MONTERO MINING AND EXPLORATION LTD.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017
Expressed in Canadian Dollars

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Montero Mining and Exploration Ltd.

Opinion

We have audited the consolidated financial statements of Montero Mining and Exploration Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 comprises the information included in 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 identified above 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. 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 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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Matthew Gosden.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 30, 2019

MONTERO MINING AND EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	December 31, 2018	December 31, 2017
ASSETS		**$**	**$**
Current assets			
Cash	5	32,758	222,580
Other receivables	6	12,952	2,650
Prepaid expenses and deposits		15,237	15,932
Total current assets		60,947	241,162
Non-current assets			
Reclamation bonds	8	-	9,393
Plant and equipment	7	3,161	5,725
Exploration and evaluation assets	8	403,781	2,498,177
Total non-current assets		406,942	2,513,295
TOTAL ASSETS		**467,889**	**2,754,457**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	9,16	282,349	197,371
Total current liabilities		282,349	197,371
SHAREHOLDERS' EQUITY			
Equity attributable to the owners of the Company			
Share capital	10	16,448,943	15,928,556
Warrants	11	306,361	-
Share-based payment reserve	12	7,292,626	6,871,179
Foreign currency translation reserve		1,045,113	995,765
Accumulated deficit		(24,907,503)	(21,238,414)
Total shareholders' equity		185,540	2,557,086
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**467,889**	**2,754,457**

On behalf of the Board:

"Antony Harwood" — Antony Harwood, Director

"Andrew Thomson" — Andrew Thomson, Director

See accompanying notes to the consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
		$	**$**
EXPENSES			
Consulting, directors', administrative and management fees	16	273,231	215,439
Depreciation	7	3,764	9,564
General and administrative	16	28,127	25,297
Impairment of exploration and evaluation assets	8	2,582,995	-
Other expenses		63,598	33,435
Professional fees		78,352	34,508
Project investigation costs	8	100,236	81,062
Shareholder and regulatory		90,855	41,215
Stock-based compensation	10	421,447	-
OPERATING LOSS		(3,642,605)	(440,520)
OTHER ITEMS			
Foreign exchange gain		2,163	1,582
Loss on debt settlement	9,10	(28,647)	-
		(26,484)	1,582
NET LOSS		**(3,669,089)**	**(438,938)**
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange difference on translating foreign operations		49,348	(77,227)
COMPREHENSIVE INCOME (LOSS)		**(3,619,741)**	**(516,165)**
EARNINGS (LOSS) PER SHARE – BASIC AND DILUTED	14	$ (0.18)	$ (0.03)

See accompanying notes to the consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Note	Share Capital		Warrants	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	TOTAL EQUITY
		Number of Shares	$	$	$	$	$	$
Balance, December 31, 2016	10	**10,594,022**	**14,448,342**	—	**6,871,179**	**1,072,992**	**(20,799,476)**	**1,593,037**
Shares issued for cash	10	3,675,000	735,000	—	—	—	—	735,000
Shares issued for debt settlement	10	4,101,347	820,270	—	—	—	—	820,270
Share issue costs	10	—	(75,056)	—	—	—	—	(75,056)
Net loss and comprehensive loss		—	—	—	—	(77,227)	(438,938)	(516,165)
Balance, December 31, 2017		**18,370,369**	**15,928,556**	—	**6,871,179**	**995,765**	**(21,238,414)**	**2,557,086**
Shares issued for cash	10	3,244,635	778,713	—	—	—	—	**778,713**
Shares issued for debt settlement	10	196,214	47,091	28,647	—	—	—	**75,738**
Fair value of warrants issued	10,11	—	(294,509)	294,509	—	—	—	—
Share and warrant issue costs	10	69,600	(10,908)	(16,795)	—	—	—	**(27,703)**
Stock-based compensation	10,12	—	—	—	421,447	—	—	**421,447**
Net loss and comprehensive loss		—	—	—	—	49,348	(3,669,089)	**(3,619,741)**
Balance, December 31, 2018		**21,880,818**	**16,448,943**	**306,361**	**7,292,626**	**1,045,113**	**(24,907,503)**	**185,540**

See accompanying notes to the consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(3,669,089)	(438,938)
Adjustments to loss for non-cash items:		
Depreciation	3,764	9,564
Impairment of exploration and evaluation assets	2,582,995	-
Stock-based compensation	421,447	-
Loss on debt settlement	28,647	-
Net changes in non-cash working capital items:		
Other receivables	(10,302)	(1,224)
Prepaid expenses and deposits	695	(9,692)
Trade and other payables	120,523	82,618
Net cash flows used in operating activities	(521,320)	(357,672)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(1,556)	(900)
Expenditures on exploration and evaluation assets	(463,982)	(83,381)
Recoveries of exploration and evaluation assets	46,026	-
Net cash used in investing activities	(419,512)	(84,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	778,713	735,000
Issue costs	(27,703)	(75,056)
Net cash flows from financing activities	751,010	659,944
NET INCREASE (DECREASE) IN CASH	(189,822)	217,991
CASH, BEGINNING	222,580	4,589
CASH, ENDING	32,758	222,580

See accompanying notes to the consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd ("Montero" or the "Company") was incorporated on October 5, 2006, under the laws of British Columbia, Canada. Montero and its subsidiaries (collectively, the "Company") are engaged in the acquisition and exploration of mineral properties in Tanzania and Namibia.

Montero is a publicly listed company with its shares listed on the TSX Venture Exchange ("TSX-V"). The Company's registered office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office address is 789 West Pender Street, Suite 810, Vancouver, BC V6C 1H2.

Going Concern

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2018, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments.

2. STATEMENT OF COMPLIANCE

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

The consolidated financial statements were authorized for issue on April 30, 2019 by the directors of the Company.

3. BASIS OF PRESENTATION

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars ("CAD"), unless otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of Montero, the parent company, and its controlled subsidiaries, after the elimination of all intercompany balances and transactions. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceased. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(Expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

a) Basis of consolidation – *Continued*

The Company's controlled subsidiaries included in these consolidated financial statements are:

Name	Country of Incorporation	Ownership
Montero Resource Holding Limited	British Virgin Islands	100%
Wigu Hill (BVI) Limited	British Virgin Islands	100%
Lumba (BVI) Limited	British Virgin Islands	100%
Montero Projects Limited	British Virgin Islands	100%
Eurozone Investments Limited	British Virgin Islands	100%
Montero Mining Namibia (Pty) Ltd.	Namibia	100%
Soris Lithium Proprietary Limited	Namibia	80%
Phosagro (Pty) Ltd.	South Africa	100%
Montero Wigu Hill (Tanzania) Limited	Tanzania	100%
Montero Resources Limited	Tanzania	100%
Lumba Exploration Limited	Tanzania	100%
Wigu Hill Mining Company Limited	Tanzania	82.25%
Lumba Mining Company Limited	Tanzania	82.25%

b) Significant accounting judgements, estimates and assumptions

The preparation of these financial statements requires management to make judgements, 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 year. Estimates and assumptions are continuously evaluated and are based on managements' 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.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

i) Exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive loss in the period when the new information becomes available.

ii) Acquisitions
The Company must use judgement and make estimates to determine the allocation of the purchase consideration based on the fair market value of the assets and liabilities acquired.

iii) Other judgments
Other key areas where the Company is required to make judgements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty, whether an acquisition constitutes a business combination or an acquisition of assets and the determination of the functional currency of the parent company and its subsidiaries.

iv) Other estimates and assumptions
Other key areas where the Company is required to make estimates and assumptions are the useful lives of plant and equipment, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for asset retirement obligations and contingent liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

c) Exploration and evaluation assets

The Company records and carries its interest in exploration and evaluation assets at cost. These capitalized costs include the direct costs of acquisition, exploration and the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. Government tax credits received are recorded as a reduction of the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The Company's criterion for testing impairment includes, but is not limited to, when:

i) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed;
ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and / or
iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

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

d) Farm outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized or expensed.

e) Joint arrangements

A joint arrangement is an arrangement in which the Company and one or more other parties have joint control. Joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement. Under a joint operation, the parties have rights to the assets and obligations for the liabilities of the arrangement and for these arrangements the Company accounts for its share of assets, liabilities, revenue and expenses. Under a joint venture, parties have the rights to the net assets of the arrangement and for these arrangements the Company accounts for the investment using the equity method. As at December 31, 2018, the Company does not have any investments in joint arrangements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

f) Plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is provided at rates calculated to write off the cost of the asset over their estimated useful lives. Depreciation is calculated on a declining balance basis on its assets at the following rates: field equipment and vehicles at 30% per annum and furniture and fixtures at 20% per annum.

g) Asset retirement and environmental obligations
The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2018, the Company does not have any asset retirement or environmental obligations.

h) Impairment of assets
The carrying amount of the Company's assets (which include exploration and evaluation assets and plant and equipment) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

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

i) Cash and cash equivalents
Cash and cash equivalents consist of cash on deposit and short-term highly liquid interest bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired.

j) Share-based payments
Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument 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. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the *Black-Scholes Option Pricing Model*. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

k) Income taxes

Current income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

l) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company, Montero, is the Canadian dollar and the functional currency of the Company's subsidiaries located in Tanzania and BVI is the United States dollar and the functional currency of the Company's subsidiaries located in South Africa is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction, whereas non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, are recognized in the statement of comprehensive loss in the period in which they arise. When a gain or loss on non-monetary items is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the statement of comprehensive loss, any exchange component of that gain or loss is recognized in also recognized in the statement of comprehensive loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

l) Foreign currency translation – *Continued*

At the end of each reporting period, the subsidiaries translate their results and financial position into the presentation currency of the Company which is the Canadian dollar. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end. Income and expenses for each statement of comprehensive loss are translated at the average exchange rates. Equity transactions are translated using the exchange rate at the date of the transaction. All resulting exchange differences are recognized in the Company’s foreign currency translation reserve in other comprehensive income. These exchange differences are recognized in the statement of loss in the period in which the operation is disposed.

m) Loss per share

Loss per share is calculated based on the weighted average number of shares issued and outstanding during the year. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

n) Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carry value of any of the financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Other receivables	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Reclamation bonds	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholder’s equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 1, 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

n) Financial instruments – *Continued*

ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at and amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

o) Accounting standards and interpretations issued but not yet effective

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	December 31, 2018	December 31, 2017
	$	**$**
Cash held at banks	**32,758**	**222,580**

Cash held at banks earns no interest.

(Expressed in Canadian dollars)

6. OTHER RECEIVABLES

The Company had no trade receivables as at December 31, 2018 or December 31, 2017. Other receivables comprise amounts due from in-country contractor personnel, local governments for reimbursement of amounts related to local sales taxes and other sundry amounts. These amounts are non-interest bearing and are due within twelve months.

7. PLANT AND EQUIPMENT

	Field Equipment	Furniture and Fixtures	TOTAL
	$	$	$
Cost:			
Balance, December 31, 2016	147,765	19,406	167,171
Additions	-	900	900
Foreign exchange translation	(350)	(211)	(561)
Balance, December 31, 2017	147,415	20,095	167,510
Additions	1,556	-	1,556
Foreign exchange translation	(1,562)	1,206	(356)
Balance, December 31, 2018	147,409	21,301	168,710
Accumulated Depreciation:			
Balance, December 31, 2016	135,899	16,322	152,221
Additions	7,813	1,751	9,564
Balance, December 31, 2017	143,712	18,073	161,785
Additions	1,086	2,678	3,764
Balance, December 31, 2018	144,798	20,751	165,549
Net Book Value:			
At December 31, 2017	3,703	2,022	5,725
At December 31, 2018	**2,611**	**550**	**3,161**

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets by property area is as follows:

	December 31, 2018	December 31, 2017
	$	$
Namibia Lithium Projects		
Soris Lithium	223.624	-
UIS Lithium Tin Tailings	169,134	-
EPL 6162 Lithium	11,023	-
Tanzania - Wigu Hill	-	1,152,253
South Africa - Phosco	-	1,345,924
	403,781	**2,498,177**

a) Namibia
Lithium Projects

Soris Lithium Project

- On October 10, 2017, the Company entered into a binding Letter of Intent ("LOI") with Frovio Investment ("Frovio") and Mickal Tjituka ("Tjituka"), the owner of Frovio, to acquire an 80% interest in a newly formed company ("Newco") that will hold the mining claims that make up this lithium project (the "Soris Lithium Project"). The Soris Lithium Project consist of eight mining claims and Frovio will transfer these into Newco in exchange for a 20% interest. Montero will immediately earn the remainder 80% interest by committing to spending $1 million on the Soris Lithium Project over a three year period.

- Newco was established by Montero and Soris Mining (Proprietary) Ltd. was formed in Namibia in November 2017 whereby 80% equity was issued to Montero and 20% to Tjituka. Montero has entered into a shareholder's Agreement with Tjituka covering its term of operations.

UIS Lithium Tin Tailings Project

- On March 5, 2018, the Company entered into a binding Heads of Agreement ("HOA") with Namib Base Minerals CC ("NBM") and Namibia Silica CC ("NBS"), (collectively the "Owners") to acquire a 95% interest in the UIS Lithium Tin Tailings Project. Under the terms of the HOA, Montero can earn a 95% interest in the UIS Lithium Tin Tailings Project by spending United States dollars ("USD") $1,425,000 over a three year period. A payment of USD $10,000 was paid on the execution of the HOA, another payment of USD $40,000 was paid on the successful completion of due diligence, a further payment of USD$275,000 shall be paid within six months and the remainder as staged milestone payments.

- The Owners and Montero have agreed to an extension of the due diligence period to September 5, 2019 to complete the evaluation of the property with further payments of US$75,000 due on June 5, 2019 and US$200,000 on September 5, 2019. The balance of staged payments shall resume on September 5, 2019.

- Montero also entered into an agreement with Lithium Africa 1 ("LA1"), to acquire drilling and other data pertaining to the UIS Lithium tailings Project, within four months following a successful due diligence for the amount of US$125,000 in cash or shares at LA1's election. On October 1, 2018, LA1 also granted an extension to September 1, 2019.

8. EXPLORATION AND EVALUATION ASSETS – *Continued*
a) Namibia – *Continued*

EPL 6162 Lithium Project

On March 1, 2018, the Company entered into a LOI with Mr. Esegial Xamseb (“Xamseb”), a Namibian national, to acquire an 80% interest in the Exclusive Prospecting Licence 6162 (“EPL 6162 Lithium Project”). Under the terms of the LOI, Montero can earn an 80% interest in the EPL 6162 Lithium Project by spending $1,000,000 over a three year period. Montero shall pay Xamseb $5,000 (paid) on signing of a definitive agreement and make annual payments to him of $10,000 on the anniversary of the effective date. There is a due diligence period of three months provided.

On July 18, 2018, Montero notified Xamseb that they have completed due diligence and they wish to exercise their option to move forward with a definitive agreement within three years.

b) Tanzania

Wigu Hill Project

On May 26, 2008 (amended June 30, 2009 and April 27, 2010) the Company and RSR (Tanzania) Limited (“RSR”) entered into an agreement whereby RSR granted the Company an exclusive option to earn an initial 60% interest in the Wigu Hill Project (the “First Option”), and an additional 10% interest in the Wigu Hill Project (the “Second Option”). The terms and conditions of the final amended agreement on April 27, 2010 are outlined as follows. In order to exercise the First Option, the Company must pay United States dollars (“USD”) $150,000 on or before April 30, 2010 (paid). After the exercise of the First Option, RSR will transfer the prospecting licences comprising the Wigu Hill Project (the “Wigu Hill Licences”) to a newly-formed company (established and called - Wigu Hill Mining Company Limited “WHMC”) and the Company will concurrently pay RSR a further USD $50,000 (paid). The Company is further obligated to incur exploration expenditures of USD $3.5 million (incurred) (or alternatively complete a prefeasibility study) on or before November 28, 2012. Once completed, the Company may at its sole discretion, within 60 days after November 28, 2012, elect to acquire a further 10% interest in the Wigu Hill Licences by paying RSR a further USD $2,000,000 to complete the requirements to execute the Second Option (amended as outlined below).

On September 22, 2011, the Company and RSR executed a shareholders’ agreement, which outlines the following:

- amended the payment of USD $2,000,000 to an initial Second Option payment of $800,000 (paid) and a final Second Option payment of USD $700,000, which is to be paid subject to receipt of mining and retention licences granted by the Government of Tanzania, as well as a development agreement executed by the Government of Tanzania and the Company. By mutual agreement between the Company and RSR, the USD $700,000 payment may be satisfied by the issuance of common shares of Montero at the prevailing market price of such shares at the date of payment.
- agreement that the Company has now duly and validly exercised the First Option and the Second Option, and owns a 70% interest in the Wigu Hill Licences.
- RSR has transferred the Wigu Hill Licences to WHMC which was originally owned 70% by the Company and 30% by RSR. Further funding of exploration on the Wigu Hill Licences shall be provided by the Company and RSR in proportion to their ownership of WHMC.
- dilution provisions are provided subject to a deemed expenditure formula and, and where a party’s interest is diluted to less than 10%, conversion of such interest to a 2.5% net smelter returns royalty (“NSR”) will be done. The Company has the right to purchase all or part of the NSR for USD $1 million per each 0.5%.

After the establishment of WHMC, further exploration costs were incurred by the Company and RSR has not yet paid their share of these costs which at December 31, 2018 were determined to be $1,654,162 (USD $1,212,551) and have been included in exploration and evaluation assets. Management has not recorded RSR’s share as a receivable due to the uncertainty of payment. RSR was put on notice for its contribution required and advised that dilution will occur if payment is not received. The notice period for receipt of payment has expired and therefore Montero increased its ownership of the WHMC to 82.25%.

8. EXPLORATION AND EVALUATION ASSETS – *Continued*

As a result of the enactment of certain legislation by the Tanzanian government, all existing mineral retention licenses, including those related to the Wigu Hill Project, have been revoked. The Company is eligible to apply to have its licence reinstated, and has therefore submitted all applications and necessary documents to the Tanzanian Ministry of Minerals for this application for the Wigu Hill Project licences.

While the Company has now submitted its application for the licence related to the Wigu Hill Project, the licence has not yet been granted. The operating environment in Tanzania is challenging for mining companies and as such, management believes that this is an indicator of impairment, and has therefore written off the carrying value of the Wigu Hill Project in the amount of $1,190,719 during the year ended December 31, 2018. As well, a smaller licence in the vicinity was not renewed and therefore the Company has recorded an impairment charge of $30,079 for this other Tanzanian licence for the year ended December 31, 2018.

The Company is currently in discussions with an interested party to further advance the Wigu Hill Project subject to the mining claims being granted, and this interested party is currently paying for overhead costs of USD $7,000 per month (total recoveries of USD $35,000, CAD $46,026 for the year ended December 31, 2018).

c) South Africa

Phosco Project

On November 18, 2011, the Company's subsidiary, Montero Projects Limited ("Montero Projects") acquired the shares in Eurozone which holds interests in subsidiary companies that hold phosphate exploration projects in South Africa (hereafter, "Phosco"). Montero Projects paid $101,700 (United States dollars "USD" $100,000) and issued 2,500,000 common shares of Montero, valued at $750,000, and completed the acquisition of Eurozone. The Company held two licences covering the Duyker Eiland and Phillips Kraal areas as a result of this payment.

The licenses comprising the Phosco project expired in February 2019 and management has re-applied for only the mining rights to the Duyker Eiland project area. The Phillips Krall area was not re-applied for.
Due to this uncertainty and the Company's limited resources and a change in focus to lithium projects in Namibia, the Company decided to record an impairment charge for Phosco totalling $1,362,197 which includes $9,393 in reclamation bonds.

d) Chile

On January 25, 2018, Montero entered into an agreement with certain individuals (the "Founders") to acquire certain techniques for exploration in Chile. Montero plans to apply for claims in Chile and utilize these techniques for exploration. Montero agrees to spend $100,000 on the application, due diligence and exploration work on the claims over 18 months. In addition, Montero has agreed to issue shares to the Founders valued at $100,000 on receipt of valid claims from the application process and the completion of successful due diligence ("Milestone 1") and to issue shares valued at $600,000 following the conditions of Milestone 1 above as well as completion of a successful sampling program which leads Montero to decide to undertake resource definition drilling on one or more of the claims. There is a due diligence period of nine months provided. On October 22, 2018, Montero and the Founders agreed to extend the due diligence period from nine months to fifteen months (April 25, 2019) with a further option by Montero to extend by a further three months (July 25, 2019) to continue to evaluate the property.

As at December 31, 2018, no claims have yet been granted to Montero, so the Company records these costs as property investigation costs. During the year ended December 31, 2018, Montero has spent $91,781 in property investigation costs on this program.

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS – *Continued*

Details of the Company's exploration and evaluation assets as of December 31, 2018 and 2017 are as follows:

	Namibia			Tanzania	South Africa		
	Soris	**UIS**	**EPL 6162**	**Wigu Hill**	**Phosco**	**Year ended December 31, 2018**	**Year ended December 31, 2017**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Property acquisition costs							
Balance, beginning of period	-	-	-	422,967	784,351	**1,207,318**	1,187,703
Foreign currency translation	-	-	-	22,232	-	**22,232**	(28,704)
Additions	-	64,718	5,000	9,331	-	**79,049**	48,319
Impairment	-	-	-	(454,530)	(784,351)	**(1,238,881)**	-
Balance, end of period	-	64,718	5,000	-	-	**69,718**	1,207,318
Exploration and evaluation costs							
Balance, beginning of period	-	-	-	729,286	561,573	**1,290,859**	1,305,833
Foreign currency translation	-	-	-	39,018	-	**39,018**	(50,036)
Costs incurred during the period:							
Drilling	64,570	-	-	-	-	**64,570**	
Field and camp costs	21,219	6,177	-	18,617	-	**44,013**	2,008
Geological consulting	63,295	68,471	3,056	6,473	-	**141,295**	5,863
Geophysical and maps	2,399	9,412	-	-	5,125	**16,936**	3,403
Lab tests and assays	35,564	19,082	510	-	-	**55,156**	
Maintenance and environmental	13,387	-	-	387	1,755	**15,529**	9,020
Project administration costs	1,120	-	2,457	10,773	-	**14,350**	10,791
Travel and accommodation	22,070	1,274	-	9,740	-	**33,084**	3,977
	223,624	104,416	6,023	812,294	568,453	**1,714,810**	1,290,859
Impairment	-	-	-	(766,268)	(568,453)	**(1,334,721)**	-
Recovery of costs	-	-	-	(46,026)	-	**(46,026)**	-
Total	**223,624**	**169,134**	**11,023**	**-**	**-**	**403,781**	2,498,177

(Expressed in Canadian dollars)

9. TRADE AND OTHER PAYABLES

The components of trade and other payables is as follows:

	December 31, 2018	December 31, 2017
	$	$
Trade payables	128,739	67,122
Amounts due to related parties (Note 16)	51,200	50,549
Accrued liabilities	102,410	79,700
	282,349	**197,371**

These amounts are non-interest bearing with all amounts due within twelve months. During the year, the Company settled debts totalling $47,091 by the issuance of 196,214 common shares and 196,214 warrants valued at $75,738 resulting in a loss on debt settlement of $28,647 (Note 10).

10. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value.

Issued and outstanding
At December 31, 2018 there were 21,880,818 (December 31, 2017 – 18,370,369) issued and fully paid common shares outstanding.

Share consolidation
On July 13, 2017, the Company received approval from the TSX-V for the consolidation of its issued and outstanding common shares on the basis of one new post-consolidation share for every eight pre-consolidation shares.

Share consolidation

	Number of shares	Amount $
Balance, December 31, 2016 pre-consolidation	84,752,174	14,448,342
Balance, December 31, 2016 post-consolidation*	10,594,022	14,448,342

**(rounded due to fractional shares)*

All share and per share references in these financial statements have been reflected on a post-consolidation basis. All stock options and warrants have been adjusted on the same basis, with a proportionate adjustment to the exercise price.

Changes during 2018

On April 27, 2018, the Company closed a private placement of 3,440,849 Units at a price of $0.24 per Unit for gross cash proceeds of $778,713, and the balance of $47,091 issued to settle debts. Each Unit consists of one common share and one common share warrant, each warrant entitling the holder to purchase one common share at a price of $0.32 per common share within 18 months of the closing of the private placement. A finder's fee of $16,704 was paid by the issue of 69,600 common shares, $10,387 of which was attributable to the common shares and $6,317 of which was attributable to the warrants. Cash share issue costs of $27,703 were incurred in conjunction with this private placement, of which $17,225 was attributable to the common shares and $10,478 was attributable to the warrants.

10. SHARE CAPITAL – *Continued*

The Company has valued the warrants issued in connection with this private placement using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate 1.80%; volatility 154%; dividend yield 0% and approximate expected lives of 1.5 years. The resultant value of $294,509 has determined to be attributable to the warrants and has been reclassified from share capital and charged to warrant reserve. The warrants issued to settle debts has been calculated in accordance with the above assumptions and resulted in a loss on debt settlement of $28,647.

Changes during 2017

Debt settlement
On July 7, 2017, the Company announced that it completed a debt settlement transaction (the "Debt Settlement") with certain creditors ("Creditors"), including Creditors who are related parties of the Company, providing for the settlement of all of the loans payable of $625,959 and trade and other payables of $194,311 totalling $820,270 of its outstanding debts, which will be settled through the issuance of an aggregate of 32,810,000 Special Warrants (as herein defined) of the Company at a deemed issue price of $0.025 per Special Warrant. The Debt Settlement was subject to the completion of the Consolidation Condition (as herein defined) and final TSX-V approval, both of which were satisfied effective July 13, 2017 as described below. Share issue costs of $5,996 were incurred in conjunction with this Debt Settlement.

Special Warrant Financing
As at June 30, 2017, the company received cash of $735,000 for subscriptions for special warrants and on July 13, 2017, the Company announced that it completed a non-brokered private placement of 29,400,000 special warrants (the "Special Warrants") at a price of $0.025 per Special Warrant (the "Subscription Price") for gross proceeds of $735,000 (the "Offering"). Each eight Special Warrants are exercisable into one common share if the Consolidation Condition (as herein defined) is satisfied on or before September 30, 2017. Share issue costs of $69,060 were incurred in conjunction with this Offering.

The Offering was made pursuant to the grant of a "discretionary waiver" of the TSX-V's minimum $0.05 pricing requirement (the "Waiver") and is subject to acceptance by the TSX-V. With respect to the Waiver, the Company is to conduct a share consolidation of its outstanding common shares on the basis of one post-consolidation common share for each eight pre-consolidation common shares (the "Share Consolidation"), or such other ratio as may be agreed in writing by the Company and the subscribers to the Offering (the "Consolidation Condition") which would result in a post-consolidation conversion price equal to or greater than $0.05 per common share on or before September 30, 2017 (the "Consolidation Deadline").

If the Consolidation Condition was satisfied on or before the Consolidation Deadline, the Special Warrants shall be deemed to be exercised for no further consideration (without any further action on the part of the Special Warrant holders) on the date of the Consolidation Condition. However, if the Consolidation Condition was not satisfied on or before the Consolidation Deadline, the Special Warrants shall be redeemed at the Subscription Price with interest payable at the rate of 10% per annum.

The Company received shareholder approval of the Share Consolidation at the annual and special meeting of shareholders held on June 30, 2017 and received final TSX-V approval on July 13, 2017, thereby satisfying the Consolidation Condition by the Consolidation Deadline.

Effective July 13, 2017, the 32,810,000 Special Warrants issued pursuant to the Debt Settlement noted above and the 29,400,000 Special Warrants issued pursuant to the Offering noted above were converted into common shares on the basis of eight Special Warrants for one post-consolidated common share.

(Expressed in Canadian dollars)

10. SHARE CAPITAL – *Continued*

Changes during 2017 – *Continued*

The Company's share capital position on December 31, 2017 after the Consolidation Condition was satisfied and the Special Warrants were exercised, is as follows:

	Number of shares	Amount $
Balance, December 31, 2016 pre-consolidation	84,752,174	14,448,342
Share consolidation on basis of eight to one	10,594,022	-
Issued pursuant to Debt Settlement	4,101,347*	820,270
Issued pursuant to Offering	3,675,000	735,000
Share issue costs	-	(75,056)
Balance, December 31, 2017	18,370,369	15,928,556

**(rounded due to fractional shares)*

Stock options
The Company has established a Stock Option Plan (the "Plan") for directors, officers, employees and consultants. The number of common shares that are available for grants of options under the Plan shall not at any time exceed 10% of the number of outstanding common shares, calculated at the time of grant. Options granted under the Plan generally have a term of five years and vest on the date of the grant.

A summary of the continuity of the Company's stock options is as follows:

	December 31, 2017		December 31, 2016	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		$		$
Options outstanding, beginning of year	175,625	1.00	408,750	2.56
Granted	1,752,000	0.25	-	-
Expired	(175,625)	1.00	(233,125)	3.68
Options outstanding and exercisable, end of year	1,752,000	0.25	175,625	1.00

The stock options expire on May 14, 2023 and the weighted average remaining contractual life of the outstanding stock options is 4.37 years.

On May 15, 2018 the Company granted 1,752,000 stock options with an exercise price of $0.25 per share, expiring in 5 years on May 14, 2023. The fair value of these stock options granted has been estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: expected dividend yield of 0%; expected volatility of 210%; a risk-free interest rate of 2.32% and an expected average life of 5 years. The resultant charge of $421,447 has been charged to stock-based compensation expense and credited to share-based payment reserve.

(Expressed in Canadian dollars)

11. WARRANTS

The issued and outstanding warrants are comprised of the following:

Date of expiry	Warrant Reserve	Number of warrants	Exercise Price
	$		$
October 27, 2019	306,361	3,440,849	0.32
Balance, December 31, 2018	**306,361**	**3,440,849**	

A summary of the continuity of the Company's warrants is as follows:

	December 31, 2014		December 31, 2017	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		$		$
Warrants outstanding, beginning of year	-	-	-	-
Granted	3,440,849	0.32	-	-
Warrants outstanding, end of year	3,440,849	0.32	-	-

At December 31, 2018, the weighted average remaining contractual life of the outstanding warrants was 0.82 years.

The warrant reserve records the fair value of warrants associated with private placements until such time that the warrants have expired, at which time the corresponding amount will be transferred to share-based payment reserve. If the warrants are exercised prior to expiry, the corresponding amount will be transferred to share capital.

12. SHARE-BASED PAYMENT RESERVE

The Company's share-based payment reserve is comprised of the following:

	$
Expired warrants	5,086,472
Expired stock options	1,784,707
Unexpired stock options	421,447
Balance, December 31, 2018	**7,292,626**

The share-based payment reserve records items recognized as stock-based compensation expense, the fair value of expired warrants associated with private placements and the fair value of agent's warrants. If the stock options are exercised prior to expiry, the corresponding amount will be transferred to share capital.

(Expressed in Canadian dollars)

13. INCOME TAXES

A reconciliation of current taxes at the statutory tax rates with the reported taxes is as follows based on an income tax rate of 27% (2017 – 27%):

	Year ended December 31, 2018	Year ended December 31, 2017
	$	$
Net income (loss) before income taxes	(3,669,089)	(438,938)
Expected tax expense (recovery) at statutory rates	(990,654)	(118,513)
Decrease (increase) resulting from:		
Permanent differences	314,134	9,664
Income tax rate changes	-	(89,985)
Change in valuation allowance	694,439	134,209
Other	(17,919)	64,626
Income tax recovery	-	-

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

	December 31, 2018	December 31, 2017
	$	$
Non-capital losses carried forward	5,473,502	5,321,967
Exploration and evaluation assets and equipment	660,093	112,772
Other	16,824	21,242
Total	6,150,419	5,455,981
Valuation allowance	(6,150,419)	(5,455,981)
Deferred tax liabilities	-	-

Management has determined that the realization of these deferred income tax assets is uncertain at this time, and cannot be viewed as more likely than not. Accordingly, the Company has not recognized the potential deferred income tax assets.

The following summarizes the expiry of deductible temporary differences for which no deferred tax asset has been recognized.

	Canadian non-capital losses	Canadian equipment and resource pools	Africa non-capital losses	Africa equipment and resource pools	Canadian share issue costs
	$	$	$	$	$
2027	5,937				
2028	282,809				
2029	326,707				
2030	646,312				
2031	1,921,687				
2032	1,343,367				
2033	769,752				
2034	512,993				
2035	482,103				
2037	334,793				
2038	471,044				
No expiry	-	1,694,461	11,857,254	732,369	47,736
	7,097,504	1,694,461	11,857,254	732,369	47,736

(Expressed in Canadian dollars)

14. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted earnings (loss) per share are the same since the Company reported a loss for 2018.

	December 31, 2018	December 31, 2017
Net loss attributable to owners of the parent company	$ (3,669,089)	$ (438,938)
Weighted average number of ordinary shares outstanding	20,755,551	14,237,187
Basic and diluted loss per ordinary share	$ (0.18)	$ (0.03)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

15. COMMITMENTS AND CONTINGENCIES

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in Note 8.

16. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Year ended December 31	
	2018	**2017**
	$	**$**
Compensation of directors		
Short-term benefits	-	-
Share-based payments	142,190	-
	142,190	-
Compensation of key management personnel		
Short-term benefits	139,230	140,344
Share-based payments	173,520	-
	312,750	140,344
Total remuneration of directors and key management personnel	**454,940**	**140,344**

(Expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS – *Continued*

Related party balances

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

	Year ended December 31	
	2018	**2017**
	$	**$**
Exploration and evaluation asset transactions		
Geological consulting	-	5,863
Total exploration and evaluation asset transactions	-	5,863
Operating expense transactions		
Consulting, directors', administrative and management fees	43,197	26,306
General and administrative	6,385	9,154
	49,582	35,460
Total trading transactions with related parties	**49,582**	**41,323**

The following amounts due to related parties are included in trade and other payables:

	December 31, 2018	December 31, 2017
	$	**$**
Due to related parties (Note 9)	**51,200**	**50,549**

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are unsecured, non-interest bearing and are due within twelve months.

17. SEGMENTED INFORMATION

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable geographic segments are located in Canada, Namibia and Tanzania.

Information regarding the Company's geographic segments is as follows:

As at December 31, 2018	**Canada**	**Namibia**	**South Africa**	**Tanzania**	**Total**
	$	**$**	**$**	**$**	**$**
Plant and equipment	-	3,161	-	-	3,161
Exploration and evaluation assets	-	403,781	-	-	403,781
Total non-current assets	**-**	**406,942**	**-**	**-**	**406,942**

(Expressed in Canadian dollars)

17. SEGMENTED INFORMATION – *Continued*

As at December 31, 2017

	Canada	**Namibia**	**South Africa**	**Tanzania**	**Total**
	$	**$**	**$**	**$**	**$**
Reclamation bonds	-	-	9,393	-	9,393
Plant and equipment	-	-	-	5,725	5,725
Exploration and evaluation assets	-	-	1,345,924	1,152,253	2,498,177
Total non-current assets	**-**	**-**	**1,355,317**	**1,157,978**	**2,513,295**

18. NON-CASH TRANSACTIONS

During the year ended December 31, 2018, the following transactions were incurred that are not reflected in the statement of cash flows:

Shares and warrants issued for debt settlement	$75,738
Shares issued for finder's fees share issue costs	$16,704

During the year ended December 31, 2017, the following transaction was incurred that is not reflected in the statement of cash flows:

Shares issued for debt settlement	$820,270

19. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle assets are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through borrowings from related parties. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold excess cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

20. RISK MANAGEMENT

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk
The Company is engaged in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk
Credit risk is the risk of loss associated with a counter-party's ability to fulfill its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The other receivables primarily comprise local sales tax refunds due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents are invested in short-term investment certificates for periods less than 90 days and the other receivables are due in less than 90 days.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. The Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's loans payable were settled with common shares during the year and the Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months.

Interest Rate Risk
Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The effect of interest rate changes on the Company is insignificant.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, Namibia, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, Namibian dollars, South African Rand and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar, the Tanzanian subsidiaries' functional currency is the United States dollar and the South African and Namibian subsidiaries' functional currency is the Canadian dollar. At December 31, 2018 and 2017, the value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

20. RISK MANAGEMENT – *Continued*

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily lithium and rare earth elements) to determine the appropriate course of action to be taken by the Company.