of Vietnam operation | | | 20,484,426 | - | 20,484,426 |
| Net loss for the period | | (70,568) | 20,329,628 | (150,117) | 19,272,182 |
| Other comprehensive income (loss): | | | | | |
| Foreign currency translation gain (loss) | | - | - | - | (564,843) |
| Accumulated translation gains included in gain on disposal of Vietnam operation | | | (16,958,992) | - | (16,958,992) |
| Comprehensive loss for the period | | $ (70,568) | $ 3,370,636 | $ (150,117) | $ 1,748,347 |
| Net loss for the period attributable to: | | | | | |
| Shareholders of the Company | | $ (70,568) | $ 20,329,628 | $ (150,117) | $ 19,336,877 |
| Non-controlling interest | | - | - | - | (64,695) |
| Net loss for the period | | $ (70,568) | $ 20,329,628 | $ (150,117) | $ 19,272,182 |
| Comprehensive income (loss) for the period attributable to: | | | | | |
| Shareholders of the Company | | $ (70,568) | $ 3,370,636 | $ (150,117) | $ 1,804,832 |
| Non-controlling interest | 21 | - | - | - | (56,485) |
| Comprehensive income (loss) for the period | | $ (70,568) | $ 3,370,636 | $ (150,117) | $ 1,748,347 |
| Basic shareholders' loss per share | 12(d) | $ (0.01) | $ 5.11 | $ (0.01) | $ 4.85 |
| Diluted shareholders' loss per share | 12(d) | $ (0.0)) | $ 5.11 | $ (0.01) | $ 4.85 |

The accompanying notes form an integral part of these consolidated financial statements

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars, except number of common shares)
For the three months ended September 30, 2019 and 2018
(Unaudited)

| | Number of common shares (note 12) | Share capital (note 12) | Share-based payments reserve | Currency translation reserve | Deficit | Shareholders' equity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, January 1, 2018 | 3,979,629 | $ 128,732,855 | $ 798,003 | $ 17,467,350 | $ (151,520,927) | $ (4,382,719) | $ (5,624,928) | $ (10,007,647) |
| Issue of shares, net of costs | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | 109,045 | - | - | 109,045 | - | 109,045 |
| Expiry of options | - | - | (320,636) | - | 320,636 | - | - | - |
| Currency translation gain | - | - | - | (508,358) | - | (508,358) | (56,485) | (564,843) |
| Net loss for the period | - | - | - | (16,958,992) | 19,336,877 | 2,377,885 | 5,681,413 | 8,059,298 |
| Balance, September 30, 2018 | 3,979,629 | 128,872,855 | 586,412 | - | (131,863,414) | (2,404,147) | - | (2,404,147) |
| Issue of shares, net of costs | 4,766,808 | 2,383,404 | - | - | - | 2,383,404 | - | 2,383,404 |
| Share-based payments | - | - | - | - | - | - | - | - |
| Expiry of options | - | - | (80,270) | - | 80,270 | - | - | - |
| Currency translation gain | - | - | - | 55,955 | - | 55,955 | 6,218 | 62,173 |
| Net income for the period and elimination of currency translation reserve and non-controlling interest | - | - | - | (55,955) | (192,138) | (248,093) | (6,218) | (254,311) |
| Balance, December 31, 2018 | 8,746,437 | 131,256,259 | 506,142 | - | (131,975,282) | (212,881) | - | (212,881) |
| Issue of shares, net of costs | 13,333,333 | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| Expiry of options | - | - | (21,218) | - | 21,218 | - | - | - |
| Net income for the period | - | - | - | - | (150,116) | (150,116) | - | (150,116) |
| Balance, September 30, 2019 | 22,079,770 | $ 132,256,259 | $ 484,924 | $ - | $ (132,104,180) | $ (292,430) | $ - | $ (637,002) |

The accompanying notes form an integral part of these consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Condensed Consolidated Statements of Cash flows
(Expressed in Canadian dollars)
For the three months ended September 30, 2019 and 2018
(Unaudited)

| | Notes | Three months ended September 30, 2019 | Three months ended September 30, 2018 | Nine months ended September 30, 2019 | Nine months ended September 30, 2018 |
|---|---|---|---|---|---|
| Cash provided by (used in): | | | | | |
| Operating activities: | | | | | |
| Net income (loss) for the period | | $ (70,568) | $ 20,329,628 | $ (150,117) | $ 19,272,182 |
| Items not involving cash: | | | | | |
| Share-based payments | 12 | - | 22,840 | - | 109,045 |
| Amortization and depreciation | | - | - | - | - |
| Disposal of Vietnam operation | | - | (20,484,426) | - | (20,484,426) |
| Changes in non-cash operating working capital: | | | | | |
| Accounts receivable and prepaid expenses | | (4,854) | 331,831 | 57,827 | 777,032 |
| Inventories | | - | - | - | - |
| Accounts payable and accrued liabilities | | (7,195) | 67,092 | (13,503) | 407,878 |
| Non-current liabilities | | - | - | - | (703,639) |
| Cash flow used in operating activities | | (82,617) | (67,966) | (105,793) | (1,348,459) |
| Financing activities: | | | | | |
| Short-term loans obtained | | - | 134,392 | - | 985,601 |
| Short-term loans repaid | | (48,670) | (89,423) | (46,102) | - |
| Investment advance | | (359,500) | | (359,500) | - |
| Issue of common shares | | 1,000,000 | - | 1,000,000 | - |
| Cash flow provided by (used in) financing activities | | 591,830 | 44,969 | 594,398 | 985,601 |
| Investment activities: | | | | | |
| Cash included in disposed operation | 21 | - | - | - | (16,142) |
| Purchase of Holt Option | | - | - | - | (100,000) |
| Cash flow used in investment activities | | - | - | - | (116,142) |
| Net increase (decrease) in cash and cash equivalents | | 509,213 | (139,139) | 488,606 | (479,000) |
| Effect of foreign exchange rate fluctuations on cash held in foreign jurisdictions | | - | - | - | (4,210) |
| Cash and cash equivalents, beginning of period | | 105,430 | 158,296 | 126,037 | 502,367 |
| Cash and cash equivalents, end of period | | $ 614,643 | $ 19,157 | 614,643 | $ 19,157 |

Supplemental cash flow information (note 19)

The accompanying notes form an integral part of these consolidated financial statements.

## 1. Nature of business and going concern:

Asian Mineral Resources Limited (the "Company" or "AMR") is incorporated under the laws of the Province of British Columbia by a certificate of continuance as of December 31, 2004, having previously been incorporated and registered under the New Zealand Companies Act 1993. On April 19, 2004, the Company became listed on the TSX-Venture Exchange (TSX-V). The Company's principal business activities are the exploration and development of mineral property interests. The Company's registered corporate office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada M5H 1T1.

The Company's principal mineral property interest, until July 17, 2018, was a nickel joint venture, in the Ban Phuc Project Area located 160 km west of Hanoi in Son La Province, in northwestern Vietnam. Development of the project completed in 2012, with full commercial production commencing November 1, 2013. Over the course of its life, Ban Phuc produced c.20,000 tonnes of nickel and c.10,000 tonnes of copper, plus cobalt as a by-product. Mining and processing operations were suspended in September 2016 with operations transitioned to care and maintenance. After a thorough strategic review process, the Company announced the sale of the Ban Phuc Nickel Mine on July 17, 2018 after approval by the Company's shareholders, which allowed for an orderly exit from Vietnam (note 16).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course as they come due. As at September 30, 2019, the Company had an accumulated deficit of $132.0 million, with cash and cash equivalents of $614,643, and working capital of $537,003. The Company has not recorded any revenues from operations, has no source of operating cash flow and no assurance that additional funding will be available. These factors indicate the existence of an uncertainty that casts doubt about the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to obtain requisite financing in the future and, if realized, such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Should the Company not be able to continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities would be required

In September 2019 the Company completed a non-brokered private placement of 8,533,333 units at a price $0.075 per unit, for aggregate gross proceeds of $640,000 and issued 4,800,000 units at a price of $0.075 to extinguish $360,000 of investment advances. Each unit consists of one common share of the Company, and one common share purchase warrant entitling the holder to acquire one common share at a price of $0.10 per common share for 24 months. All securities issued pursuant to the private placement are subject to a four-month hold period. Proceeds of the private placement will be used to investigate new business opportunities. No finder's fees were paid in connection with the placement.

## 2. Basis of preparation:

(a) Statement of compliance:

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

**2. Basis of preparation (continued):**

(b) Approval of the financial statements:

The consolidated financial statements of the Company for the period ended September 30, 2019, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2019.

(c) Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

**3. Significant accounting policies:**

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

(a) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, utilizing the accrual method of accounting unless otherwise described in the following notes.

(b) Revenue recognition:

Revenue from sales of minerals is recognized at the time of shipment, at which time legal title and risk pass to the customer and provisional revenue is recorded at current month average price as per the London Metals Exchange.. Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in metal market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue and receivables. Changes in the estimate of mineral content resulting from the final independent analysis are recognized at the point at which such analysis is agreed upon between the Company and its customers.

(c) Currency translation:

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of its former subsidiary, Ban Phuc Nickel Mines Limited Liability Company ("BPNM"), was the United States dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in place on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency translation differences are recognized in profit or loss.

**3. Significant accounting policies (continued):**

(c) Currency translation (continued):

For consolidation purposes, BPNM was translated into the Company's presentation currency of Canadian dollars. Assets and liabilities were translated using the exchange rate prevailing at the end of the reporting period. Income and expense items were translated at the average exchange rate for the relevant period. Translation differences were recognized in other comprehensive income (loss) and accumulated within equity in the currency translation reserve, until the asset was disposed of in the third quarter of 2018.

(d) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's subsidiaries were disposed of in the third quarter of 2018 on disposition of the Ban Phuc Mine (note 16). All intercompany transactions and balances between the Company and its subsidiaries were eliminated on consolidation. For partially owned subsidiaries, the interest attributable to non-controlling shareholders was reflected in non-controlling interest. The Company determines whether it shall consolidate a subsidiary by assessing whether it has control over the subsidiary. Factors considered in such an assessment include whether the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The Company currently has no subsidiaries. However significant subsidiaries of the Company prior to the sale of its investment in Vietnam assets on July 17, 2018 (note 16) were as follows:

| Name | Country of incorporation | Effective interest |
|---|---|---|
| Ban Phuc Nickel Mines Limited Liability Company | Vietnam | 90% |
| Asian Mineral Resources Nickel Limited | Cook Islands | 100% |

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less when acquired.

(f) Prepayments:

Prepayments to suppliers and contractors are based on the contract progress, with payments made at specified stages of the contract. These payments are recognized in the balance sheet as prepaid expenses.

(g) Property, plant, and equipment:

Property, plant and, equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Plant and equipment includes capitalized development expenditures. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

**3. Significant accounting policies (continued):**

(g) Property, plant, and equipment (continued):

Depreciation is provided on plant and equipment, calculated on a unit-of-production basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual financial period with the effect of any changes recognized on a prospective basis.

| Asset | Basis | Rate range |
|---|---|---|
| Building, machinery, motor vehicles, infrastructure | Straight-line | 14% - 25% |
| Furniture and office equipment | Straight-line | 11% - 33% |
| Licenses and franchises | Straight-line | 11% - 33% |
| Plant and mine development | Unit of production based mineral reserves | |

The expenditures related to construction are capitalized as construction-in-progress and are included within property, plant, and equipment. Construction in progress represents the cost of remaining plant and mine development, which is under construction. Costs directly attributable with ongoing construction related activities during the commissioning phase of new assets incurred in the period before they are operating in the way intended by management are capitalized; all other costs not directly attributable are expensed. No depreciation is provided for construction in progress during the period of construction.

(h) Mineral property interest:

Exploration expenses incurred prior to determination of the technical feasibility and commercial viability of mining operations and issuance of a mining license are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of technical feasibility and commercial viability of mining operations and issuance of a mining license are deferred, less accumulated amortization and accumulated impairment losses, if any, until the property to which they relate commences commercial production, is sold, allowed to lapse or is abandoned. Technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves; however, this determination may be impacted by management's assessment of certain modifying factors. When commercial production in an area of interest has commenced, the associated costs are amortized over the estimated economic life of the mine on a units-of-production basis using proven and probable reserves (as defined by National Instrument 43-101).

Changes in factors such as estimates of proven and probable reserves that affect units-of-production calculations are accounted for on a prospective basis.

(i) Impairment of long-lived assets:

At the end of each year or at each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

**3. Significant accounting policies (continued):**

(i) Impairment of long-lived assets (continued):

The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognized in profit and loss in the period the impairment indicator is identified.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset or CGU is increased to its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. The reversal of an impairment loss is recognized immediately in profit and loss.

(j) Reserve estimates:

The Company estimates ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects* ("NI 43-101"). Reserves are used when performing impairment assessments on the Company's mineral property, for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs, and in determining the depletion of mineral properties.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs, or recovery rates may change the economic status of reserves and may, ultimately, result in changes to reserve estimates. Any adjustments are accounted for prospectively.

(k) Share capital:

Common shares are classified as equity. The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued at the quoted market price on the date the shares are issued or a price determined using an appropriate formula to represent market value and agreed upon by the governing public stock exchange.

(l) Share-based payments:

The Company has a share option plan, under which the fair value of all share-based awards is estimated using the Black-Scholes Option Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or

**3. Significant accounting policies (continued):**

(l) Share-based payments (continued):

services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset is credited to share-based payment reserve.

Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in the share-based payment reserve is recorded as an increase to share capital. Charges for share purchase options that are forfeited before vesting are reversed from the share-based payments reserves. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit.

(m) Interest expense:

Interest is recognized using the effective interest method, taking into account the principal outstanding and the effective rate over the period to maturity.

(n) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations except to the extent that the tax relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be in effect when temporary differences reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

(o) Financial assets

Financial asset are measured at:

(i) Amortized cost;

(ii) Fair Value in Other Comprehensive Income (“FVOCI”) – debt investment;

(iii) FVOCI – equity investment; and

(iv) Fair Value Through Profit or Loss (“FVTPL”).

**3. Significant accounting policies (continued):**

(o) Financial assets (continued)

The classification depends on the business model in which the financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, Financial Instruments, are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(p) Financial assets:

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. |

**3. Significant accounting policies (continued):**

(p) Financial assets (continued):

*Impairment of financial assets*

Financial assets measured at amortized cost, contract assets, and debt investments in FVOCI, but not investments in equity instruments, are assessed for credit impairment under the expected credit loss ("ECL") model of impairment. This impairment model applies to lease receivables, loan commitments, and financial guarantee contracts; the Company has no such items. The financial assets at amortized cost consist of accounts receivables, cash and cash equivalents.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

*Presentation of impairment*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts and other receivables are presented separately in the statement of profit or loss and OCI. Impairment losses on other financial assets are presented under 'finance costs', and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

(q) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost.

*Financial liabilities*

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs incurred and subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity dates. The Company has classified accounts payable and other liabilities as liabilities at amortized cost.

*De-recognition of financial liabilities*

The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**3. Significant accounting policies (continued):**

(r) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. For all periods presented, income (loss) available to common shareholders equals the reported income (loss) attributable to the shareholders of the Company.

Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares issued and outstanding used for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year.

**4. Changes in accounting standards:**

The accounting policies applied by the Company in these unaudited consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31 2018.

**5. Critical judgments in applying accounting policies:**

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 6), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(a) Economic recoverability and probability of future economic benefits of exploration, evaluation, and development costs:

Management has determined that exploration drilling, evaluation, development, and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits, and life of mine plans.

(b) Functional currency:

The functional currency for any Company subsidiary is the currency of the primary economic environment in which the entity operates. It had been determined that the functional currency of BPNM was the United States dollar, while the functional currency for the Company and its other subsidiaries were the Canadian dollar. Assessment of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in the events and conditions, which determine the primary economic environment.

(c) Going concern:

The assessment of the Company's ability to continue as a going concern (note 1) involves judgment regarding its future funding. Judgments must also be made with regard to events or conditions, which might give rise to significant uncertainty.

**6. Key sources of estimation uncertainty:**

The preparation of the consolidated financial statements requires management to make estimates and assumptions of the effect of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Differences between the actual results and present estimates and assumptions have the potential to materially affect the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effect on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that may result in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

(a) Impairment of mineral properties, plant, and equipment:

The Company considers both external and internal sources of information in assessing whether there are any indications that mineral properties, plant, and equipment are impaired. External sources of information the Company considers include changes in the market, economic, and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties, plant, and equipment. Internal sources include the manner in which mineral properties, plant, and equipment are being used or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral properties, plant, and equipment, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from its mineral properties using an appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources and exploration potential, and/or adverse current economics can result in a write down of the carrying amounts of the Company's mineral properties, plant, and equipment.

(b) Income taxes and tax-related liabilities:

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates for future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. Weight is attached to tax planning opportunities that are within the Company's control, feasible and can be implemented without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates could occur, which may materially affect the amounts of income tax assets recognized.

(Expressed in Canadian dollars, unless otherwise stated)

**6. Key sources of estimation uncertainty (continued):**

(c) Share-based compensation:

The Company includes an estimate of forfeitures, share price volatility, expected life of awards, and risk-free interest rates in the calculation of the expense related to certain long-term employee incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the share-based payments reserve.

**7. Accounts receivable and prepaid expenses:**

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| GST refundable | $ 17,419 | $ 61,728 |
| Prepaid insurance and other receivables | 1,107 | 14,625 |
| | $ 18,526 | $ 657,873 |

**8. Mineral Property:**

During the 2018 third quarter, the Company entered into an option agreement with Island Time Exploration Limited ("Island Time") for the exclusive right to acquire up to 75% interest in four mineral titles totalling 3,687 hectares situated east of Duncan in the Victoria Mining Division (the "Holt Option" Agreement), in consideration for a fee of $100,000, payable by way of a promissory note (note 9). The exercise of the Holt option is conditional upon incurring up to an aggregate of $300,000 of exploration and development expenditures on the property by September 30, 2020.

**9. Short-term loans:**

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Loan from Island Time | $ 56,212 | $ 102,314 |

The promissory note with Island Time Exploration bears interest at 5% per annum.

**10. Trade payables and accrued liabilities:**

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Trade and other payables | $ 18,111 | $ 30,907 |
| Due to related parties (note 17) | 21,842 | 22,550 |
| | $ 39,953 | $ 53,457 |

(Expressed in Canadian dollars, unless otherwise stated)

**11. Investment advance:**

During the 2018 fourth quarter the Company entered into agreements with a group of investors, pursuant to which such investors advanced $360,000, conditional upon and in anticipation of the Company completing a financing at a future date to be determined. In September 2019 4,800,000 units were issued to repay this advance. Each unit consists of one common share of the Company, and one common share purchase warrant entitling the holder to acquire one common share at a price of $0.10 per common share for 24 months (note 12(d)(i)). All securities issued pursuant to the repayment are subject to a four-month hold period.

**12. Share capital:**

(a) Authorized:

The Company's share capital consists of an unlimited number of common shares without par value.

(b) Share consolidation:

On September 7, 2018, the Company consolidated its common shares on the basis of 200 pre-consolidation common shares for 1 post-consolidation common share. Pre-consolidation the Company had outstanding 795,920,841 common shares. Immediately post-consolidation the Company had outstanding 3,979,629 common shares. All common share and share option information referred to in these financial statements has been presented retrospectively as if the share consolidation had occurred at the beginning of the comparative period (January 1, 2018), unless otherwise stated.

(c) Issued and outstanding:

| | Number of shares (1) | Amount |
|---|---|---|
| Balance, January 1, 2019 | 8,746,437 | $ 131,256,259 |
| Issued during the third quarter | 13,333,333<br>- | 1,000,000 |
| Balance, September 30, 2019 | 22,079,770 | $ 132,256,259 |

(1) Post consolidation share balance (note 12(b))

(d) Shares, options and warrants issued:

(i) Common shares:

In September 2019 the Company completed a non-brokered private placement of 8,533,333 units at a price $0.075 per unit, for aggregate gross proceeds of $640,000 and issued 4,800,000 units at a price of $0.075 to extinguish $360,000 of investment advances (Note 11). Each unit consists of one common share of the Company, and one common share purchase warrant entitling the holder to acquire one common share at a price of $0.10 per common share for 24 months. All securities issued pursuant to the private placement are subject to a four-month hold period. No finder’s fees were paid in connection with the placement.

**12. Share capital (continued):**

(d) Shares, options and warrants issued (continued):

(i) Common shares (continued):

In the fourth quarter of 2018 the Company issued 4,766,808 common shares to extinguish $2,383,404 of liabilities pursuant to settlement agreements. The debt settlement included:

- the issue of 685,000 common shares to settle fees outstanding to current and former directors of the Company;
- the issue of 39,796 common shares to the Company's Chief Executive Officer in satisfaction of outstanding compensation;
- the issue of 600,000 common shares to a former Chief Executive Officer to settle a claim brought before the High Court of New Zealand in respect of a dispute over a royalty interest from smelter proceeds and sale of product in connection with the Company's historic operation in Vietnam; and
- the issue of 3,442,012 common shares to Pala Investments in order to settle amounts owing pursuant to shareholder loans, advisory fees, travel re-imbursement and secondment of personnel (note 17(d)).

(ii) Common share purchase warrants

In September 2019, as part of the private placement and shares issued to repay the investment advance (Note 11 and 12(d)(i)), 13,333,333 common share purchase warrants were issued. Each warrant entitles the holder to acquire one common share at a price of $0.10 per common share for 24 months.

(iii) Common share options:

The Company grants share purchase options pursuant to the policies of the TSX-Venture Exchange with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person, and termination of eligible person status. The purpose of the share purchase options is to retain and motivate management, staff, consultants, and other qualified individuals by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth.

During the period ended September 30, 2019, $nil was recorded as share-based compensation expense (September 30, 2018: $22,840) related to the vesting of share options previously granted to directors and employees.

(Expressed in Canadian dollars, unless otherwise stated)

**12. Share capital (continued):**

(d) Shares, options and warrants issued (continued):

(i) Common share options (continued):

The continuity of outstanding share purchase options for the period ended September 30, 2019, after giving effect to the September 7, 2018 200:1 share consolidation (note 12 (b)), is as follows:

| Expiry dates | Exercise prices | Balance December 31, 2018 | Granted | Exercised | Expired/ cancelled/ forfeited | Balance Sept 30, 2019 |
|---|---|---|---|---|---|---|
| November 5, 2019 | $10.00 | 3,704 | - | - | (3,704) | - |
| April 5, 2022 | $10.00 | 75,000 | - | - | - | 75,000 |
| April 5, 2022 | $15.00 | 75,000 | - | - | - | 75,000 |
| April 5, 2022 | $20.00 | 75,000 | - | - | - | 75,000 |
| | | 228,704 | - | - | (3,704) | 225,000 |
| Weighted average exercise price | | $ 14,92 | - | - | - | $ 15.00 |
| Weighted average remaining life (years) | | 3.22 | - | - | - | 2.52 |

The continuity of outstanding share purchase options for the year ended September 30, 2018, after giving effect to the September 7, 2018 200:1 share consolidation (note 12 (b)), is as follows:

| Expiry dates | Exercise prices (1) | Balance December 31, 2017 | Granted | Exercised | Expired/ cancelled/ forfeited | Balance Sept 30, 2018 |
|---|---|---|---|---|---|---|
| August 23, 2018 | $10.00 | 2,000 | - | - | (2,000) | 2,000 |
| October 23, 2018 | $10.00 | 13,566 | - | - | (2,499) | 11,067 |
| February 1, 2019 | $16.00 | 12,683 | - | - | (12,683) | - |
| August 22, 2019 | $10.00 | 10,000 | - | - | (10,000) | - |
| November 5, 2019 | $10.00 | 8,704 | - | - | (5,000) | 3,705 |
| October 2, 2020 | $10.00 | 35,000 | - | - | (35,000) | - |
| April 5, 2022 | $10.00 | 75,000 | - | - | - | 75,000 |
| April 5, 2022 | $15.00 | 75,000 | - | - | - | 75,000 |
| April 5, 2022 | $20.00 | 75,000 | - | - | - | 75,000 |
| | | 306,953 | - | - | (67,182) | 241,772 |
| Weighted average exercise price | | $ 14.00 | - | - | - | $14.00 |
| Weighted average remaining life (years) | | 3.63 | - | - | - | 3.30 |

As at September 30, 2019, 225,000 share purchase options were exercisable (September 30, 2018: 239,771 options). These options have a weighted average exercise price of $15.00 (September 30, 2018: $14.00).

(Expressed in Canadian dollars, unless otherwise stated)

**12. Share capital (continued):**

(e) Income/ (loss) per share (“EPS”):

The loss and weighted average number of outstanding shares used in the calculation of basic and diluted loss per share are as follows:

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Net loss for the 3-month period ended used in the calculation of basic EPS | $ (70,568) | $ 20,329,628 |
| Weighted average number of outstanding shares for the purpose of basic EPS | 10,096,376 | 3,979,629 |
| Weighted average number of outstanding shares used in the calculation of diluted EPS | 20,292,454 | 3,979,629 |
| Basic loss per share | $ (0.01) | $ 5.11 |
| Diluted loss per share | $ (0.00) | $ 5.11 |

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Net loss for the 9-month period ended used in the calculation of basic EPS | $ (150,117) | $ 19,292,182 |
| Weighted average number of outstanding shares for the purpose of basic EPS | 10,096,376 | 3,979,629 |
| Weighted average number of outstanding shares used in the calculation of diluted EPS | 20,292,454 | 3,979,629 |
| Basic loss per share | $ (0.01) | $ 4.85 |
| Diluted loss per share | $ ( 0.01) | $ 4.85 |

**13. Care and maintenance costs:**

| | Three months ended Sept 30 2019 | Three months ended Sept 30 2018 | Nine months ended Sept 30 2019 | Nine months ended Sept 30 2018 |
|---|---|---|---|---|
| Site, camp administrative costs | $ - | $ - | $ - | $ 73,062 |
| Plant costs | - | - | - | 66,180 |
| Other costs | - | - | - | 8,115 |
| | $ - | $ - | $ - | $ 147,357 |

(Expressed in Canadian dollars, unless otherwise stated)

**14. General and administrative expense**

| | Three months ended Sept 30 2019 | Three months ended Sept 30 2018 | Nine months ended Sept 30 2019 | Nine months ended Sept 30 2018 |
|---|---|---|---|---|
| Salaries, wages and benefits | $ 21,842 | $ 23,500 | $ 62,167 | $ 570,605 |
| Professional and regulatory | 33,136 | 26,948 | 38,136 | 149,035 |
| Travel | - | (3,918) | - | 24,224 |
| Office, administrative and share-based compensation | 15,976 | 67,747 | 47,186 | 277,689 |
| | $ 70,954 | $ 114,277 | $ 147,489 | $ 1,021,553 |

**15. Finance expense:**

| | Three months ended Sept 30 2019 | Three months ended Sept 30 2018 | Nine months ended Sept 30 2019 | Nine months ended Sept 30 2018 |
|---|---|---|---|---|
| Foreign contractor tax on interest expense | $ - | $ - | $- - | $ 150,147 |
| Other | 1,330 | 40,704 | 3,898 | (23,054) |
| | $ 1,330 | $ 40,704 | $ 3,898 | $ 127,093 |

**16. Disposal of Vietnam operation:**

On July 17, 2018 the Company sold its 90% ownership interest in the Ban Phuc mine to Ta Khoa Mining Limited (“Ta Khoa”), a company established by AMR’s longstanding in-country senior manager, Mr. Stephen John Ennor for a nominal sum. In exchange, Ta Khoa assumed all existing trade payables, tax, and other creditor liabilities of the Company’s subsidiary, Ban Phuc Nickel Mines. AMR retains the right to 25% of any sale proceeds in excess of US $2 million from the sale of the Vietnamese assets completed between 6 and 18 months after closing of the sale to Ta Khoa. The Company has determined that it is unlikely that any further consideration will be received in respect of this provision, therefore the total proceeds on disposition of the Ban Phuc mine were determined to be $ nil.

(Expressed in Canadian dollars, unless otherwise stated)

## 16. Disposal of Vietnam operation (continued):

Detail of the assets and liabilities disposed of resulting in the realization of a gain on the deconsolidation of the Vietnam operation is as follows:

| | | June 30 2018 |
|---|---|---|
| Cash and cash equivalents | $ | (16,142) |
| Accounts receivable and prepaid expenses | | (641,973) |
| Stock, materials and supply inventory | | (329,690) |
| Environmental bond | | (361,138) |
| Trade payables and accrued liabilities | | 92,481 |
| Taxes payable | | 8,610,536 |
| Other current liabilities | | 907,139 |
| Provision for closure and rehabilitation | | 427,104 |
| Other non-current liabilities | | 583,224 |
| Currency translation reserve | | 17,014,947 |
| Non-controlling interest | | (5,739,889) |
| Gain on disposal of Vietnam Operations | $ | 20,546,599 |

## 17. Related party transactions:

(a) Balances receivable and payable:

The amounts due to related parties and included in accounts payable, are non-interest bearing, unsecured, and due on demand, and comprise the following:

| | | Sept 30, 2019 | | December, 2018 |
|---|---|---|---|---|
| Due to senior officers | $ | 21,842 | $ | 22,500 |

(b) Issue of shares for debt:

In November 2018, 4,166,808 common shares were issued to certain of the Company's current and past directors, the Chief Executive Officer and Pala Investments Limited pursuant to settlement agreements for liabilities outstanding (note 12(d)).

(Expressed in Canadian dollars, unless otherwise stated)

### 17. Related party transactions:

(c) Key management personnel:

Key management personnel includes the salaries and consulting fees paid and/or accrued to the Company's senior officers and directors as follows:

| | Three months ended Sept 30 2019 | Three months ended Sept 30 2018 | Six months ended Sept 30 2019 | Six months ended Sept 30 2018 |
|---|---|---|---|---|
| Salary and consulting fees | $ 21,842 | $ 23,500 | $ 62,167 | $ 240,928 |
| Directors' fees | - | - | - | 57,564 |
| Share-based payments, directors and senior officers | - | 22,840 | - | 109,044 |
| | $ 21,842 | $ 46,340 | $ 62,167 | $ 407,536 |

Share-based payments comprise the grant of share options to directors and employees, and the issuance of common shares to certain directors, in lieu of cash payment for director fees.

(d) Pala Investments Limited:

As a result of a series of equity transactions during 2012 and 2013, Pala Investments Limited ("Pala") became a controlling shareholder of the Company.

During the 2018 second quarter, the Company obtained loans of US$180,000, US$380,000, and US $70,000 from Pala, the majority shareholder of the Company. The funds from these loans were used to complete employee termination payments and certain other costs to prepare BPNM for potential sale, restructuring or liquidation, along with covering on-going administrative operating costs. These loans were settled with cash payments or issuance of common shares during the year. In October 2018, the Company settled outstanding liabilities related to $886,974 payable for advisory fees, secondment of personnel, and traveling costs reimbursements during the 2015 through 2018 years and shareholder loans and accrued interest outstanding in the amount of $834,032, by issuing to Pala 3,442,012 common shares of the Company.

On June 11, 2019, Pala sold 4,447,947 shares of the Company. Currently Pala owns less than 10% of the outstanding shares of the Company.

(Expressed in Canadian dollars, unless otherwise stated)

## 18. Segment information:

The Company conducts its business as a single reportable operating segment. Until the sale of BPNM on July 17, 2018, the Company was involved in the exploration and development of mineral properties in Vietnam. Currently, the Company has an option on an exploration property located in Canada. Geographical information is as follows:

| Sept 30, 2019 | Canada | Vietnam | Other | Total |
|---|---|---|---|---|
| Interest income | $ 1,689 | $ - | $ - | $ 1,689 |
| Loss for the period | 70,568 | $ - | $ - | 70,568 |
| Total assets | 733,169 | - | - | 733,169 |

| Sept 30, 2018 | Canada | Vietnam | Other | Total |
|---|---|---|---|---|
| Income (loss) for the period | (154,798) | 20,484,426 | - | 20,329,628 |
| Total assets | 138,158 | - | - | 138,158 |

## 19. Supplemental cash flow information:

| | Three months ended Sept 30 2019 | Three months ended Sept 30 2018 | Six months ended Sept 30 2019 | Six months ended Sept 30 2018 |
|---|---|---|---|---|
| Supplemental information: | | | | |
| Interest received | $ 1,689 | $ 183 | $ 2,191 | $ 1,140 |
| | $ 1,689 | $ 183 | $ 501 | $ 1,140 |

## 20. Financial risk management:

(a) 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 is subject to credit risk on the cash balances at the bank, its short-term guaranteed investment certificates and accounts receivable. The majority of the Company's cash balances are held with major Canadian banks and in the view of the Board are considered creditworthy. The Company only deals with reputable financial institutions and regularly assesses international exposure and market risk. The Company has a small investment in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. As at September 30, 2019, the Company had GST refundable and other prepaid and receivables, in the amount of $18,526, that were not considered past due.

**20. Financial risk management (continued):**

(b) 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 has in place a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including its capital development and exploration expenditures. As at September 30, 2019, the Company had cash and cash equivalents of $614,643 (September 30, 2018 - $19,157) and accounts payable, accrued liabilities and other current liabilities of $96,166 (September 30, 2018 - $2,542,305).

(c) Market risk:

The Company's primary market risks include changes in foreign exchange and interest rates on financial instruments in other than Canadian dollars. At September 30, 2019, the Company had no hedging agreements in place with respect to metal prices or exchange rates.

(*i*) Currency risk:

The Company was exposed to the financial risks related to the fluctuation of foreign exchange rates, prior to its disposition of its investment in BPNM during the third quarter of 2018. After the disposition, the Company only has offices in Canada.

(*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.

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are at present historically low; however, the Company's conservative investment strategy mitigates the risk of deterioration to capital invested. A change of 100 basis points in the interest rate would not be material to the consolidated financial statements.

(*iii*) Commodity price risk:

The Company currently has no sale of commodities, as it does not have a producing asset. Metal prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative hedging activities, and certain other factors. The Company has not engaged in any hedging activities to reduce its exposure to commodity price risk. Revenue from the sale of concentrates was always based on prevailing market prices, which were subject to adjustment upon final settlement. For each reporting period until final settlement, estimates of metal prices were used to record sales.

(Expressed in Canadian dollars, unless otherwise stated)

**20. Financial risk management (continued):**

(d) Financial assets and liabilities:

As at September 30, 2019, the carrying and fair values of the Company's financial instruments by category are as follows:

| | Amortized cost | Financial liabilities | Fair value | Less than 1 year | 1 to 3 years |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Cash and cash equivalents | $ 614,643 | - | $ 614,643 | $ 614,643 | - |
| Accounts receivable and prepaid expenses | 18,526 | - | 18,526 | 18,526 | - |
| Total financial assets | $ 633,169 | - | $ 633,169 | $ 633,169 | - |
| Financial liabilities | | | | | |
| Short-term loans | - | $ 56,212 | $ 56,212 | $ 56,212 | - |
| Trade payables and accrued liabilities | - | 39,954 | 39,954 | 39,954 | - |
| Other current liabilities | - | - | - | - | - |
| Total financial liabilities | - | $ 96,166 | $ 96,166 | $ 96,166 | - |

(e) Fair value:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full contractual term of the asset or liability.

Prior to its disposal of the Ban Phuc mine in July 2018, the Company determined the fair value of provisional sales and the embedded derivative related to its trade receivables based on the quoted forward commodity price obtained from the London Metals Exchange. The embedded derivative related to trade receivables was therefore classified as a Level 2 financial asset.

- Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, other current liabilities approximate their respective fair values due to the short-term nature of these instruments.

The Company has no financial assets or liabilities, recorded at fair value, included in Level 1 or 3 of the fair value hierarchy.

**21. Non-controlling interest:**

On July 17, 2018, the Company sold its 90% interest in BPNM (note 16). Prior to July 17, 2018, the 10% non-controlling interest of Coxama was presented separately in the Company's statement of operations and comprehensive income (loss).

**22. Capital management:**

The Company manages its capital structure and makes adjustment to it, in order to have the funds available to support its exploration, development, and other activities. The adequacy of the capital structure is assessed on an ongoing basis and adjusted as necessary after taking into consideration the Company's strategy, the metals markets, the mining industry, economic conditions, and the associated risks. The Company utilized a combination of equity and debt financing for the final development funding of the Ban Phuc mine. The Company's capital management approach is reviewed on an ongoing basis. The Company is not subject to externally imposed capital requirements.

**23. Subsequent event:**

On November 20, 2019 the Company announced that it had entered into an agreement to acquire all the issued and outstanding shares of Nigerian- based Decklar Petroleum Limited ("Decklar"). Decklar's sole asset is a Risk Service Agreement ("RSA") with Millenium Oil and Gas Company Limited ("Millenium"). Millenium is the owner of the Oza Field located onshore in the northern part of Oil Mining License 11 in the Eastern Niger Delta of Nigeria. The RSA entitles Decklar to cost recovery and a share of distributable funds from the Oza Field in exchange for technical and financial support. Closing of the proposed acquisition is subject to certain customary conditions, including the exercise of at least 10,000,000 of the 13,333,333 outstanding common share purchase warrants of the Company and approval by the TSX Venture Exchange. Closing of the Acquisition is expected to occur in December 2019.

The aggregate purchase price (the "Purchase Price") is CDN$8,550,000, payable through the issuance of 30,000,000 common shares of the Company ("Shares") based on a deemed value of CDN$0.285 per share. Of the aggregate Purchase Price, 22,000,000 Shares are payable upon closing of the Acquisition with the balance of 8,000,000 Shares being payable only if the Oza Field achieves a minimum production rate within 12 months of closing as more fully described below.

The 22,000,000 Shares payable upon closing of the transaction will be allocated as to: (i) 14,000,000 Shares to the shareholders of Decklar; and (ii) 8,000,000 Shares to extinguish outstanding debt owed by Decklar to certain arm's length third parties. None of the Decklar shareholders nor third party debt providers are related to the Company and the Acquisition is not a Non-Arm's Length transaction within the meaning of the policies of the TSXV. Additionally, none of the existing shareholders of Decklar are joint actors with one another or with any of the third party debt providers and no new "control person" will be created as a result of the Acquisition.

In the event the Oza Field achieves production net to Millenium of 1,000 bbls/d for a period of ten (10) consecutive days in any thirty (30) day period within twelve (12) months of the date of closing, a bonus payment of a further 8,000,000 Shares is payable to the shareholders of Decklar.