

MONITOR VENTURES INC.

FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Monitor Ventures Inc.

Opinion

We have audited the accompanying financial statements of Monitor Ventures Inc. (the "Company"), which comprise the balance sheets as at December 31, 2019 and 2018, and the statements of income and comprehensive income, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements, which indicates that the Company has an accumulated shareholders' deficiency of \$889,565 as at December 31, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by \$900,293. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is David Harris.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

March 17, 2020

MONITOR VENTURES INC.
BALANCE SHEETS
IN CANADIAN DOLLARS

	December 31	December 31
	2019	2018
	\$	\$
ASSETS		
Current assets		
Cash	29,231	73,943
Derivative assets (Note 5)	-	17,494
Total current assets	29,231	91,437
Reclamation deposit (Note 6)	10,728	11,268
Total assets	39,959	102,705
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 and 10)	721,307	940,240
Shareholder loan (Note 8)	208,217	206,155
Total liabilities	929,524	1,146,395
Shareholders' deficiency		
Share capital (Note 9)	30,538,998	30,538,998
Equity reserves	3,905,996	3,905,996
Deficit	(35,334,559)	(35,488,684)
Total shareholders' deficiency	(889,565)	(1,043,690)
Total liabilities and shareholders' deficiency	39,959	102,705

Basis of presentation and continuance of operations (Note 2)

On behalf of the Board:

Signed: "William Radvak" Director

Signed: "Brian E. Bayley" Director

MONITOR VENTURES INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
IN CANADIAN DOLLARS

	For the Years Ended	
	December 31	
	2019	2018
	\$	\$
General and administrative expenses:		
Audit and legal services	19,120	26,304
Transfer agent, listing and filing fees	16,567	18,833
Investor relations and shareholder information	6,162	7,074
Interest on shareholder loan (Note 8)	2,062	2,041
Office facilities and administrative services	663	3,510
Total general and administrative expenses	(44,574)	(57,762)
Gain on derecognition of accounts payable and accrued liabilities (Note 7)	199,490	596,303
Loss on derivative assets (Note 5)	(7,779)	(1,929)
Foreign exchange gain (loss)	6,325	(53,208)
Interest income	663	321
Gain on disposal of subsidiary (Note 4)	-	1,229,591
Gain on sale of mineral property asset (Note 5)	-	81,404
Net income and comprehensive income	154,125	1,794,720
Basic and diluted income per share (Note 14)	0.05	0.61

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

MONITOR VENTURES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
IN CANADIAN DOLLARS

	Share Capital	Equity Reserves	Deficit	Total
	\$	\$	\$	\$
Balance, December 31, 2017	30,538,998	3,905,996	(37,283,404)	(2,838,410)
Net income for the year	-	-	1,794,720	1,794,720
Balance, December 31, 2018	30,538,998	3,905,996	(35,488,684)	(1,043,690)
Net income for the year	-	-	154,125	154,125
Balance, December 31, 2019	30,538,998	3,905,996	(35,334,559)	(889,565)

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

MONITOR VENTURES INC.
STATEMENTS OF CASH FLOWS
IN CANADIAN DOLLARS

	For the Years Ended December 31	
	2019	2018
	\$	\$
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net income	154,125	1,794,720
Items not involving cash:		
Gain on derecognition of accounts payable and accrued liabilities	(199,490)	(596,303)
Loss on derivative assets	7,779	1,929
Foreign exchange (gain) loss	(6,325)	53,208
Accrued interest on shareholder loan	2,062	2,041
Gain on disposal of subsidiary	-	(1,229,591)
Gain on sale of mineral property asset	-	(81,404)
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	(12,578)	509
Amounts receivable	-	15,066
Non-operating items:		
Interest income	(663)	(321)
Net cash used in operating activities	(55,090)	(40,146)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	39,715	174,981
Acquisition of marketable securities	(30,000)	(120,000)
Interest income	663	321
Decrease in reclamation deposit	-	33,275
Proceeds from sale of mineral property asset	-	7,000
Payment on disposal of subsidiary	-	(5,000)
Net cash from investing activities	10,378	90,577
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from advance	100,000	75,000
Repayment of advance	(100,000)	(75,000)
Net cash from financing activities	-	-
Change in cash for the year	(44,712)	50,431
Cash, beginning of year	73,943	23,512
Cash, end of year	29,231	73,943

Supplemental Cash Flow Information

There were no non-cash investing or financing activities during the years ended December 31, 2019 and 2018.

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

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

EXPRESSED IN CANADIAN DOLLARS

1. NATURE OF OPERATIONS

Monitor Ventures Inc. (the “Company”) currently has no commercial operations. The Company has a significant working capital deficiency as a result of liabilities arising from previous commercial activities. In recent years it has improved its financial position by way of the sale of assets, debt recoveries and the issuance of shares for debt. The Company seeks to further reduce its accounts payable and accrued liabilities and commence new commercial operations, but it will require additional financing to remain a going concern (Note 2).

The Company is incorporated under the *Canada Business Corporations Act* and its principal place of business is Suite #1703, 595 Burrard St., Vancouver, British Columbia, Canada. The Company’s shares currently trade on the TSX-Venture Exchange (the “Exchange”) under the symbol “MVI”. Additional information on the Company is available on www.sedar.com.

2. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS

Statement of compliance

These financial statements, including comparative periods, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements have been prepared in accordance with IFRS in effect as at December 31, 2019. Significant accounting policies and the applicable basis of measurement used in the preparation of these financial statements are described in Note 3.

These financial statements were authorized by the Board of Directors on March 17, 2020.

Going concern

These financial statements have been prepared on the assumption that the Company will continue on a going concern basis. However, the Company has incurred negative operating cash flows since its incorporation and, as at December 31, 2019, the Company has a working capital deficiency of \$900,293 (December 31, 2018 - \$1,054,958) and a shareholders’ deficiency of \$889,565 (December 31, 2018 - \$1,043,690). Without operating cash flows, the Company will be required to raise additional financing to sustain its operations.

In recent years, the Company has been unable to raise the amounts required to fund its operations in equity markets and has relied on asset disposals and shareholder loans to fund the general and administrative expenses required for a publicly-traded entity. As a result of the Company’s current financial position and challenging access to capital, there can be no assurance that the Company will be able raise additional funds in the future, in which case the Company may be unable to meet its financial obligations. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

EXPRESSED IN CANADIAN DOLLARS

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are those policies which the Company has applied for its financial statements for the years ended December 31, 2019 and 2018. These policies have been applied to all periods presented in these financial statements.

Basis of consolidation

These financial statements included the balances and results of the Company and those entities over which the Company exercised control. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its operations.

On October 3, 2018, the Company disposed of all shares in its wholly-owned subsidiary, American Vanadium US Inc. ("AVUSI") after which the Company no longer exercised control of AVUSI (Note 4). In addition to the assets, liabilities, income and expenses of the Company, these financial statements include these amounts for AVUSI which arose prior to October 3, 2018. All transactions and intercompany balances between the Company and AVUSI which occurred prior to October 3, 2018 have been eliminated on consolidation.

Basis of measurement and presentation currency

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

Unless otherwise indicated, these financial statements are presented in Canadian dollars, which is also the functional currency of the Company and, prior to its disposal on October 3, 2018, AVUSI.

Foreign currency translation

Balances and transactions that are denominated in currencies other than the functional currency are translated to the functional currency as follows:

- Revenue and expense items are translated at the foreign exchange rates prevailing on the dates they occur.
- Non-monetary assets and liabilities are translated at historical foreign exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect at period end.
- Monetary assets and liabilities are translated at the foreign exchange rate in effect at period end.

Gains and losses arising from changes to the exchange rates used to translate foreign-denominated balances and transactions into the functional currency are recorded as a component of profit or loss in the period in which they occur.

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

EXPRESSED IN CANADIAN DOLLARS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- ii) those to be measured at amortized cost.

Financial assets

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit or loss or other comprehensive income.

The Company has classified its financial assets as follows:

- Cash and derivative assets are measured at fair value with changes to fair value subsequent to initial recognition being recorded in profit or loss for the period in which they occur.
- Reclamation deposits are measured at amortized cost using the effective interest rate method. Interest income, where material, is recorded in profit or loss.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company has not recognized any impairment losses on its reclamation deposits.

Financial liabilities

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit or loss are recorded in other comprehensive income.

The Company's financial liabilities include accounts payable, accrued liabilities and its shareholder loan payable, all of which are measured at amortized cost using the effective interest rate method. Interest expense, where material, is recorded in profit or loss.

The Company derecognizes a financial liability when the liability is extinguished by way of discharge, cancellation or expiry.

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Current and deferred income taxes**

Current taxes receivable or payable are estimated on taxable income for the current period at the statutory tax rates enacted or substantively enacted on the balance sheet date.

Deferred tax assets and liabilities are recognized based on the difference between the tax and accounting values of assets and liabilities and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in earnings or equity, as the case may be, in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits of the relevant entity or group of entities, in a particular jurisdiction, will be available against which the assets can be utilized.

Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use (“ROU”) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (a) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (b) for leases of low value. The payments for such leases are recognized in profit or loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of future lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is amortized over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of future lease payments, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in profit or loss.

During the year ended December 31, 2019, the Company did not have any contracts subject to the application of IFRS 16 that would result in a ROU or a lease liability.

Stock-based compensation

The Company recognizes a stock-based compensation charge in profit or loss for stock options granted to employees, officers and directors of the Company, as well as to external consultants. The stock-based compensation charge is based on the fair value of option awards granted, measured using the Black-Scholes option pricing model at the date of issue. The fair value of stock options granted is amortized to expense on a graded basis over the vesting periods of the option granted with an off-setting amount recorded in equity reserves. Any expense recorded for options that are forfeited because non-market vesting conditions are not satisfied is reversed in the period in which forfeiture occurs.

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

EXPRESSED IN CANADIAN DOLLARS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Warrants

Warrants are typically issued by the Company as compensation for services or as part of a share unit. Compensatory warrants are measured using the Black-Scholes option pricing model. Warrants issued as part of a share unit are valued at their residual value which is measured as the incremental difference between the value of the combined share and warrant unit and the fair value of the stand-alone shares. The value attributed to warrants is recorded as a component of equity reserves and is reclassified to share capital when the warrants are exercised, or expire.

Income or loss per share

Basic income or loss per share is calculated using the weighted-average number of shares outstanding during the period. Diluted income per share reflects the dilutive effect of options, warrants and other convertible instruments. Under this method, the dilutive effect on earnings per share reflects the assumption that the proceeds from the exercise of options, warrants and other convertible instruments are used to purchase and cancel common shares at the average market price during the period. In periods that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

Judgments, estimates and measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements.

Areas where management is required to make significant estimations or where measurements are uncertain are as follows:

Gains on derecognition of amounts payable and accrued liabilities

The Company recognizes gains on the derecognition of amounts payable and accrued liabilities for amounts that are significantly past due. The recognition of such gains requires judgment based on factors such as the age of such amounts, statutes of limitation for debt collection and the time elapsed since the most recent contact with creditors.

Taxation

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable (or receivable) by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

EXPRESSED IN CANADIAN DOLLARS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Judgments, estimates and measurement uncertainty (continued)***Derivative assets*

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants exercisable into shares of other companies. This model requires management to estimate the volatility of the other company's future share price, expected lives of warrants and future dividend yields. Consequently, there is significant measurement uncertainty in the carrying value of such warrants as well as any related fair value gains or losses.

Recent changes in accounting policies*IFRS 16, Leases*

Effective January 1, 2019, IFRS 16 *Leases* replaced the previous leases standard, IAS 17 *Leases*. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. The adoption of IFRS 16 did not result in significant changes in the measurement, presentation or disclosure of information included in these financial statements, included comparative period information.

4. DISPOSAL OF SUBSIDIARY

On October 3, 2018 the Company disposed of its wholly-owned subsidiary, AVUSI to an unrelated third party. On the date of disposition, AVUSI had net liabilities of \$1,234,591. The Company paid \$5,000 to the acquiror and, as a result, the Company recognized a \$1,229,591 net gain on the disposal of AVUSI in the year ended December 31, 2018.

5. DERIVATIVE ASSETS

During the year ended December 31, 2018, the Company provided information regarding a formerly-leased mineral property to Prophecy Development Corp. ("Prophecy"), a TSX-listed company. As compensation for this information, the Company received 500,000 warrants in Prophecy with a fair value of \$74,404 at the time of receipt determined using the Black-Scholes option-pricing model. Additionally, the Company received \$7,000 in cash and recognized a total gain of \$81,404.

Subsequent to their initial measurement, in the year ended December 31, 2018, the Company exercised 400,000 warrants for \$120,000 and sold the acquired shares for \$174,981, resulting in a realized gain of \$54,981. The fair value of the 100,000 warrants still held by the Company as at December 31, 2018 was \$17,494, resulting in a \$1,929 loss on derivative assets, subsequent to their initial measurement.

During the year ended December 31, 2019, the Company exercised the remaining 100,000 Prophecy warrants for \$30,000 and sold the acquired shares for \$39,715, resulting in a realized gain of \$9,715 for the year. For the same period, the Company recognized a \$7,779 loss on the revaluation of the warrants to their eventual realized value.

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

EXPRESSED IN CANADIAN DOLLARS

5. DERIVATIVE ASSETS (continued)

A summary of changes to the carrying values of the Prophecy warrants is as follows:

	Number of Warrants	Carrying Value \$
Outstanding, December 31, 2017	-	-
Compensatory warrants received	500,000	74,404
Realized gain on exercise of warrants and sale of shares	(400,000)	(54,981)
Loss on revaluation of warrants	-	(1,929)
Outstanding, December 31, 2018	100,000	17,494
Loss on revaluation of warrants	-	(7,779)
Realized gain on exercise of warrants and sale of shares	(100,000)	(9,715)
Outstanding, December 31, 2019	-	-

6. RECLAMATION DEPOSIT

As at December 31, 2019 the Company had US\$8,260 (December 31, 2018 – US\$8,260) on deposit with government environmental agencies as security for the environmental reclamation of mineral properties previously leased by the Company, which will be refunded to the Company following final approval of environmental remediation previously conducted.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

During the year ended December 31, 2019, the Company recognized a \$199,490 (2019 - \$596,303) gain on the write-off and derecognition of accounts payable and accrued liabilities.

8. SHAREHOLDER LOAN

The Company has a \$200,000 loan outstanding to a shareholder of the Company under a promissory note that is payable on demand and which accrues interest at a rate of 1% per annum. During the year ended December 31, 2019, the Company recorded interest expense of \$2,062 (2018 - \$2,041) and as at December 31, 2019, the combined balance of principal and accrued interest owing was \$208,217 (December 31, 2018 - \$206,155).

9. SHAREHOLDERS' DEFICIENCY**Share capital***Authorized*

Unlimited number of common voting shares with no par value.

Issued and outstanding

As at and during the years ended December 31, 2019 and 2018, the Company had 2,930,058 common voting shares issued and outstanding.

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

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9. SHAREHOLDERS' DEFICIENCY (continued)**Warrants**

The Company has granted warrants on a stand-alone basis as compensation to agents who have facilitated Company financings, as well as components to share units sold to equity investors. Changes to the balance of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Fair Value
		\$	\$
Outstanding, December 31, 2017	32,213	2.50	0.00
Warrants expired	(32,213)	2.50	0.00
Outstanding, December 31, 2018 and 2019	-	-	-

Stock options

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant. As at December 31, 2019, the stock option plan is suspended, and while existing options outstanding are unaffected, no new options can be granted until the plan is reinstated.

Changes to the balance of stock options outstanding and exercisable are as follows:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Fair Value
		\$	\$
Outstanding, December 31, 2017	83,300	4.87	1.80
Options cancelled or forfeited	(16,600)	14.40	6.20
Outstanding, December 31, 2018 and 2019	66,700	2.50	0.70

The following incentive stock options were outstanding and exercisable at December 31, 2019:

Expiry date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
	\$		
April 16, 2020	2.50	65,900	65,900
May 6, 2020	2.50	800	800
Outstanding, December 31, 2019		66,700	66,700

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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10. RELATED PARTY TRANSACTIONS

The Company is party to a corporate and administrative services agreement with Earlston Management Corp. (“Earlston”). Earlston has certain directors and officers in common with the Company and provides key management, corporate, and administrative services to the Company including the provision of the Company’s Chief Financial Officer and corporate secretary, resulting in the two entities being related. As at December 31, 2019, \$155,844 is included in accounts payable and accrued liabilities (December 31, 2018 - \$155,579) for amounts owing to Earlston, which includes sundry expenses paid for by Earlston on the Company’s behalf in addition to those for management, corporate and administrative services incurred prior to 2018.

Included in accounts payable and accrued liabilities as at December 31, 2019 is \$295,000 (December 31, 2018 - \$295,000) owing to Bill Radvak, the Chief Executive Officer of the Company for salaries and benefits, and \$5,395 (December 31, 2018 - \$5,395) for travel and office expense claims.

During the year ended December 31, 2019, Brian Bayley, a director of the Company deposited \$100,000 (2018 - \$75,000) into a brokerage account held by the Company to facilitate the exercise of warrants and sale of shares in Prophecy (Note 5). No interest was charged on this amount, and no amounts were owed to Mr. Bayley as at December 31, 2019 or 2018.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
	\$	\$
Income before taxes	154,125	1,794,720
Expected income tax expense at statutory tax rates	42,000	485,000
Permanent differences between IFRS and taxable net income	3,000	(498,000)
Effect of disposal of AVUSI	-	1,776,000
Change in statutory, foreign tax, foreign exchange rates and other	-	14,000
Changes in unrecognized deductible temporary differences	(45,000)	(1,777,000)
Total income tax expense	-	-

The significant components of the Company’s deferred tax assets that have not been included on the balance sheets are as follows:

	December 31 2019	December 31 2018
	\$	\$
Deferred tax assets:		
Capital losses	3,499,000	3,499,000
Non-capital losses	3,159,000	3,203,000
Share issue costs	-	1,000
Total deferred tax assets	6,658,000	6,703,000
Deferred tax assets not recognized	(6,658,000)	(6,703,000)
Net deferred tax assets	-	-

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11. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the balance sheets are as follows:

	December 31 2019	Expiry Date Range	December 31 2018	Expiry Date Range
	\$		\$	
Allowable capital losses	12,958,000	No expiry date	12,958,000	No expiry date
Non-capital losses	11,700,000	2026-2039	11,863,000	2026-2038
Share issue costs	-	N/A	2,000	2039-2040

The Company's effective tax rate during the years ended December 31, 2019 and 2018 as well as the substantively-enacted rate used to determine deferred tax assets as at December 31, 2019 and 2018 is 27%. Tax attributes are subject to review and potential adjustment by tax authorities.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2019, the Company's financial instruments comprise cash, reclamation deposits, accounts payable and accrued liabilities, and a shareholder loan. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of financial instruments measured at amortized cost approximate their carrying value due to their short-term maturities. Fair values of financial instruments measured at fair value are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	29,231	-	-

The Company is exposed to certain risks to the carrying values of its financial instruments, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

As at December 31, 2019, the Company's net financial liabilities included US\$94,000. A prolonged 10% increase (decrease) in the value of the Canadian dollar compared with the U.S dollar would result in a \$11,000 foreign exchange gain (loss) on U.S. dollar-denominated net financial liabilities as at December 31, 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has a working capital deficiency as at December 31, 2019 and additional financing is required for the Company to settle its existing obligations and fund future obligations. As such, the Company is exposed to liquidity risk.

MONITOR VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

13. CAPITAL MANAGEMENT

The Company manages its capital, which comprises the components of shareholders' deficiency, and adjusts it based on the funds available to the Company and operational requirements. 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 will require additional financing to settle outstanding debt and to maintain operations as a publicly-listed entity. The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to managing capital during the year ended December 31, 2019.

14. INCOME PER SHARE

The numerators and denominators of basic and diluted income per share for the years ended December 31, 2019 and 2018 are as follows:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Net income - numerator	\$154,125	\$1,794,720
Basic and diluted weighted average number of common shares outstanding - denominator	2,930,058	2,930,058
Basic and diluted income per share	\$0.05	\$0.61

The impact of stock options has been excluded from the calculation of diluted income per share for the years ended December 31, 2019 and 2018, as they were out-of-the-money during these years.