COMMERCE
RESOURCES CORP.

Financial Statements

October 31, 2018 and 2017

(Expressed in Canadian Dollars)

Management's Responsibility

To the Shareholders of Commerce Resources Corp. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 4 of the Notes to the Financial Statements.

February 11, 2019

(signed)

Christopher Grove
President

(signed)

David Hodge
Director

MNP LLP

Independent Auditors' Report

To the Shareholders of Commerce Resources Corp.:

We have audited the accompanying financial statements of Commerce Resources Corp., which comprise the statement of financial position as at October 31, 2018 and October 31, 2017, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Commerce Resources Corp. as at October 31, 2018 and October 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Commerce Resources Corp.'s ability to continue as a going concern.

Vancouver, British Columbia

February 11, 2019

MNP LLP
Chartered Professional Accountants

Commerce Resources Corp.

Statements of Financial Position
As at October 31,
As expressed in Canadian dollars

		2018	2017
Assets			
Current			
Cash	$	**56,710**	11,916
Marketable securities		**28,035**	34,803
Short term investment (Note 5)		**34,500**	174,500
Taxes and other receivables		**49,277**	21,513
Prepaid expenses		**104,719**	104,561
		273,241	347,293
Equipment (Note 7)		**418,374**	449,819
Exploration and evaluation assets (Note 8 and Schedule I)		**61,283,508**	61,219,466
Reclamation bonds		**82,000**	82,000
	$	**62,057,123**	62,098,578
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 15)	$	**1,159,840**	999,093
Due to related parties (Note 12)		**983,040**	444,320
Liability for flow-through shares (Note 15)		**-**	31,513
		2,142,880	1,474,926
Shareholders' Equity			
Share capital (Note 9)		**83,769,426**	83,701,427
Reserves (Note 10)		**9,183,252**	9,153,914
Accumulated other comprehensive income		**8,608**	15,376
Deficit		**(33,047,043)**	(32,247,065)
		59,914,243	60,623,652
	$	**62,057,123**	62,098,578

Approved and authorized by the Board of Directors on February 11, 2019:

"Christopher Grove" — Director

"David Hodge" — Director

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

Commerce Resources Corp.

Statements of Operations and Comprehensive Loss
For the years ended October 31,
As expressed in Canadian dollars

		2018		2017
Expenses				
Administration fees and rent (Note 11)	$	**360,000**	$	383,810
Advertising and website		**123,731**		269,297
Consulting fees		**77,379**		99,624
Filing and transfer agent fees		**35,103**		37,879
Insurance		**10,978**		11,200
Investor relations		**64,700**		73,298
Office, telephone and miscellaneous		**15,816**		33,402
Professional fees		**87,301**		143,430
Share-based payments (Note 10)		**29,338**		630,535
Travel and promotion		**23,914**		86,603
Loss before other items		**(828,260)**		(1,769,078)
Other items:				
Interest income		**3,053**		2,881
Other expenses (Note 15)		**(564)**		(16,677)
Foreign exchange gains (losses)		**168**		1,109
Gain on disposition of asset backed commercial paper (Note 6)		**-**		48,663
Impairment of exploration assets (Note 8)		**(5,888)**		-
		(3,231)		35,976
Loss before income taxes		**(831,491)**		(1,733,102)
Deferred tax recovery (Note 16)		**31,513**		184,191
Net loss for the year		**(799,978)**		(1,548,911)
Other comprehensive income (loss) for the year				
Item that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets		**(6,768)**		6,354
Net comprehensive loss for the year	$	**(806,746)**	$	(1,542,557)
Basic and diluted loss per share	$	**(0.003)**	$	(0.005)
Weighted average number of common shares outstanding – basic and diluted		**310,229,696**		290,496,144

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

Commerce Resources Corp.
Statements of Changes in Equity
For the years ended October 31,
As expressed in Canadian dollars

	Number of Shares		Share Capital		Reserves		Accumulated Other Comprehensive Loss		Deficit		Total
Balance, October 31, 2016	**259,508,950**	**$**	**81,086,544**	**$**	**8,455,888**	**$**	**9,022**	**$**	**(30,698,154)**	**$**	**58,853,300**
Shares issued for cash	50,060,958		2,660,153		-		-		-		2,660,153
Warrants exercised	20,000		1,500		-		-		-		1,500
Share issue costs	-		(46,770)		6,750		-		-		(40,020)
Share-based compensation	-		-		691,276		-		-		691,276
Change in fair value of available-for-sale financial assets	-		-		-		9,035		-		9,035
Disposition of asset backed commercial paper	-		-		-		(2,681)		-		(2,681)
Net loss for the year	-		-		-		-		(1,548,911)		(1,548,911)
Balance, October 31, 2017	**309,589,908**	**$**	**83,701,427**	**$**	**9,153,914**	**$**	**15,376**	**$**	**(32,247,065)**	**$**	**60,623,652**
Warrants exercised for cash	906,650		67,999		-		-		-		67,999
Share-based compensation	-		-		29,338		-		-		29,338
Change in fair value of available-for-sale financial assets	-		-		-		(6,768)		-		(6,768)
Net loss for the year	-		-		-		-		(799,978)		(799,978)
Balance, October 31, 2018	**310,496,558**	**$**	**83,769,426**	**$**	**9,183,252**	**$**	**8,608**	**$**	**(33,047,043)**	**$**	**59,914,243**

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

Commerce Resources Corp.

Statements of Cash Flows
For the years ended October 31,
As expressed in Canadian dollars

		2018		2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net (loss) for the year	**$**	**(799,978)**	$	(1,548,911)
Add (deduct) items not affecting cash:				
Deferred tax recovery (Note 16)		**(31,513)**		(184,191)
Gain on disposition of asset-backed commercial paper (Note 6)		**-**		(48,663)
Share-based payments (Note 10)		**29,338**		630,535
		(802,153)		(1,151,230)
Changes in non-cash working capital items related to operations:				
Taxes and other receivables		**180**		95,697
Prepaid expenses		**(158)**		9,019
Due to related parties		**512,416**		(299,637)
Accounts payable and accrued liabilities		**79,644**		(453)
Net cash flows used in operating activities		**(210,071)**		(1,346,604)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Exercise of warrants		**67,999**		-
Issue of share capital, net of share issuance costs		**-**		2,621,633
Net cash flows from financing activities		**67,999**		2,621,633
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Redemption of Asset-backed commercial paper		**-**		51,453
Redemption of short-term investments		**140,000**		(98,000)
Proceeds on sale of resource property		**250,000**		-
Exploration and evaluation costs, net of tax credits received		**(203,134)**		(1,469,753)
Net cash flows from (used in) investing activities		**186,866**		(1,516,300)
Increase (decrease) in cash		**44,794**		(241,271)
Cash, beginning of year		**11,916**		253,187
Cash, end of year	**$**	**56,710**	$	11,916

Supplemental disclosure with respect to cash flows – Note 14

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Commerce Resources Corp. ("Commerce" or the "Company") was incorporated on May 19, 1999, under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company is in the exploration stage and has interests in properties located in British Columbia ("BC") and Quebec, Canada. Commerce is a public company listed on Tier 1 of the TSX Venture Exchange in Canada ("CCE") and the Frankfurt Stock Exchange in Germany ("D7H"). The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on February 11, 2019.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital deficit of $1,869,639 at October 31, 2018 (2017 - $1,127,633), has accumulated losses since its inception, expects to incur further losses in the development of its business, and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern. In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company's exploration and development programs. There is no assurance that these initiatives will be successful.

In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported expenses and statement of financial position classifications that might be necessary should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

2. BASIS OF PRESENTATION - continued

Basis of Measurement - continued

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The accrued liability to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment for the flow through shares issued;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods; and

Judgments

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

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

  Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- Production stage of a mine

  The determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

Judgments - continued

- Provisions for reclamation

  Management assesses its provision for reclamation on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, and the impact of changes in discount rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

- Going concern

  The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

The Company's presentation currency and functional currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Cash

Cash consists of amounts held in banks and cashable highly liquid investments with limited interest and credit risk.

Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months but less than one year.

Marketable securities

Marketable securities consist of common shares of publicly-traded companies listed on the TSX Venture Exchange. Marketable securities are classified as available-for-sale and are recorded at their fair values using quoted market prices at the statement of financial position date. Subsequent revaluation resulting in unrealized gains or losses is recorded in the statements of operations and comprehensive income (loss).

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Exploration and evaluation costs

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of operations and comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Mines under construction”. There is no amortization during the exploration and evaluation phase.

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.

Reclamation bonds

Reclamation bonds are required by the Ministry of Natural Resources and are mostly represented by Guaranteed Interest Certificates (“GIC”) held in the Company’s name at a bank. The Company is entitled to interest on the GICs which is earned at an interest rate ranging from 0.60% to prime minus 2.6%. The reclamation bonds cannot be withdrawn by the Company without the consents of the Ministry of Natural Resources.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful lives using the following rates:

Field equipment	3 year straight-line
Field office building	5% declining balance
Leasehold improvements	12 year straight-line

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy:

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through commitment") as follows:

- Share capital – the fair market price at the date of the issue;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature, i.e. the portion in excess of the market value of the shares without the flow-through features at the time of issue; and
- Fair value of warrants – if warrants are being issued, based on the valuation derived using the residual method.

In the case that the Company does not issue non flow-through units together with the flow-through units, the flow-through share premium is determined by using the residual method, whereby the fair value of warrants will be valued based on the Black-Scholes option-pricing model, and the flow-through share premium equal to any residual balance after the fair market price of the common shares and fair value of warrants.

Therefore, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Mining tax credits and mining duties

Mining tax credits and mining duties are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits and mining duties. These refundable mining tax credits and mining duties are earned in respect to exploration costs incurred in BC and Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures. During the year ended October 31, 2018, the Company recorded a refund of $6,866 (2017: $9,711) for the BC mining tax credits and $21,078 (2017: $28,435) for the Quebec mining tax credits.

Financial instruments

i. Financial assets

The Company classifies its financial assets in the following categories: Fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition. All financial assets are initially recorded at fair value.

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

  Financial assets at FVTPL are recognized at fair value with changes in fair value recorded through income. Cash and short-term investment are included in this category of financial assets.

Commerce Resources Corp.
Notes to the Financial Statements
October 31, 2018 and 2017
Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

- Held-to-maturity investments ("HTM")

  HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs and subsequently recorded at amortized cost.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. Amounts receivable and reclamation bonds are included in this category of financial assets.

- Available-for-sale financial assets

  Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. AFS are subsequently measured at fair value with changes in fair value recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities. Marketable securities and asset-backed commercial paper ("ABCP") are included in this category of financial assets.

  Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

- Effective interest method

  The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

- Impairment of financial assets

  Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

  Objective evidence of impairment could include the following:

  - Significant financial difficulty of the issuer or counterparty;
  - Default or delinquency in interest or principal payments; or
  - It has become probable that the borrower will enter bankruptcy or financial reorganization.

  For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are 딮 따 땇 땩 땞 땠 땲 땸 땂 땨 떾 댧 loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

ii. Financial liabilities

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities
  Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to related parties.

- Derivative Financial liabilities
  Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss.

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Income taxes

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes - continued

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

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. Parties are also considered to be related if they are subject to common control, 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.

Impairment of non-current assets

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of non-current assets - continued

In calculating recoverable amount the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Decommissioning liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Future Accounting Pronouncements

Pronouncements that are not applicable to the Company have not been included in these financial statements

IFRS 2 – Share-based Payments
In June 2016, the IASB issued an amendment to address certain issues related to the accounting for cash settled awards, and the accounting for equity settled awards that include a "net settlement'' feature in respect of employee withholding taxes. The mandatory effective date of the amendment to IFRS 2 is for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 - Financial instruments ("IFRS 9")
In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 (2014), incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in February 2015, as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This standard will replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted (subject to local endorsement requirements). The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 - Leases
On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

5. SHORT TERM INVESTMENTS

At October 31, 2018, the Company had two guaranteed investment certificate ("GIC") totaling $34,500 (2017: $174,500). One of the GIC's has an interest rate of prime less 2.45% and will mature in March 2019 and one has an interest rate of prime less 2.6% and will mature in July 2019.

Expressed in Canadian Dollars

6. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER

During the year ended October 31, 2017, the Company has sold all of its ABCP and received payments from settlement of $51,453 and recognized a gain on sale of ABCP of $48,663.

Reconciliation of level 3 fair value measurements of ABCP is as follows:

October 31, 2016		5,471
Settlements		(2,790)
Unrealized gains in other comprehensive income		(2,681)
October 31, 2017 and 2018	$	-

7. EQUIPMENT

		Field Equipment		Field Office Building		Leasehold Improvements		Land		Total
Costs										
October 31, 2017 and 2018	**$**	**316,931**	**$**	**303,748**	**$**	**255,796**	**$**	**120,282**	**$**	**996,757**
Accumulated Amortization										
October 31, 2016	$	316,931		92,690		104,804		-		514,425
Additions		-		11,197		21,316		-		32,513
October 31, 2017		316,931		103,887		126,120		-		546,938
Additions		-		10,129		21,316		-		31,445
October 31, 2018	**$**	**316,931**	**$**	**114,016**	**$**	**147,436**	**$**	**-**	**$**	**578,383**
Net Book Value										
October 31, 2017	$	-	$	199,861	$	129,676	$	120,282	$	449,819
October 31, 2018	**$**	**-**	**$**	**189,732**	**$**	**108,360**	**$**	**120,282**	**$**	**418,374**

During the year ended October 31, 2018, $31,445 (2017: $32,513) of amortization has been capitalized to Exploration and Evaluation Assets.

8. EXPLORATION AND EVALUATION ASSETS

The following is a description of the Company's most significant property interests and related spending commitments (see Schedule I for a detailed breakdown):

<u>Blue River Claims</u> – (formerly known as the Upper Fir, Verity and Fir Claims)

The Company has a 100% interest in its Blue River claims, located in the Blue River region of the Kamloops Mining District of B.C., Canada, all of which were acquired by staking.

8. EXPLORATION AND EVALUATION ASSETS - continued

Eldor Claims

The Company acquired, by staking and a purchase agreement, a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. During the year ended October 31, 2007, the Company purchased 8 mineral claims from Virginia Mines Inc. (“Virginia Mines”), which cover a portion of the Eldor Carbonatite. These claims are adjacent to the approximately 88 claims staked by the Company. The Company currently has 244 claims covering 11,475 hectares.

Virginia Mines retains a 1% net smelter royalty on the 8 claims purchased from them. As well, 5 of the 8 claims are subject to an underlying 5% net profit royalty, which can be purchased for $500,000.

During the year ended October 31, 2017, 1,175,000 stock options with an exercise price of $0.065 per were granted to geologists conducting exploration activities of Eldor Claims. The Company capitalized a total of $60,741 in share based payments as resources properties pursuant to the option grants. As of October 31, 2018, the Company has recorded $34,761 (2017: $34,761) of mining tax payable in accounts payable and accrued liabilities due to adjustments made by Revenue Quebec in fiscal 2016.

On January 11, 2018, the Company entered into an exploration earn-in agreement with Saville Resources Inc. (“Saville”) on the Eldor Niobium claims, known as the Niobium Claim Group Property. Under the exploration earn-in agreement, Saville has agreed to perform $5,000,000 of work on the claims over a five-year period to earn a 75% interest in the claims. The Company will receive a cash payment of $25,000 upon signing (received) and a cash payment of $225,000 (received) following Exchange approval on October 11, 2018. The Company will retain a 2% Net Smelter Royalty (NSR) on production from some of the claims with a 1% NSR buyback for $1,000,000, and a 1% NSR on the claims that are already subject to royalties.

Other Claims – British Columbia, Canada

Other claims consist of mineral claims located in Quebec, Canada known as the Alan Parson. These claims have lapsed and were impaired during the year ended October 31, 2018.

9. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value.

b) Issued and outstanding:

The total issued and outstanding shares of the Company total 310,496,558 as at October 31, 2018 (October 31, 2017: 309,289,908).

During the year ended October 31, 2018:

On February 14, 2018, 906,650 share purchase warrants priced at $0.075 per share were exercised for gross proceeds of $67,999.

During the year ended October 31, 2017:

On February 16, 2017, the Company completed a non-brokered private placement financing (the “Financing”) of 34,350,450 units (a “Unit”), at a price of $0.05 per Unit, for gross proceeds of $1,717,523. Each Unit consists of one common share of the Company (each, a “Share”) and one share purchase warrant (each, a “Warrant”). Each Warrant is exercisable into one additional Share at a price of $0.075 per Share in the first year after issuance and at $0.10 per Share in the second year after issuance. The Company paid cash finders fees of $12,950 and issued 259,000 share purchase warrants (the “Finder’s Warrants”) to two finders in connection with certain subscriptions in the Financing. The Finder’s Warrants have the same terms as the Warrants. The securities issued under the Financing, and the Shares that may be issuable on exercise of the Warrants and the Finder’s Warrants, are subject to a statutory hold period expiring on June 17, 2017.

Expressed in Canadian Dollars

9. **SHARE CAPITAL** - continued

During the year ended October 31, 2017: - continued

On May 26, 2017, the Company completed a non-brokered private placement financing (the "Financing") of 15,710,508 units (a "Unit"), at a price of $0.06 per Unit, for gross proceeds of $942,630. Each Unit consists of one common share of the Company (each, a "Share") and one share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one additional Share at a price of $0.075 per Share in the first year after issuance and at $0.10 per Share in the second year after issuance. The Company paid cash finders fees of $1,918 and issued 31,962 share purchase warrants (the "Finder's Warrants") to one finder in connection with certain subscriptions in the Financing. The Finder's Warrants have the same terms as the Warrants. The securities issued under the Financing, and the Shares that may be issuable on exercise of the Warrants and the Finder's Warrants, are subject to a statutory hold period expiring on September 27, 2017.

On September 26, 2017, 20,000 warrants priced at $0.075 were exercised for gross proceeds of $1,500.

c) Share purchase warrants:

The following is a summary of share purchase warrant transactions for the years ended October 31, 2018 and 2017:

	2018		2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	69,339,623	$ 0.10	19,298,665	$ 0.10
Issued	-	-	50,060,958	0.10
Expired	(19,298,665)	0.10	-	-
Exercised	(906,650)	0.10	(20,000)	0.075
Balance, end of year	49,134,308	$ 0.10	69,339,623	$ 0.10

The following share purchase warrants were outstanding and exercisable as at October 31, 2018 and 2017:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	2018 Number of Warrants	2017 Number of Warrants
June 30, 2018	-	$0.10	-	15,598,665
August 12, 2018	-	$0.10	-	3,700,000
February 16, 2019*	0.30	$0.08	33,423,800	34,330,450
May 26, 2019	0.57	$0.10	15,710,508	15,710,508
Total Outstanding and Exercisable	0.38	$0.09	49,134,308	69,339,623

*The exercise price for these warrants has been amended to $0.08 until expiry.

Expressed in Canadian Dollars

9. SHARE CAPITAL - continued

d) Agents' warrants:

The following is a summary of agents' warrant transactions for the years ended October 31, 2018 and 2017:

	2018		2017	
	Number of Agents' Warrants	Weighted Average Exercise Price	Number of Agents' Warrants	Weighted Average Exercise Price
Balance, beginning of year	3,030,908	$ 0.09	2,739,946	$ 0.09
Issued	-	-	290,962	0.10
Expired	(2,739,946)	0.09	-	-
Balance, end of year	290,962	$ 0.10	3,030,908	$ 0.09

The following agents' warrants were outstanding and exercisable as October 31, 2018 and 2017:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	**2018** Number of Agents' Warrants	**2017** Number of Agents' Warrants
November 27, 2017	-	$0.11	-	900,234
December 22, 2017	-	$0.11	-	34,116
December 24, 2017	-	$0.11	-	127,400
June 30, 2018	-	$0.075	-	1,043,407
August 12, 2018	-	$0.075	-	259,000
August 12, 2018	-	$0.095	-	375,789
February 16, 2019	0.30	$0.10	259,000	259,000
May 26, 2019	0.57	$0.10	31,962	31,962
Total Outstanding and Exercisable	0.33	0.10	290,962	3,030,908

Expressed in Canadian Dollars

10. SHARE-BASED PAYMENTS

The Company has a stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. Options granted to directors, employees and consultants other than consultants engaged in investor relations activities will vest immediately. However, for options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

The following is a summary of option transactions under the Company's stock option plan for the years ended October 31, 2018 and 2017:

	2018		**2017**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	17,152,320	$ 0.08	3,830,000	$ 0.15
Granted	1,000,000	0.075	13,372,320	0.065
Expired/Cancelled	(3,830,000)	0.15	(50,000)	0.065
Balance, end of year	14,322,320	$ 0.07	17,152,320	$ 0.08

The following stock options were outstanding and exercisable as at October 31, 2018:

Expiry Date	Exercise Price	Number of Options	Contractual Life (Years)
June 6, 2022	$0.065	13,322,320	3.60
April 12, 2023	$0.075	1,000,000	4.45
Total Outstanding		14,322,320	3.66
Total Outstanding and Exercisable		14,072,320	3.66

On April 12, 2018, the Company granted 1,000,000 incentive stock options, exercisable into one common share of the Company at a price of $0.075 per share for a period of 5 years. The options were provided to a company providing investor relations services, and accordingly, 75% of the options have been vested as of October 31, 2018.

On June 6, 2017, the Company granted 13,372,320 incentive stock options, exercisable into one common share of the Company at a price of $0.065 per share for a period of 5 years. Of the total, 5,500,000 options were granted to directors and officers of the Company.

Expressed in Canadian Dollars

11. COMMITMENTS

On May 1, 2008, the Company entered into a Management & Administration Agreement ("Agreement") with Zimtu Capital Corp. ("Zimtu"). Under the terms of the agreement, Zimtu will provide the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space, over a period of 12 months. The agreement has been renewed in prior years and on December 1, 2017, the Company renewed the agreement for another period of 12 months at $30,000 per month.

12. RELATED PARTY TRANSACTIONS

During the years ended October 31, 2018 and 2017, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

	Year ended October 31,	
	2018	**2017**
Key management compensation*	**$**	**$**
Geological services	71,675	428,420
Administrative fees	360,000	383,810
Consulting fees to key management	34,312	69,557
Share-based compensation	-	284,320
Advertising and promotion	89,602	107,314
Total	555,589	1,273,421

	October 31, 2018	**October 31, 2017**
Amounts due to (from) related parties	**$**	**$**
Dahrouge Geological Consulting (a)	274,244	247,939
Axel Hoppe, Director (b)	56,520	43,788
Zimtu Capital Corp. (c)	652,276	152,593
Due to related parties – Net total	983,040	444,320

(a) Dahrouge Geological Consulting provides geological services to the Company. Dahrouge is controlled by a director of the Company, Jody Dahrouge.
(b) Dr. Axel Hoppe provides guidance, direction and advice based on his professional experience in tantalum and niobium for over forty years.
(c) Zimtu Capital Corp. is a company with common directors and management. Zimtu provides key management services to the Company.

* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

The terms and conditions of these transactions with key management and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management related entities on an arm's length basis.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

13. FINANCIAL INSTRUMENTS

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are subject to credit risk for a maximum of the amounts shown on the statements of financial position. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At October 31, 2018, the Company held cash of $56,710 (2017: $11,916) and short term investments of $34,500 (2017: $174,500) with Canadian chartered banks.

The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at October 31, 2018, the Company has total current liabilities of $2,142,880 (2017: $1,474,926). Management intends to meet these obligations by raising funds through future financings.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company's marketable securities and investment in asset-backed commercial paper are subject to market risk.

i) Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

Expressed in Canadian Dollars

13. FINANCIAL INSTRUMENTS - continued

ii) Commodity Price Risk
Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company invests part of the cash balance in a variable rate GIC. The exposure to interest rate risk, however, is limited due to the short-term nature of the GIC.

d) Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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.

The following is an analysis of the Company’s financial assets measured at fair value as at October 31, 2018 and 2017:

	As at October 31, 2018		
	Level 1	**Level 2**	**Level 3**
Cash	$ 56,710	$ -	$ -
Short term investments	34,500	-	-
Marketable securities	28,035	-	-
	$ 119,245	$ -	$ -

	As at October 31, 2017		
	Level 1	**Level 2**	**Level 3**
Cash	$ 11,916	$ -	$ -
Short term investments	174,500	-	-
Marketable securities	34,803	-	-
	$ 221,219	$ -	$ -

13. FINANCIAL INSTRUMENTS – continued

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at October 31, 2018, the Company's shareholders' equity was $59,914,243 (2017: $60,623,652). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties. The Company is not subject to any externally imposed capital requirements and there were no changes in the Company's approach to capital management during the year.

14. NON-CASH TRANSACTIONS

The following transactions have been excluded from the statement of cash flows:

During the year ended October 31, 2018:

- Exploration and evaluation assets of $182,754 were included in accounts payable and $274,243 were included in due to related parties.
- Amortization of $31,445 relating to equipment was included in exploration and evaluation assets.

During the year ended October 31, 2017:

- Exploration and evaluation assets of $101,651 were included in accounts payable and $247,939 were included in due to related parties.
- Amortization of $32,513 relating to equipment was included in exploration and evaluation assets.
- 290,962 agents' warrants valued at $6,750 granted to the Agents were included in share issuance costs.

15. LIABILITY AND INCOME TAX EFFECT ON FLOW-THOUGH SHARES

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On December 22, 2014, the Company issued 12,025,000 shares on a flow-through basis at $0.25 per share for gross proceeds of $3,006,250, and recognized a liability on flow-through shares of $781,625. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2014. As the Company had unfulfilled CEE obligations of $1,268,058 at December 31, 2015, as a result of unspent flow-through proceeds related to this flow through issuance, the Company incurred Part XII.6 tax and related penalties and interest of $234,418 which was recorded in other expenses for the year ended October 31, 2016. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment of up to $594,000, calculated based upon a combined tax rate of 43.7% of unspent flow-through funds raised. The Company has recognized the liability in accrued liabilities.

Expressed in Canadian Dollars

15. LIABILITY AND INCOME TAX EFFECT ON FLOW-THOUGH SHARES - continued

In November and December 2015, the Company issued 17,947,500 shares in two tranches on a flow-through basis at $0.11 per share for proceeds of $1,974,225, and recognized a liability on flow-through shares of $472,506. At December 31, 2016, the Company has incurred the entire $1,974,225 of qualified expenditures required. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2015.

On August 12, 2016, the Company issued 5,800,421 shares on a flow-through basis at $0.095 per share for proceeds of $551,040, and recognized a liability on flow-through shares of $145,011. At October 31, 2017, the Company has incurred $431,294 of qualified expenditures. The flow-through proceeds were be renounced under the Look-back Rule on December 31, 2016. The remaining flow-through expenditures were incurred prior to December 31, 2017.

	Issued on August 12, 2016
Balance, October 31, 2016	$ 145,011
Settlement of flow-through share liability on incurring expenses	(113,498)
Balance, October 31, 2017	$ 31,513
Settlement of flow-through share liability on incurring expenses	(31,513)
Balance, October 31, 2018	$ -

Expressed in Canadian Dollars

16. CORPORATE INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian federal and provincial income rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended October 31, 2018 and 2017:

	2018	2017
	$	$
Net loss before tax	(831,491)	(1,733,102)
Statutory tax rate	26.83%	26%
Expected income tax (recovery)	(223,117)	(450,607)
Non-deductible items	10,114	159,674
Tax effect of flow-through shares	3,248	3,073
Change in enacted tax rate	-	239,559
Gain on disposal of assets and other income	-	(7,030)
Change in deferred tax asset not recognized	178,242	(128,860)
Total income tax expense (recovery)	**(31,513)**	**(184,191)**

	2018	2017
	$	$
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	(31,513)	(184,191)
Total tax expense (recovery)	**(31,513)**	**(184,191)**

The statutory tax rate increased from 26% to 26.83% due to an increase in the BC corporate tax rate on January 1, 2018.

Details of deferred tax assets (liabilities) are as follows:

	2018	2017
	$	$
Non-capital loss carry forward	6,517,568	6,451,682
Exploration and evaluation assets	(6,517,568)	(6,451,682)
Deferred tax assets (liabilities)	-	-

Expressed in Canadian Dollars

16. CORPORATE INCOME TAXES - continued

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences as at October 31, 2018 and 2017 are comprised of the following:

	2018	**2017**
	$	**$**
Non-capital losses carry-forwards (Canada)	9,783,390	8,903,570
Contingent liability	594,000	-
Capital losses	1,435,821	1,434,480
Equipment	475,213	443,768
Marketable securities	316,350	309,582
Investment Tax Credits	3,216,941	3,216,941
Financing costs	279,521	609,391
Total unrecognized deductible temporary differences	16,101,236	14,917,732

The Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards of approximately $9,783,390 (2017: $8,903,570) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	**$**
2035	5,082,464
2036	1,851,506
2037	1,641,923
2038	1,207,497
Total	9,783,390

The deferred tax assets have not been recognized because at this stage of the Company’s development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

Commerce Resources Corp. Schedule I

Schedule of Resource Properties

For the year ended October 31, 2018

Expressed in Canadian dollars

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	$ 201,602	$ 1,300,599	$ 211,580	$ 1,713,781
Staking	-	32,267	-	32,267
Balance, end of the year	201,602	1,332,866	211,580	1,746,048
Deferred exploration and development costs				
Balance, beginning of year	27,831,488	31,879,889	(205,692)	59,505,685
Amortization – field equipment and office	10,129	-	-	10,129
Assays and analytical	-	94,305	-	94,305
Consulting	-	697	-	697
Environmental and permitting	-	331	-	331
Field equipment rental	21,316	10,511	-	31,827
Field supplies	-	(15,094)	-	(15,094)
Food and accommodation	12,254	82	-	12,336
Geology, mapping and drafting	-	69,919	-	69,919
Insurance	5,126	7,693	-	12,819
Other	38,038	43,989	-	82,027
Project management	4,703	-	-	4,703
Travel and transport	804	10,804	-	11,608
	92,370	223,237	-	315,607
Mining tax credits	(6,866)	(21,078)	-	(27,944)
Impairment of exploration asset	-	-	(5,888)	(5,888)
Proceeds from sale of claims	-	(250,000)	-	(250,000)
Balance, end of year	27,916,992	31,832,048	(211,580)	59,537,460
Total balance, end of year	$ 28,118,594	$ 33,164,914	$ -	$ 61,283,508

Commerce Resources Corp. Schedule I
Schedule of Resource Properties Continued
For the year ended October 31, 2017
Expressed in Canadian dollars

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	$ 201,602	$ 1,300,599	$ 211,580	$ 1,713,781
Staking	-	-	-	-
Balance, end of the year	201,602	1,300,599	211,580	1,713,781
Deferred exploration and development costs				
Balance, beginning of year	27,731,208	31,015,763	(205,692)	58,541,279
Amortization – field equipment and office	32,513	-	-	32,513
Assays and analytical	-	127,011	-	127,011
Community projects	-	18,280	-	18,280
Consulting	-	2,400	-	2,400
Engineering	-	490	-	490
Environmental and permitting	-	464	-	464
Field equipment rental	-	96,342	-	96,342
Field supplies	63	18,561	-	18,624
Food and accommodation	13,668	13,419	-	27,087
Fuel	-	2,406	-	2,406
Geology, mapping and drafting	741	401,579	-	402,320
Insurance	5,491	8,240	-	13,731
Metallurgy	-	26,071	-	26,071
Other	44,500	1,375	-	45,875
Project management	2,516	-	-	2,516
Travel and transport	-	128,545	-	128,545
	99,492	845,183	-	944,675
Mining tax credits/adjustments	788	18,943	-	19,731
Balance, end of year	27,831,488	31,879,889	(205,692)	59,505,685
Total balance, end of year	$ 28,033,090	$ 33,180,488	$ 5,888	$ 61,219,466