

Consolidated Financial Statements



Year ended December 31, 2018

(Expressed in Canadian dollars)

K. R. MARGETSON LTD.

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Chartered Professional Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mineworx Technologies Ltd.:

Opinion

I have audited the accompanying consolidated financial statements of Mineworx Technologies Ltd., which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mineworx Technologies Ltd. as at December 31, 2018 and 2017 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards ("GAAS"). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with the requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$4,709,504 during the year ended December 31, 2018, and as of that date, the Company's accumulated deficit was \$40,640,766. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicated that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

K. R. MARGETSON LTD.

As part of an audit in accordance with Canadian GAAS I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

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

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

A handwritten signature in black ink, appearing to read "R. R. Margtson Ltd". The signature is written in a cursive, flowing style.

Chartered Professional Accountant
Vancouver, Canada
April 30, 2019

MINEWORX TECHNOLOGIES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	2	\$ 2,026,671	\$ 583,396
Receivables	4	30,821	31,955
Securities held for sale	7, 17	951,571	1,230,314
Due from related parties	14	244,257	429,194
Prepaid expenses and deposits		301,570	264,154
Total current assets		3,554,890	2,539,013
Non-current assets			
Restricted cash	5	306,670	295,650
Note receivable	7	1,000,000	1,354,928
Equity investment in joint venture	19	709,559	64,265
Exploration and evaluation assets	5	883,986	860,940
Investment in leases	10	344,022	70,190
Equipment	6	651,367	1,853,907
Intangible assets	8	1,759,457	2,034,846
Total non-current assets		5,655,061	6,534,726
TOTAL ASSETS		\$ 9,209,951	\$ 9,073,739
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 208,280	\$ 170,998
Current portion of lease liability	10	227,783	29,655
Advances		8,400	8,400
Total current liabilities		444,463	209,053
Non-Current liabilities			
Lease liability	10	518,770	61,776
Total non-current liabilities		518,770	61,776
TOTAL LIABILITIES		963,233	270,829
EQUITY			
Share capital	11	40,923,587	37,112,741
Reserves	12	7,963,897	7,621,431
Deficit		(40,640,766)	(35,931,262)
TOTAL EQUITY		8,246,717	8,802,910
TOTAL LIABILITIES AND EQUITY		\$ 9,209,951	\$ 9,073,739

Nature and continuance of operations (Note 1)

Subsequent event (Note 22)

On behalf of the Board:

“Rick Purdy”

Director

“Greg Pendura”

Director

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

MINEWORX TECHNOLOGIES LTD.**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(Expressed in Canadian dollars)

		Year Ended December 31, 2018	Year Ended December 31, 2017
	Notes		
Expenses			
Consulting fees		\$ 118,634	\$ 126,899
Investor relations		284,045	192,418
Interest costs		24,435	7,320
Management and employee costs	14	543,645	666,830
Office and general		169,544	164,407
Professional fees		57,566	79,653
Project costs		9,506	102,950
Share-based payments	12	628,812	282,117
Transfer agent and filing fees		27,885	24,022
Travel		114,884	74,510
		<u>1,978,956</u>	<u>1,721,126</u>
Loss before other items		(1,978,956)	(1,721,126)
Other items			
Interest income		78,128	58,118
Other income		60,540	3,389
Amortization	6, 8	(758,996)	(709,754)
Minority interest		(664,864)	(248,610)
Foreign exchange gain		11,745	21,520
Loss on disposal of assets		(33,257)	(354,640)
Loss on write-down of assets	6	(1,145,101)	-
Gain (loss) on securities held for sale	18	(278,743)	1,399,093
Gain on spin-out of technology	7	-	7,965,551
		<u>(4,709,504)</u>	<u>6,413,541</u>
Income (loss) and comprehensive income (loss) for the year		(4,709,504)	6,413,541
Basic income (loss) per common share	13	\$ (0.02)	\$ 0.02
Diluted income (loss) per common share	13	\$ (0.02)	\$ 0.02
		<u>298,412,066</u>	<u>275,958,792</u>
Weighted average number of common shares outstanding			

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

MINEWORX TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Share Capital Number of Shares	Amount	Reserves	Deficit	Total
Balance at December 31, 2016	271,795,080	\$ 36,257,533	\$ 7,551,523	\$ (35,844,849)	\$ 7,964,207
Return of capital dividend (note 7)	-	-	-	(6,499,954)	(6,499,954)
Stock option exercised	3,330,000	482,708	(212,209)	-	270,499
Exercise of warrants at \$0.10	3,725,000	372,500	-	-	372,500
Share-based payments	-	-	282,117	-	282,117
Comprehensive loss for the year	-	-	-	6,413,541	6,413,541
Balance at December 31, 2017	278,850,080	\$ 37,112,741	\$ 7,621,431	\$ (35,931,262)	\$ 8,802,910
Stock option exercised	3,500,000	665,346	(286,346)	-	379,000
Share-based payments	-	-	628,812	-	628,812
Exercise of warrants at \$0.10	23,225,000	2,322,500	-	-	2,322,500
Exercise of warrants at \$0.15	5,400,000	810,000	-	-	810,000
Exercise of warrants at \$0.26	50,000	13,000	-	-	13,000
Comprehensive loss for the year	-	-	-	(4,709,504)	(4,709,504)
Balance at December 31, 2018	311,025,080	\$ 40,923,587	\$ 7,963,897	\$ (40,640,766)	\$ 8,246,717

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

MINEWORX TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ (4,709,504)	\$ 6,413,541
Items not affecting cash:		
Share-based payments	628,812	282,117
(Gain) loss on securities held for sale	278,743	(1,399,093)
Loss on disposal of assets	33,257	354,640
Write-down of assets	1,145,101	-
(Gain) loss on spinout of technology	-	(7,965,551)
Minority interest	664,864	248,610
Foreign exchange	(11,020)	-
Accrued interest	54,928	(54,928)
Interest on lease payments	21,569	6,084
Sub-lease income	(7,005)	(3,389)
Amortization and depreciation	758,996	709,754
Changes in non-cash working capital items:		
Receivables	1,134	5,685
Due from related parties	184,937	(308,041)
Prepays	(37,416)	16,937
Advances	-	8,400
Accounts payable and accrued liabilities	37,282	(99,324)
	<u>(955,322)</u>	<u>(1,784,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(23,046)	(59,161)
Proceeds from sale of assets	600	165,899
Restricted cash (deposited) released	-	(209,048)
Investment in joint venture	(1,310,158)	-
Intangible expenditures	(9,112)	-
Equipment expenditures	(22,728)	(116,357)
	<u>(1,364,444)</u>	<u>(218,667)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Repayments	-	(50,000)
Repayment of notes receivable	300,000	300,000
Lease payments	(109,285)	(34,100)
Sub-lease proceeds	47,826	19,631
Proceeds from sale of securities	-	668,824
Exercise of options	379,000	270,499
Exercise of warrants	3,145,500	372,500
	<u>3,763,041</u>	<u>1,547,354</u>
Change in cash for the period	1,443,725	(455,871)
Cash, beginning of the period	583,396	1,039,267
Cash, end of the period	\$ 2,026,671	\$ 583,396

Supplemental disclosure with respect to cash flows (Note 19)

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

MINEWORX TECHNOLOGIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year ended December 31, 2018

1. Nature and continuance of operations

Mineworx Technologies Ltd. (the “Company”) was incorporated under the laws of the Province of Alberta, Canada. On June 6, 2017, the Company changed its name from Iberian Minerals Ltd. to Mineworx Technologies Ltd. (“Mineworx”). Its’ shares are listed for trading on the TSX Venture Exchange where its common shares trade under the symbol “MWX”, the Company additionally trades in the United States on the OTCQB venture marketplace under the symbol “MWXRF” and on the Frankfurt Stock Exchange under the symbol “YRS”. The registered head office and principal address and records office of the Company are located at #114 8331 Eastlake Drive, Burnaby BC, V5A 4W2.

The Company has two primary business units, the exploration and development of mineral properties and the development and deployment of extraction technologies.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising of exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis.

On December 21, 2015, the Company diversified its operations by acquiring Mineworx Technologies Inc., a company with a patent pending mining extraction process and a patent pending mineral grinding mill. In June 2017, the Company amalgamated Mineworx Technologies Inc. and Mineworx Technologies Ltd. (the former Mineworx Technologies Ltd.) and continued operations under the Mineworx Technologies Ltd. name. The Company has not yet had any sales from the Mineworx products.

Effective March 21, 2017, the Company spun-out leaching technology it had acquired the rights to and tested in 2016. The technology was spun-out to Enviroleach Technologies Inc, (“Enviroleach”) a company with common management. Later in the year the two companies formed a joint venture to unite the two processes in an economic venture.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has never had any revenue from operations and its accumulated deficit as at December 31, 2018 is \$40,640,766 These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The consolidated financial statements were authorized for issue on April 29, 2019 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board effective as of December 31, 2018.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

MINEWORX TECHNOLOGIES LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in Canadian dollars)
 For the Year ended December 31, 2018

2. Significant accounting policies (cont'd)

Basis of presentation- (cont'd)

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power to, directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiary is fully consolidated from the date on which control is transferred to the Company. It is deconsolidated from the date on which control ceases.

All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. The consolidated financial statements included the accounts of the Company and the following subsidiaries:

	Country of Incorporation	Percentage of ownership as at December 31 2018	Percentage of ownership as at Dec 31 2017
Mineworx Technologies USA Inc.	USA	100%	100%
Solid Mines España, S.A.U. ("SME")	Spain	100%	100%
The following company are owned by SME			
Magnetitas del Cehgín, S.L., ("MDC")	Spain	100%	100%

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant estimates used in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are as follows:

- a) The recoverability of the carrying value of exploration and evaluation assets.

The Company is required to review the carrying value of its evaluation and exploration assets for potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds the estimated fair value is charged to the statement of loss and comprehensive loss.

Evaluating the recoverability during the exploration and evaluation phase requires judgements in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities and the impact of the current and expected future metal process to potential reserves.

MINEWORX TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the Year ended December 31, 2018

2. Significant accounting policies (cont'd)

Significant accounting judgments, estimates and assumptions- cont'd

- b) The inputs used in the Black Scholes valuation model (volatility; interest rate; expected life and dividend yield) and forfeiture rates in accounting for share based payment transactions.

Estimating the fair value of granted stock options, warrants issued for finders' fees and the warrant liability required determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The estimate of share-based compensation also requires determining the most appropriate inputs to the valuation model including the dividend yield, and estimating the forfeiture rate for options with vesting conditions.

- c) Determination that there no material restoration, rehabilitation and environmental exposure exists based on the facts and circumstances.

The Company make the determination of its obligations for future restoration, rehabilitation and environmental exposure based on factual information, circumstances and documentation provided from mining authorities in the exploration and evaluation asset's mining jurisdiction. Beyond this, if able to, management will attempt to present a reliable estimate of an obligation that is considered necessary.

- d) The value of the shares received from Enviroleach on the spin-out of leaching technology to Enviroleach and the value of the dividend back to the Company's shareholders in the same transaction.

The company estimated the fair value of the shares received based the cost of the non-cash assets that it paid in the transaction. The asset was the technology and its value was determined by using discounted cash flow techniques. This same method was used to value the fair value of the dividends paid out to the Company's shareholders. Factors such as the discount rate, the royalty rate and the price of metals were all factors that went into that determination.

- e) The allocation of fair value to assets obtained on the acquisition of Mineworx Technologies Inc.

The Company estimated fair value of equipment based on replacement value. For patents, the fair value represented the costs incurred in a applying for the patent. The fair value of the technology was recognized as the residual costs after the other identifiable assets were determined. Its value was compared to the future expected discounted cash flows resulting from the application of the technology.

- f) Asset acquisition

Management has had to apply judgements with respect to whether the acquisition of Mineworx Technologies Inc. is a business combination or an asset acquisition. Management applies a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the subsidiary in order to reach a conclusion.

Management must also make significant judgments or assessments as to how financial assets and liabilities are categorized.

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

MINEWORX TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the Year ended December 31, 2018

2. Significant accounting policies (cont'd)

Significant accounting judgments, estimates and assumptions- cont'd

- b) The estimated useful lives and residual value of equipment and technology

Equipment and technology are depreciated and amortized over their useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technology obsolescence and regulations.

- c) The recoverability and measurement of deferred tax assets and liabilities

Tax interpretations, regulations, and legislation in the various jurisdictions operates are subject to change. The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

- d) Functional currency

In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the company operates. As no single currency was clearly dominant the Company also considered secondary indicator including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of twelve months or less at the time of issuance to be cash equivalents. As at December 31, 2018, the Company had cash equivalents of \$30,000 (2017 - \$10,000).

Foreign currency translation

The Company's reporting currency and the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in loss for the period.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

MINEWORX TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the Year ended December 31, 2018

2. Significant accounting policies (cont'd)

Exploration and evaluation expenditures – cont'd

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred

Equipment

Equipment is initially recorded at cost. As assets are put in use, they are amortized over their estimated useful lives on a straight-line basis at the following rates: Machinery and equipment 3 – 10 years; office furniture – 3 – 5 years; computer hardware 3 years. The depreciation method, useful life and residual values are assessed annually.

Technology

Technology assets are the cost of intangible assets acquired during the share exchange with Mineworx Technologies Inc. The assets represent the expected cash flows from the application of the proprietary mineral extraction equipment and the Company amortizes it based on its estimated useful life of 10 years. In addition, the asset will be reviewed annually for impairment, to ensure the discounted expected cash flows support the carrying value.

Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or “ARO”)

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no asset retirement obligations as of December 31, 2018 and 2017.

MINEWORX TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the Year ended December 31, 2018

2. Significant accounting policies (cont'd)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Impairment of assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

MINEWORX TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the Year ended December 31, 2018

2. Significant accounting policies (cont'd)

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and equivalents and securities held for resale are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables, amounts due from related parties and note receivable are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2018, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, advances, and lease liability are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company's cash is classified as FVTPL.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

MINEWORX TECHNOLOGIES LTD.
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2. Significant accounting policies (cont'd)

Share-based payments (cont'd)

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

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

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Joint Venture

The Company utilizes the equity method to account for its share of the joint venture with Enviroleach. This determination was made after an analysis of IFRS 11 (joint arrangements) and IAS 28 (investments in associates and joint ventures). Under the agreement Enviroleach exercises control over the joint venture.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

Distributions of non-cash assets to owners

The Company follows the guidelines under IFRIC 17 when it distributes non-cash dividends and other distributions to its shareholders. Under that authority, the distribution is measured at the fair value of the asset distributed with any difference between the fair value and the carrying amount of the assets recorded in profit and loss.

Leases

The Company has accounted leases in accordance with IFRS 16. Contract arrangements are reviewed to determine if the agreement includes identifiable assets that the company has the right to obtain sustainably all the economic benefits from the use of the asset during the period of use. A Right-to-Use asset and lease liability is created based on the amortized value discounted by the implicit interest rate in the agreement or the calculated corporate borrowing rate.

Sub-leases are recognized at the commencement date as a receivable at an amount equal to the net investment in the lease utilizing the discount rate of the head lease if the implicit interest rate cannot be determined.

MINEWORX TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the Year ended December 31, 2018

2. Significant accounting policies (cont'd)

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby 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 measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on 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.

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

3. New standards, amendments and interpretations

During the year, the Company implemented IFRS 15, *Revenue from Contracts with Customers*. IFRS specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The implementation of this standard had no impact on the Company's financial statements.

IFRS 16, *Leases*, has an effective implementation of January 1, 2019. In reviewing the application of the new standard, the company elected for early implementation of the standard and applied it to the results for the years ended December 31, 2018 and 2017. The effect of implementing IFRS 16 was that expenses were increased by \$872 (increase by \$17,769 in 2017), assets increased by \$654,250 (\$70,189 in 2017) and liabilities increased by \$655,122 (\$91,431 in 2017) as compared to the results if early adoption was not implemented.

The Company has not yet begun the process of assessing the impact of other new and amended standards that are effective for annual periods beginning on or after January 1, 2019, will have on its financial statements or whether to early adopt any of the new requirements. The Company does not expect the impact of such changes on the consolidated financial statements to be material, although additional disclosure may be required.

4. Receivables

	December 31, 2018	December 31, 2017
Sales and other taxes receivables	\$ 30,821	\$ 30,993
Employee	-	962
Total	\$ 30,821	\$ 31,955

MINEWORX TECHNOLOGIES LTD.

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For the Year ended December 31, 2018

5. Exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, title to all of its properties, except as described below, are properly registered and in good standing.

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

Cehegin, Spain	2018	2017
Opening Balance	\$ 860,940	\$ 801,780
Additions:		
Geological fees and expenses	9,365	36,685
Mining rights and taxes	3,279	3,759
Field costs	10,402	18,716
Total additions	23,046	59,160
Closing Balance	\$ 883,986	\$ 860,940

During the year, a lease that was previously shown as 'Other property, Spain, was put into the Cehegin company so it has not been specifically separated.

The Cehegin Iron Ore Concession, Spain

On October 21, 2012, SME entered into a binding option agreement with a private Spanish company, Lorente Y Pallares SL (now MDC) pursuant to which it acquired the option to purchase 100% of the sixty-two (62) iron ore concessions and metallic mining licenses, covering an area of 1,030 hectares, located in south eastern Spain.

On March 13, 2014, SME completed the transaction by acquiring all of the issued and outstanding shares MDC in an arm's length transaction. The Company has applied for an expansion of the local area creating a continuous area of 6,900 hectares.

The purchase price for the acquisition was €135,000 (CAD - \$208,173), plus the repayment of mortgage debt in the amount of €45,000 (CAD - \$68,580). In addition, a security payment in the amount of €45,861 (CAD - \$70,349) was given to a financial institution for future environmental restoration purposes and is now registered as an asset to SME. These amounts were paid on the closing representing a total price of €225,861 (CAD - \$347,103).

The allocation of the purchase price for net assets acquired based on estimates of fair value at the acquisition date are as follows:

Cash	\$ 27,899
Restricted cash	70,349
Deposits/ guarantees (classified as restricted)	27,270
Exploration and evaluation assets	249,075
Accounts payable and accrued liabilities	(27,490)
Net identifiable assets acquired	\$ 347,103

MINEWORX TECHNOLOGIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year ended December 31, 2018

5. Exploration and evaluation assets (cont'd)

SME will be required to pay an additional amount of up to EUR2,700,000 once a mining permit is submitted and granted for all 62 concessions, an improvement over the previously announced cost of EUR3,000,000. If SME proceeds with the new magnetite mining project, this additional payment would be made within four months from the decision notice date on which the permits or licenses are issued. This additional amount will be reduced to EUR1,800,000 if SME proceeds with the project, but does not obtain all mining permits for the total 62 concessions in its initial submission for permitting. No net royalties will be due on any proceeds from commercialization of the project.

The Company has lodged \$306,670 (196,419 Euros) with the government to fulfill potential environmental obligations. The amount is classified as restricted cash.

Co-operation Agreement with Glencore

On October 21, 2013, the Company signed a definitive and exclusive Co-operation Agreement with a wholly owned subsidiary of Glencore Xstrata plc ("Glencore"), for joint due diligence of the Cehegin Project. The Agreement also provides for the potential formation of a joint venture company to progress development of the formerly producing Cehegin Iron Ore Mine located in the Province of Murcia, south-eastern Spain.

Ultimately, the agreement was never acted upon and by mutual agreement, SME now maintains 100% ownership in the Cehegin Iron Ore Project, through its wholly owned subsidiary CIOH. Each of the parties agreed to terminate all agreements related to the JVA, with the exception of Glencore's exclusive off-take agreement, which will remain in effect.

Aroche Wollastonite Concession

On November 10, 2015, the SME entered into a binding option agreement with Explotaciones Aroche, S.L. pursuant to which it acquired the option to purchase the mining rights of the Aroche Wollastonite Concession ("Aroche") consisting of five (5) mining grids totaling approximately 150 hectares or 370 acres, located 2 kms south of the town of Aroche in the province of Huelva, south western Spain.

Under the terms of the three-year option agreement, ending November 6, 2018, the SME will be responsible to pay all exploration, general and administration expenses plus capital expenditures and governmental fees on Aroche. The Company will make a onetime cash payment of EUR100,000 (CAD - \$151,260) to the Explotaciones Aroche, S.L once the exploitation permit for Aroche has been obtained. The Company has the right to terminate the agreement at its discretion at any time with no penalties. The Optionor will maintain a 10% interest in Aroche. The option agreement allows for an extension of the three-year term in the event of unintentional causes of delay relating to the Company completing its due diligence, investigation of mineral extensions, confirmation of historical estimates and exploitation permitting of the wollastonite.

MINEWORX TECHNOLOGIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Year ended December 31, 2018

6. Equipment**For the Year ended December 31, 2018**

	Machinery	Right-to-Use	Equipment	Office Furniture	Computer Hardware	Equipment in Process	Total
Costs	\$	\$	\$	\$	\$	\$	\$
December 31, 2017							
Balance	1,579,450	-	979,275	19,216	46,988	-	2,624,929
Additions	-	428,185	11,879	1,935	8,913	-	450,912
Disposals	-	-	(81,000)	-	(4,608)	-	(85,608)
Write-down	(1,579,450)	-	-	-	-	-	(1,579,450)
December 31, 2018							
Balance	-	428,185	910,154	21,151	51,293	-	1,410,783
Amortization							
December 31, 2017							
Balance	276,404	-	462,600	9,720	22,298	-	771,022
Current	157,945	47,768	246,779	5,415	16,588	-	474,495
Disposals	-	-	(50,600)	-	(1,152)	-	(51,752)
Write-down	(434,349)	-	-	-	-	-	(434,349)
December 1, 2018							
Balance	-	47,768	658,779	15,135	37,734	-	759,416
Net Book Value	-	380,417	251,375	6,016	13,559	-	651,367

The Company acquired an 'HMX200' machine in the purchase of assets from Mineworx USA on December 21, 2015. The machine is to be used in mining operations. After an initial deployment, the unit was idled and put into storage. In the next 3 years, the Company has no expectation of generating revenue from this asset as the Company has shifted its focus to the E-waste business model and it is planned that it stays in storage. Accordingly, the Company has fully impaired the asset, recording a write down of \$1,145,101.

For the Year Ended December 31, 2017

	Machinery	Right-to-Use	Equipment	Office Furniture	Computer Hardware	Equipment in Process	
Costs							
December 31, 2016							
Balance	1,579,450	148,053	1,048,689	19,216	34,519	902,711	3,584,585
Additions	-	-	29,890	-	12,470	73,997	116,357
Disposals	-	(148,053)	(99,305)	-	-	(976,708)	(1,076,013)
December 31, 2017							
Balance	1,579,450	-	979,274	19,216	46,989	-	2,624,929
Amortization							
December 31, 2016							
Balance	118,459	32,078	240,494	4,595	10,321	-	373,869
Current	157,945	7,403	243,822	5,125	11,977	-	418,869
Disposals	-	(39,481)	(21,716)	-	-	-	(21,716)
December 31, 2017							
Balance	276,404	-	462,600	9,720	22,298	-	771,022
Net Book Value	1,303,046	-	516,674	9,496	24,691	-	1,853,907

MINEWORX TECHNOLOGIES LTD.

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7. Enviroleach Transaction

On March 15, 2017, the Company received a final order from the Alberta Court of Queen's Bench on the plan of arrangement involving Mineworx, shareholders of Mineworx and Enviroleach. The plan of arrangement involves the spin-out of the Mineworx 'Technology Rights' to Enviroleach and the distribution to the Company's shareholders of 25,999,813 common shares of Enviroleach. The plan of arrangement was approved by shareholders at the Company's Special Meeting held on March 14, 2017.

Under the terms of the Arrangement Agreement, through a statutory plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement"), the Company transferred the Technology to Enviroleach in exchange for total compensation of \$8,600,000 comprised of:

- i) 28 million common shares of Enviroleach valued at \$0.25 per share,
- ii) promissory notes in the amount of \$1,600,000 made by Enviroleach in favour of the Company. \$600,000 is due by September 21, 2017 and the remaining \$1,000,000 is due in two years and carries a 5% interest rate. At the end of the fiscal 2018 year, \$1,000,000 remains unpaid (2017 – 1,354,928, including \$54,928 in accrued interest.)
- iii) The Company will retain a license agreement in perpetuity for the Enviroleach, patent-pending, non-cyanide gold leaching solution.

The Arrangement was completed on March 21, 2017, and the Company distributed 25,999,813 shares of Enviroleach Technologies Inc. to the company shareholders of record on March 21, 2017 as a return of capital. The non-cash dividend was recorded at the per share price of \$0.25, representing their fair value as required under IFRIC 17.

As the Company had incurred \$634,450 in developing and testing the technology, a gain of \$7,965,551 was realized on spin-out during the 2017 fiscal year.

8. Intangible assets

On December 21, 2015, the Company acquired intangible mineral extraction technology in a share transaction which included mineral extraction equipment. The intangible asset is being amortized over its expected useful life of 10 years, which has expected cash flows accruing to the Company from the business of operating the mineral extraction equipment. The fair value of the asset is reviewed at each year end based on the requirements of IAS 36 *Impairment of Assets* to ensure that management's discounted cash flow projections are applying reasonable and supportable assumptions.

The patent costs represent the costs of applying for a patent on the Company's mineral extraction equipment. The patent was issued on September 25, 2018 and is amortized over the 17-year life of the patent.

The intellectual property represented the development costs of the HM X-leach solution. The intellectual property was sold as part of the transaction with Enviroleach and detailed in note 7.

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8. Intangible assets (cont'd)

2018	Technology	Patents	Intellectual Property	Total
	\$	\$	\$	\$
Costs				
Opening balance, Jan 1, 2018	2,834,821	25,543	-	2,860,364
Additions	-	9,112	-	9,112
Closing balance, December 31, 2018	2,834,821	34,655	-	2,869,476
Accumulated Amortization				
Opening balance, Jan 1, 2018	825,518	-	-	825,518
Additions	283,482	1,019	-	284,501
Closing balance, December 31, 2018	1,109,000	1,019	-	1,110,019
2017				
Costs				
Opening balance, January 1, 2017	2,834,821	25,543	634,449	3,494,813
Disposal on Spin-out	-	-	(634,449)	(634,449)
Closing balance, Dec 31, 2017	2,834,821	25,543	-	2,860,364
Accumulated Amortization				
Opening balance, January 1, 2017	542,036	-	-	542,036
Additions	283,482	-	-	283,482
Closing balance, December 31, 2017	825,518	-	-	825,518
Carrying value – Dec 31, 2018	1,725,821	33,636	-	1,759,457
Carrying value – Dec 31, 2017	2,009,303	25,543	-	2,034,846

9. Accounts payables and accrued liabilities

	December 31, 2018	December 31, 2017
Accounts payables	\$ 132,156	\$ 111,877
Accrued liabilities	72,271	43,869
Sales taxes payable	3,853	15,252
	<u>\$ 208,280</u>	<u>\$ 170,998</u>

MINEWORX TECHNOLOGIES LTD.
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10. Right-to-Use assets, investment in leases and lease liability

The company has entered into various contractual arrangements that include right-to-use assets that relate to facilities and equipment used in its operations. The weighted average interest rate utilized to discount future lease payments is 6.56%.

	December 31, 2018	
	<u>\$</u>	
Net book value consists of		
Facilities	338,201	
Equipment	42,216	
	<u>380,417</u>	
	December 31	December 31,
	2018	2017
	\$	\$
Future lease payments are as follows		
2018		34,100
2019	268,744	34,100
2020	267,651	31,245
2021	151,149	-
2022	90,769	-
2023	45,825	-
Total lease payments	824,139	99,445
Less discount	(77,586)	(8,014)
Payments on principal	746,553	91,431
Current principal payments	227,783	29,655
Long term portion	<u>518,770</u>	<u>61,776</u>
	December 31,	December 31,
	2018	2017
	\$	\$
Future sub-lease proceeds are as follows		
2018		26,175
2019	160,441	26,175
2020	153,895	23,992
2021	54,126	
2022	-	
2023	-	
Total sub-lease payments	368,462	76,342
Less discount	(24,440)	6,152
Investment payments	<u>344,022</u>	<u>70,179</u>

MINEWORX TECHNOLOGIES LTD.
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11. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2018, there were 311,025,080 issued and fully paid common shares (December 31, 2017 - 278,850,080).

Please refer to the Consolidated Statements of Changes in Equity for a summary of changes in share capital and reserves for the Year ended December 31, 2018. Reserves relate to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Private placements

There were no private placements in the years ended December 31, 2018 and 2017

Other issuances for the year ended December 31, 2018

- 1) In 2018, 23,225,000 Warrants were exercised at a price of \$0.10 for proceeds of \$2,322,500
- 2) In 2018, 5,400,000 Warrants were exercised at a price of \$0.15 for proceeds of \$810,000
- 3) In 2018, 50,000 Warrants were exercised at a price of \$0.26 for proceeds of \$13,000
- 4) In 2018, 1,100,000 Options were exercised at a price of \$0.13 for proceeds of \$143,000
- 5) In 2018, 2,300,000 Options were exercised at a price of \$0.10 for proceeds of \$230,000
- 6) In 2018, 100,000 Options were exercised at a price of \$0.06 for proceeds of \$6,000

Other issuances for the year ended December 31, 2017

- 1) In 2017, 3,725,000 warrants were exercised at a price of \$0.10 for proceeds of \$372,500.
- 2) In 2017, 1,450,000 options were exercised at a price of \$0.06 for proceeds of \$87,000.
- 3) In 2017, 150,000 options were exercised at a price of \$0.07 for proceeds of \$10,500
- 4) In 2017, 1,730,000 options were exercised at a price of \$0.10 for proceeds of \$173,000.

Warrants

The warrants transactions and number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, December 31, 2016	45,226,667	\$ 0.15
Exercised	(3,725,000)	0.10
Balance outstanding, December 31, 2017	41,501,667	\$ 0.15
Exercised	(28,675,000)	0.11
Expired	(2,335,000)	0.14
Balance outstanding, December 31, 2018	10,491,667	\$ 0.26
Balance exercisable, December 31, 2018	10,491,667	\$ 0.26

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11. Share capital (cont'd)

Warrants (cont'd)

10,491,667 warrants set to expire on January 7, 2018 had their term extended until January 7, 2019.

A summary of the Company's outstanding warrants as at December 31, 2018 is as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date
10,491,667	10,491,667	\$ 0.26	January 7, 2019
10,491,667	10,491,667	\$ 0.26	

12. Share-based payments

Stock options

The Company follows the policies of the TSX Venture Exchange, under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% common shares of the Company. The exercise price of each option equals the market price of the Company's common shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years. The vesting period for all options is at the discretion of the board of directors.

The changes in options are as follows:

	Nine Months ended December 31, 2018		Year ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	23,445,000	\$ 0.10	24,445,000	\$ 0.10
Granted	3,750,000	0.18	4,550,000	0.09
Exercised	(3,500,000)	(0.11)	(3,330,000)	(0.08)
Options cancelled/expired	(50,000)	(0.10)	(2,220,000)	(0.11)
Options outstanding, end of period	23,645,000	\$ 0.11	23,445,000	\$ 0.10
Options exercisable, end of period	23,645,000	\$ 0.11	22,836,667	\$ 0.10

During the Year ended December 31, 2018:

- a. On January 11, 2018, the Company granted 300,000 stock options to a director of the Company. The options are at an exercise price of \$0.26 per share and valid for a period of five years from the date of the grant. The options vested upon grant.
- b. On September 18, 2018, the Company granted 3,450,000 stock options to employees, directors, and consultants of the Company. The options are at an exercise price of \$0.175 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

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12. Share-based payments (cont'd)

During the Year ended December 31, 2017:

- a. On November 7, 2017, the Company granted 3,675,000 stock options to directors, officers, employees and various consultants of the Company. The options are at an exercise price of \$0.07 per share and valid for a period of five years from the date of the grant. The options vested upon grant.
- b. On November 10, 2017, the Company granted 275,000 to a consultant of the Company. The options are at an exercise price of \$0.19 per share and valid for a period of two years from the date of the grant. 68,750 options vest on January 1, 2018, 68,750 vest April 1, 2018, 68,750 on July 31, 2018 and 68,750 on October 1, 2018.
- c. On November 20, 2017, the Company granted 500,000 to a consultant of the Company. The options are at an exercise price of \$0.14 per share and valid for a period of two years from the date of the grant. 166,667 options vest on November 20, 2017, 166,667 on February 20, 2018 and 166,666 on May 20, 2018.
- d. On December 13, 2017, the Company granted 100,000 to an employee of the Company. The options are at an exercise price of \$0.195 per share and valid for a period of five years from the date of the grant. The options vested upon grant.

The stock options outstanding and exercisable at December 31, 2018 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
2,250,000	2,250,000	\$ 0.13	January 2, 2019
4,050,000	4,050,000	\$ 0.10	June 20, 2020
500,000	500,000	\$ 0.10	September 8, 2020
5,950,000	5,950,000	\$ 0.10	December 17, 2020
350,000	350,000	\$ 0.10	December 21, 2020
2,395,000	2,395,000	\$ 0.06	November 28, 2021
3,525,000	3,525,000	\$ 0.07	November 7, 2022
275,000	275,000	\$ 0.19	December 31, 2020
500,000	500,000	\$ 0.14	November 20, 2019
100,000	100,000	\$ 0.20	December 13, 2022
300,000	300,000	\$ 0.26	January 11, 2023
3,450,000	3,450,000	\$ 0.175	September 18, 2023
23,645,000	23,645,000		

The weighted average remaining contractual life is 2.48 years.

Reserves

The reserves record items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

The total share-based payments recognized during the Year ended December 31, 2018, under the fair value method was \$628,812 (2017 - \$282,117).

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12. Share-based payments (cont'd)

Reserves (cont'd)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the Year ended December 31, 2018 and the year ended December 31, 2017:

	2018	2017
Risk-free interest rate	1.47%	0.87%
Expected life of options	5 years	4.49 years
Annualized volatility	138.90%	144.00%
Dividend rate	0.00%	0.00%

13. Basic and diluted income (loss) per share

The calculation of basic and diluted income per share for the Year ended December 31, 2018 was based on the loss attributable to common shareholders of \$4,709,504 (2017 – income of \$6,413,541) and the weighted average number of common shares outstanding of 298,412,066 (2017 – 275,958,792).

In 2018 the effect of 23,645,000 stock options and 10,491,667 warrants are not included as the effect is anti-dilutive.

Diluted income per share in 2017 includes the effect of 23,445,000 stock options, 41,501,667 exercisable share purchase warrants.

14. Related Parties

The Company's directors receive no compensation for their services but do receive reimbursement of out-of-pocket expenses to perform their Board of Directors duties. Key Management costs for the Year ended December 31, 2018 was \$479,381 (2017 - \$330,862). Included in the accounts payable and accrued liabilities are amounts due to Key Management for unpaid management fees and expenses of \$44,706 (\$25,475 – 2017)

There was \$208,723 in Management Share Based Compensation for the year ending December 31, 2018 (2017 - \$49,090) and \$254,868 (2017 - \$53,552) relating to Directors.

Due from related parties includes receivables of \$244,257, (2017 - \$429,194) for costs incurred for Enviroleach, a company with common management.

15. Management of capital

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. 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 development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash balances and components of shareholders' equity. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the

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15. Management of capital (cont'd)

Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and cash equivalents and investments.

At this stage of the Company's development, to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ending December 31, 2018. The Company is not subject to externally imposed capital requirements.

16. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is classified as Level 1.

As at December 31, 2018, the carrying values of cash, receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution and for receivables by standard credit checks. At December 31, 2018, the Company's exposure to credit risk is minimal.

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16. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at December 31, 2018, the Company had a cash balance of \$2,026,671 (2017 - \$583,396) to settle current liabilities of \$444,463 (2017 - \$209,053).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At December 31, 2018, the Company was not exposed to significant interest rate risk.

The Company has significant operating expenditures which are denominated in Euro ("EUR"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities.

Financial assets

The Canadian dollar equivalent of the amounts denominated in foreign currencies as at December 31, 2018 and December 31, 2017 are as follows:

December 31, 2018	USD	EUR
Cash	\$ 31	\$ 46,893
Receivables / prepaid expenses	47,747	42,307
Total	\$ 47,778	\$ 89,200
December 31, 2017	USD	EUR
Cash	\$ 126	\$ 39,802
Receivables / prepaid expenses	45,617	36,092
Total	\$ 45,743	\$ 75,894

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16. Financial risk management (cont'd)

Financial liabilities

The exposure of the Company's financial liabilities to currency risk are as follows:

December 31, 2018	USD		EUR	
Accounts payable and accrued liabilities	\$	12,353	\$	12,665
<u>Total</u>	<u>\$</u>	<u>12,353</u>	<u>\$</u>	<u>12,665</u>
December 31, 2017	USD		EUR	
Accounts payable and accrued liabilities	\$	8,228	\$	4,513
<u>Total</u>	<u>\$</u>	<u>8,228</u>	<u>\$</u>	<u>4,513</u>

Sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations related to cash, and accounts payable and accrued liabilities that are denominated in Euro. As at December 31, 2018, net financial assets totalling \$76,535 (2017 - \$71,381) were held in Euro. This excludes \$306,670 (2017 - \$295,650) held as security and listed as restricted cash in the financial statements.

Based on the above net exposure as at December 31, 2018 and assuming all other variables remain constant, a 2% depreciation or appreciation of the Euro against the Canadian dollar would result in an increase or decrease of approximately \$37,701 (2017-\$31,086) in the Company's loss and comprehensive loss.

b) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

17. Securities held for sale

The securities held for sale represents 961,182 shares of Enviroleach that were not part of the return of capital dividend which trade on the Canadian Securities Exchange. The shares represent less than 2% of the outstanding shares of Enviroleach. The Company kept 2,000,182 shares from the spin out and recorded the shares at the cost of \$.025 per share. The shares are classified as "FVTPL" and their change in fair market value is reflected on the statement of operations. On December 31, 2018, the closing price of the shares was \$0.99. During the year ended December 31, 2017, the Company sold 1,039,000 shares in the market for net proceeds of \$668,824.

18. Minority interest

On August 29, 2017, Enviroleach and Mineworx signed a joint venture agreement to pursue sales opportunities in the E-waste sector. Enviroleach has an 80% equity share and Mineworx has a 20% equity share of the non-legal joint venture entity. As part of the Mineworx equity contribution, it transferred the HM X-mill to the joint venture at a value of \$250,000 USD (\$312,875). Mineworx has significant influence over the joint venture and accounts for the entity using the equity method. During the Year ended December 31, 2018 the joint venture had losses of \$3,324,320 (2017 - \$1,243,050) and the Company contributed a further \$1,310,158 as its equity share.

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19. Supplemental disclosure with respect to cash flows

During the Year ended December 31, 2018, the significant non-cash transactions were as flows:

- a) The Company capitalized \$428,186 relating to leases
- b) The Company created an investment in leases asset of \$314,653 relating to a sub-lease
- c) The Company created a liability of \$742,839 relating to leases

During the Year ended December 31, 2017, the significant non-cash transactions were as flows:

- a) The Company received 28,000,000 shares of Enviroleach Technologies Inc. that had a value of \$7,000,000 at deemed price of \$0.25 per share
- b) The Company completed a return of capital dividend of 25,999,813 Enviroleach Technologies Inc. shares that was valued at \$6,499,954 at a deemed price of \$0.25 per share
- c) The Company received \$1,600,000 in notes receivable from Enviroleach Technologies Inc.
- d) The Company transferred an asset for a 20% interest in a Joint Venture with Enviroleach Technologies Inc. valued at \$312,875 and reclassified \$243,024 to Prepaids from Equipment.
- e) The Company created an investment in leases asset of \$86,432 relating to a sub-lease
- f) The Company created a liability of \$119,447 relating to leases

20. Segmented information

The Company has two operating segments, exploration and development of mineral properties in Spain and mineral extraction through use of its proprietary equipment in North America. The Company's non-current assets by geographic location for the Year ended December 31, 2018 are as follows:

December 31, 2018	North America	Spain	Total
Restricted cash	\$ -	\$ 306,670	\$ 306,670
Exploration and evaluation assets	-	883,986	883,986
Investment in joint venture	709,559	-	709,559
Investment in leases	344,022	-	344,022
Note receivable	1,000,000	-	1,000,000
Equipment	651,367	-	651,367
Intangible assets	1,759,457	-	1,759,457
Total	\$ 4,464,405	\$ 1,190,656	\$ 5,655,061

December 31, 2017	North America	Spain	Total
Restricted cash	\$ -	\$ 295,650	\$ 295,650
Exploration and evaluation assets	-	860,940	860,940
Investment in joint venture	64,265	-	64,265
Investment in leases	70,190	-	70,190
Note receivable	1,354,928	-	1,354,928
Equipment	1,853,907	-	1,853,907
Intangible assets	2,034,846	-	2,034,846
Total	\$ 5,378,136	\$ 1,156,590	\$ 6,534,726

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21. Income tax expense and deferred tax asset and liabilities.

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2018	December 31, 2017
Net income (loss)	\$ (4,709,504)	\$ 6,431,310
Statutory Canada corporate tax rate	27 %	26 %
Expected income tax expense (recovery) at the statutory tax rate	\$ (1,272,000)	\$ 1,672,000
Permanent difference	382,000	624,000
Change in statutory, foreign tax, exchange rates and others	(1,534,000)	1,000
Revision to account estimates	(351,000)	-
Change in tax assets not recognized	2,775,000	(2,297,000)
Income tax recovery	\$ -	\$ -

The components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Non-capital losses	\$ 2,980,000	\$ 1,185,000
Impairment of note receivable for accounting	819,000	819,000
Intangible assets	(475,000)	(595,000)
Equipment	185,000	(487,000)
Other	3,000	10,000
Deferred exploration costs	1,391,000	1,196,000
	4,903,000	2,128,000
Valuation allowance	(4,903,000)	(2,128,000)
Net deferred income tax asset	\$ -	\$ -

As at December 31, 2018, the Company has Canadian accumulated non-capital losses for income tax purposes of approximately \$11,035,000 (2017 - \$10,202,000) that may be applied against future taxable income for Canadian income tax purposes. The losses expire between 2030 and 2038.

Mineworx USA, Inc., the Company's wholly owned US subsidiary, has \$637,864 in non-capital losses for income purposes. The ability to apply these losses against US taxable income expires between 2036 and 2038.

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21. Restatement of prior year's financial statements

As a result of the early adoption of IFRS 16, *Leases* (Note 3), the following changes were retroactively applied to the consolidated financial statements for the year ended December 31, 2017:

On the consolidated statement of income (loss) and comprehensive income (loss):

Interest and bank charges increased \$6,084 from \$1,236 to \$7,320.
Office and general decreased \$14,469 from \$178,876 to \$164,407.
Total operating expenses decreased \$8,385 from \$1,729,511 to \$1,721,126.
Other income increased \$3,389 from \$nil to \$3,389.
Amortization expense increased \$2,597 from \$702,351 to \$699,754.
Loss on disposal of assets increased by \$22,140 from \$332,500 to \$354,640.
Income and comprehensive income for the year decreased by \$7,769 from \$6,431,310 to \$6,423,541.

On the consolidated statement of changes in financial position:

Investment in leases was recorded with a balance of \$70,190.
A current portion of lease liabilities was recorded with a balance of \$29,655.
A long-term portion of lease liabilities was recorded with a balance of \$61,766.
The deficit was increased \$21,241 from \$35,910,021 to \$35,931,262.

On the statement of equity, the following were changes that were not already disclosed above:

The deficit as at December 31, 2016 increased \$3,472 from \$35,841,377 to \$35,844,849.
Total shareholders' equity as at December 31, 2016 decreased \$3,472 from \$7,967,679 to \$7,964,207.

On the statement of cash flow, the following were changes that were not already disclosed above:

With the change in net income for the year, loss on disposal of asset and amortization expense, the cash outflows from operating activities reduced \$14,469 from \$1,799,027 to \$1,784,558.
Lease payments of \$34,300 were recorded as a cash outflow under financing activities.
Sub-lease proceeds of \$19,361 were recorded as a cash inflow under financing activities.
Total cash inflows from financing activities decreased by \$14,469 from \$1,561,823 to \$1,547,354

22. Subsequent events

2,250,000 option expired unexercised on January 2, 2019 and on January 7, 2019, 10,491,667 warrants expired unexercised.