



AM Resources Corp.
(PREVIOUSLY NQ EXPLORATION INC.)
**Consolidated financial statements for the years ended
December 31, 2018 and 2017
(In Canadian dollars)**

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Québec H3B 4L8

T 514-878-2691

To the Shareholders of
AM Resources Corp.

Opinion

We have audited the consolidated financial statements of AM Resources Corp. (hereafter "the Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of loss and comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

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

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 consolidated 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 consolidated 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 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – Restated comparative information

We draw attention to Note 4.2.3 to the consolidated financial statements, which describes that certain comparative information presented for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended December 31, 2017, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 6, 2018.

As part of our audit of the consolidated financial statements for the year ended December 31, 2018, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the consolidated financial statements for the year ended December 31, 2017. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management

determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 group to express an opinion on the consolidated 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 Louis Berardi.

Raymond Chabot Grant Thornton LLP¹

Montréal, Quebec
March 14, 2019

¹ CPA auditor, CA public accountancy permit no. A115879

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated statements of financial position
(In Canadian dollars)

| | December 31, 2018 | December 31, 2017 (restated – note 4.2.3) |
|---|-------------------------|--|
| | \$ | \$ |
| ASSETS | | |
| CURRENT | | |
| Cash | 785,965 | 121,394 |
| Receivables and other financial assets (note 6) | 631,267 | 245,566 |
| Inventory | 9,174 | 10,772 |
| Prepaid expenses | 53,922 | 7,740 |
| | <u>1,480,328</u> | <u>385,472</u> |
| NON-CURRENT | | |
| Property, plant and equipment (note 7) | 376,523 | 80,323 |
| Exploration and evaluation assets (note 8) | 2,161,265 | 1,408,932 |
| | <u>2,537,788</u> | <u>1,489,255</u> |
| Total assets | <u>4,018,116</u> | <u>1,874,727</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (note 9) | 512,754 | 267,631 |
| Debentures (note 10) | 818,520 | - |
| Current portion of the long-term debt (note 11) | 9,562 | - |
| | <u>1,340,836</u> | <u>267,631</u> |
| NON-CURRENT | | |
| Long-term debt (note 11) | 42,319 | - |
| | <u>42,319</u> | <u>-</u> |
| Total liabilities | <u>1,383,155</u> | <u>267,631</u> |
| EQUITY | | |
| Share capital (note 12) | 6,691,255 | 2,111,836 |
| Warrants | 51,814 | - |
| Contributed surplus | 329,062 | - |
| Other comprehensive loss | (83,166) | (48,912) |
| Deficit | (4,354,004) | (455,828) |
| Total equity | <u>2,634,961</u> | <u>1,607,096</u> |
| Total liabilities and equity | <u>4,018,116</u> | <u>1,874,727</u> |

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

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|-------------------|
| | \$ | \$ |
| Sales (note 13) | 2,338,958 | 1,656,477 |
| Cost of sales (note 14) | <u>1,986,826</u> | <u>1,590,866</u> |
| Gross margin | 352,132 | 65,611 |
| General and administrative expenses (note 15) | 1,765,565 | 368,300 |
| Exploration and evaluation expenses | 27,289 | - |
| Listing fees | 2,253,967 | - |
| Gain on debt settlement | <u>(49,094)</u> | <u>-</u> |
| | 3,997,727 | 368,300 |
| Operating loss | <u>(3,645,595)</u> | <u>(302,689)</u> |
| Debentures and long-term debt interest | 46,477 | - |
| Net loss before taxes | <u>(3,692,072)</u> | <u>(302,689)</u> |
| Tax expenses (note 19) | 13,236 | 13,614 |
| Net loss | <u>(3,705,308)</u> | <u>(316,303)</u> |
| Other Comprehensive Loss | | |
| Items that will be reclassified to profit and loss | | |
| Foreign currency translation differences | <u>(34,254)</u> | <u>(71,955)</u> |
| Net Loss and Comprehensive loss | <u>(3,739,562)</u> | <u>(388,258)</u> |
| Basic and diluted loss per share | <u>(0.08)</u> | <u>(0.02)</u> |
| Weighted average number of shares outstanding | <u>48,683,525</u> | <u>20,329,891</u> |

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

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated statements of changes in equity
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

| | Number of common share outstanding | Share capital Restated (note 4.2.3) \$ | Warrants \$ | Contributed surplus \$ | Other comprehensive loss | Deficit \$ | Total equity \$ |
|---|--|---|----------------|------------------------------|--------------------------------|--------------------|--------------------|
| Balance as of January 1, 2018 as restated | 1,910,934 | 2,111,836 | - | - | (48,912) | (455,828) | 1,607,096 |
| Shares issued as settlement of debentures (note 5) | 9,439,388 | - | - | - | - | - | - |
| Shares issued as settlement of debentures and interests (note 12) | 701,343 | 108,708 | - | - | - | - | 108,708 |
| Shares issued for bridge financing conversion (note 12) | 1,764,706 | 217,000 | - | - | - | - | 217,000 |
| Share-based payments | - | - | - | 329,062 | - | - | 329,062 |
| Shares issued for private placement | 13,671,506 | 2,324,156 | - | - | - | - | 2,324,156 |
| Shares issued for reverse takeover (note 5) | 29,411,765 | 1,929,555 | - | - | - | - | 1,929,555 |
| Share issue expenses | - | - | 51,814 | - | - | (192,868) | (141,054) |
| Transactions with owners | 54,988,708 | 4,579,419 | 51,814 | 329,062 | - | (192,868) | 4,767,427 |
| Net loss | - | - | - | - | - | (3,705,308) | (3,705,308) |
| Other comprehensive loss | | | | | | | |
| Foreign currency translation differences | - | - | - | - | (34,254) | - | (34,254) |
| Balance as of December 31, 2018 | 56,899,642 | 6,691,255 | 51,814 | 329,062 | (83,166) | (4,354,004) | 2,634,961 |

The accompanying notes are an integral part of the consolidated financial statements

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated statements of changes in equity
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

| | Number of share | Share Capital Restated (note 4.2) \$ | Other comprehensive loss \$ | Deficit \$ | Total equity \$ |
|---|-----------------|--|--------------------------------------|---------------|--------------------|
| Balance – January 1, 2017 | 1,822,134 | 1,190,670 | 23,043 | (139,525) | 1,074,188 |
| Shares issued for private placements | - | 412,880 | - | - | 412,880 |
| Shares issued on settlement of debentures and interests | 80,000 | - | - | - | - |
| Shares issued on settlement of interest on convertible debentures | 8,800 | - | - | - | - |
| Shares issued on settlement of a note payable (note 4.2.3) | - | 508,286 | - | - | 508,286 |
| | 88,800 | 921,166 | - | - | 921,166 |
| Net loss | - | - | - | 316,303 | 316,303 |
| Other comprehensive loss | | | | | |
| Foreign currency translation differences | | | 71,955 | | 71,955 |
| Balance as at December 31, 2017 as restated | 1,910,934 | 2,111,836 | (48,912) | (455,828) | 1,607,096 |

The accompanying notes are an integral part of the consolidated financial statements

AM Resources Corp.
(Previously NQ Exploration Inc.)
Consolidated statements of cash flows
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

| | 2018 | 2017 |
|--|-------------|------------------------------------|
| | | (restated – note 4.2.3) |
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss | (3,705,308) | (316,303) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 24,173 | - |
| Share-based payment | 329,062 | - |
| Listing fees | 2,253,967 | - |
| Gain on disposal of liabilities | (49,094) | - |
| Unrealised loss on exchange rate | (51,181) | - |
| Changes in working capital items (note 20) | (638,664) | 28,857 |
| Cash flows from operating activities | (1,837,045) | (287,446) |
| INVESTING ACTIVITIES | | |
| Acquisition of exploration and evaluation assets | (146,132) | 6,790 |
| Acquisition of property plant and equipment | (319,372) | (2,886) |
| Advance to a private company | (258,131) | - |
| Cash acquired in reverse takeover (note 5) | 132,131 | - |
| Cash flows from investing activities | (591,504) | 3,904 |
| FINANCING ACTIVITIES | | |
| Issuance of shares by private placement | 2,324,156 | 412,800 |
| Long-term debt | 54,600 | - |
| Repayment of the long-term debt | (2,720) | (72,279) |
| Share issue expenses paid | (141,054) | - |
| Debenture | 780,960 | - |
| Cash flow from financing activities | 3,015,942 | 340,601 |
| Increase in cash | 587,393 | 57,059 |
| Foreign currency translation differences | 77,178 | (71,955) |
| Cash, beginning of the year | 121,394 | 136,290 |
| Cash, end of the year | 785,965 | 121,394 |

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

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

1. NATURE OF OPERATIONS

AM Resources Corp. (collectively with its subsidiaries, the "Company") was incorporated on October 24, 2007 under the Canada Business Corporations Act.

On November 7, 2017, the NQ Exploration Inc. entered into a share purchase agreement, as amended on April 11, 2018 with AM Resources SAS, whereby NQ Exploration Inc. agreed to acquire all of the issued and outstanding shares of AM Resources SAS (the "Transaction"). The Transaction closed on April 12, 2018 in exchange of the issuance of common shares of NQ Exploration Inc.

Following the closing of the Transaction, the NQ Exploration Inc. changed its name to AM Resources Corp. and is trading on the TSX Venture Exchange under symbol AMR.

The principal address and records office of the Company is located at 410 St-Nicolas, suite 236, Montreal, Qc, H2Y 2P5.

The Company specializes in exploration of coal, hydrocarbons and gold mining sites located in Colombia.

The consolidated financial statements for the reporting period ended December 31, 2018 (including comparatives) were approved and authorized for issue by the Board of Directors on March 14, 2019.

2. GOING CONCERN ASSUMPTION

The consolidated financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

As at December 31, 2018, the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations, the Company has a deficit of \$ 4,354,004 (\$ 455,828 at December 31, 2017) and a working capital of \$ 139,492 (\$ 117,841 at December 31, 2017), which is not sufficient to meet the Corporation's operating activities. These material uncertainties cast a significant doubt regarding the Corporation's ability to continue as a going concern.

The Company's ability to continue its operations is dependent upon obtaining additional financing necessary to continue the exploration of its mineral properties, to pay for general and administrative expenses and to continue to have the support from its suppliers and creditors. Although the Company has managed to do so in the past, there is no guarantee that it will manage to obtain additional financing in the future. These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustment to the carrying amounts of assets and liabilities, the revenues and expenses disclosed, and the classification used in the statement of financial position that would be necessary if the going concern assumption was not appropriate.

3. STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements of the Company have been prepared in accordance with IFRS.

Am Resources Corp. is the ultimate parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Overall considerations and Basis of evaluation

These consolidated financial statements are prepared using the historical cost method.

4.2 Changes in accounting policies

4.2.1 New standards adopted as at January 1, 2018

IFRS 9 – Financial Instruments

The Company has adopted IFRS 9 which replace IAS 39, Financial Instruments: Recognition and Measurement, effective January 1, 2018 on a retrospective basis with restating comparatives. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

The classification of financial instruments in accordance with IFRS 9 is based on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. Also, IFRS 9 introduced a single expected credit loss impairment model, based on changes in credit quality since initial application.

The adoption of IFRS 9 has resulted in changes to the classification of some of the Company's financial assets but did not change the classification of the Company financial liabilities. Cash, receivables (except commodity taxes receivable) and other financial assets formerly classified as loans and receivable are classified presently at amortized cost. There is no difference in the measurement of these instruments under IFRS 9. In accordance with the transitional provisions of IFRS 9, the financial assets and liabilities held at January 1, 2017 were reclassified retrospectively based on the new classification requirements and the characteristics of each financial instrument.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. It provides a more detailed framework for the timing of revenue recognition and increased requirements for disclosure of revenue. It uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the previous standard. In accordance with transition guidance the Company adopted the standard January 1, 2018 retrospectively without restatement. The application of this standard did not have significant impact of the Company's consolidated financial statements.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Changes in accounting policies (continued)

4.2.2 Accounting standard issued but not yet adopted

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted on the Company's accounting policies for the first period beginning after the effective date of each pronouncement. These new standards and interpretations have been issued but are not expected to have an impact on the Corporation's consolidated financial statements.

IFRS 16 Leases

This standard replaces IAS 17-Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The mandatory effective date is for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

4.2.3 Accounting change

During the year, the AM Resources SAS has retrospectively recorded an acquisition of mining rights on the Rio Negro property. On September 25, 2017, AM Resources SAS signed a Transfer of mining rights agreement with its controlling shareholder and a third party. In accordance with the transfer of mining rights agreement, AM Resources SAS acquired from the third party 40% of the mining rights on the Rio Negro property in exchange for a \$ 400,000 USD debt between the third party and the controlling shareholder. This transaction was recorded as an increase of Evaluation and exploration assets of \$ 508,286 and an increase in a note payable of \$ 508,286. The transfer of mining rights agreements also provides for the acquisition of an additional 20% in the Rio negro property in exchange for \$ 200,000 USD once the mining rights are transferred in the name of the AM Resource SAS, which was completed in December 2018. Furthermore, on November 6, 2017, AM Resources SAS and the Controlling shareholder signed a Debt conversion agreement for the conversion of the \$ 400,000 USD note payable into common shares of AM Resource SAS. the debt conversion was recorded as a decrease of a Note payable of \$ 508,286 and an increase in share capital of \$ 508,286.

4.3 Basis of consolidation

The Company's consolidated financial statements include the accounts of the parent company and all of its subsidiaries. The parent company controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and whether it has the ability to affect those returns through power it holds over the subsidiary. The Company's subsidiaries are all 100% owned by the parent company. All subsidiaries have a reporting date of December 31.

All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Subsidiaries

Details of the Company's subsidiaries as at December 31, 2018 are as follows:

| <u>Name of subsidiaries</u> | <u>Status</u> | <u>Country of incorporation</u> | <u>Interest and voting</u> | <u>Power held</u> |
|-----------------------------|---------------|---------------------------------|----------------------------|-------------------|
| AM Resources SAS | Active | Colombia | 100 % | 100 % |
| AM Resources Trading Corp | Active | Canada | 100 % | 100 % |

4.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollar, which is the functional currency of the parent company and AM Resources Trading Corp. The functional currency for AM Resources SAS is the Colombian Pesos.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company or its subsidiaries, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the consolidated financial statements, all assets, liabilities of the subsidiaries have been translated into Canadian dollars at the closing rate at the time of consolidation. Revenues and expenses have been translated at the average rate in effect during the reporting period. Translation differences are recognized in other comprehensive loss in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

4.0 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to cash flows from the financial asset expire, or when the financial asset and all risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs.

Financial assets are classified at into the following categories:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

In the periods presented the Company does not have any financial assets categorised as fair value through profit or loss or through other comprehensive income.

The classification is determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within the financial costs, financial income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions:

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest in the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, trade and most other receivables (except for commodity taxes) fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included advances measured at amortised cost and trade receivables. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

4.0 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial Instruments (continued)

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables, debenture and long term debt. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.6 Inventories

Inventories are measured at cost or net realizable value, whichever is lower. The cost of inventories is based on the first-in, first-out method, and includes disbursements in the acquisition of inventories, production or transaction costs and other costs incurred in moving them to their current location and conditions.

The net realizable value is the estimated sale value during the normal course of business, less termination costs and estimated sale costs.

4.7 Property, equipment and intangible assets

Property and equipment are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

The depreciation is recognised in profit or loss based on the straight-line method over the estimated useful lives of each item of property, plant and equipment. The following are the estimated useful lives for the current and comparative periods.

| | |
|---------------------------------------|----------|
| Machinery and equipment | 10 years |
| Vehicules | 5 years |
| Computers and communication equipment | 3 years |

4.8 Exploration and evaluation expenditures, and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of the initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets.

Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling, general expenses, financial charges, management fees and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts, the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrate.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

4.9 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the costs previously recorded as contributed surplus and warrants. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they were measured at their fair value according to the quoted price on the day of the issuance of the shares.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued on a prorata basis. Proceeds are allocated to shares and warrants according to their relative weighted fair value. The share's fair value is determined using the quoted price on the stock exchange and the warrants fair value is estimated using the Black & Scholes pricing model.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

4.0 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Equity (continued)

Other elements of equity

Contributed surplus includes charges related to share options and the value of expired warrants as well as the conversion option of convertible debentures. Warrants include the value of outstanding warrants. When share options and warrants are exercised, the related compensation cost and value are transferred to share capital. Deficit includes all current and prior period retained profits or losses and share issuance costs, net of any underlying income tax benefit from these issuance costs.

4.10 Share-based compensation

The Company operates an equity-settled share-based payment plan for its eligible directors, employees and consultants. The Company's plan is not cash-settled.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably.

If the Company cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to Contributed surplus, in equity.

If vesting periods or vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.11 Impairment of Long-lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Some assets are tested individually for impairment and some are tested at a cash generating unit level. The recoverable amount is the higher of its fair value less costs for sale and its value in use (present value of the future cash flows expected). An impairment loss is recognized when their carrying value exceeds the recoverable amount. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its recoverable amount.

4.12 Provisions

A provision is a liability for which the maturity or the amount is uncertain. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. As at December 31, 2018, there is no provision accounted for in the statement of financial position.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current law and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.13 Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by adjusting the loss attributable to common shareholders of the Company and the weighted average number of common shares outstanding, the effects of all dilutive potential ordinary shares which include options and warrants. It is assumed that the dilutive potential ordinary shares were converted into ordinary shares at the average Market price at beginning of the year or the date of issue of potential ordinary shares, if later.

To calculate diluted loss per share, an entity shall assume dilutive options and dilutive warrants were exercised. The assumed proceeds from these instruments shall be regarded as having been received from issuance of common shares at the average market price of common shares during the year.

Diluted loss per share equals basic loss per share given the anti-dilutive options and warrants.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

4.0 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Mining Properties Options Agreements

Options on interests in mining properties acquired by the Company are recorded at the value of the consideration paid, including other future benefit given up but excluding the commitment for future expenditures. Commitment for future expenditures does not meet the definition of a liability and thus are not accounted for immediately. Expenditures are accounted for only when incurred by the Company.

When the Company sells interest in a mining property, it uses the carrying amount of the interest before the sale of the option as the carrying amount for the portion of the property retained, and credits any cash consideration received against the carrying of this portion (any excess is recognized as a gain in profit or loss). The Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer.

4.15 Segment Disclosures

In identifying its operating segments, management generally uses the nature of the activities of mining sites. The Company currently operates in one segment: the exploration of mining properties.

Segments are reported on the same basis as the internal information reported to the chief decision makers in allocating resources to operating segments and assessing the performance of these segments. The chief decision makers are represented by the management.

4.16 Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.17 Revenues

Sale of Coal and Sale of transportation services

Revenues from the sale of coal and/or transportation services rendered during the ordinary activities are recognized at the fair value of the consideration received or receivable. Revenues are recognized when the Company satisfies performance obligations by transferring the promised goods or services to its customers. The Company has revenue from transportation services related to the transportation of the coal that is sold. The price of the transportation services is fixed and negotiated once a year with the client.

4.18 Income taxes and deferred taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

4.19 Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies as well as the carrying amount of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Any revision to accounting estimates is recognized in the period during which the estimates is revised and in future periods affected by these revisions.

4.19.1 Key sources of estimation uncertainty

Impairment of exploration and evaluation assets

Exploration and evaluation assets shall be assessed for an impairment test when facts and circumstances suggest that their carrying amount may exceed recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss. Indications of impairment as well as the evaluation of recoverable amount of exploration and evaluation assets require significant judgment and estimation. Management considers various factors including, but are not limited to, financial and human resources available, exploration budgets planned, importance and results of exploration work done previously, industry and economic trends and price of minerals.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

4.0 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Significant Accounting Judgments, Estimates and Assumptions (continued)

4.19.1 Key sources of estimation uncertainty (continued)

Share-based payments

To estimate expenses for share-based payments, it is necessary to select an appropriate valuation model and obtain the inputs necessary for the valuation model chosen. The Company estimated the volatility of its own shares or of shares of similar companies and the expected life and the exercise period of options and warrants granted. The model used by the Company is the Black-Scholes valuation model (see note 11).

Provisions and contingent liabilities

The judgment is used to determine whether a past event has created a liability that should be recorded in the financial statements or whether it should be presented as a contingent liability. Quantify these liabilities involves judgments and estimates.

These judgments and estimates are based on several factors, such as the nature of the claim or dispute, legal procedures and the potential amount to be paid, legal advice obtained, previous experience and the likelihood of the realization of a loss.

4.19.2 Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year and to fund planned and contractual exploration and evaluation programs, involves judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

5. REVERSE TAKEOVER

On September 11, 2017, the AM Resources Corp entered into a share exchange agreement, as amended on November 17, 2017 with AM Resources SAS, whereby the Company agreed to acquire all of the issued and outstanding shares and units of AM Resources SAS. The transaction closed on April 11, 2018.

In accordance with IFRS 3, Business Combinations, the substance of the acquisition is a reverse takeover as the shareholders of AM Resources SAS hold the majority of the shares of the AM Resources Corp. The acquisition of AM Resources Corp does not constitute a business combination as AM Resources Corp does not meet the definition of a business under that standard.

As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment, with AM Resources SAS being identified as the acquirer and the equity consideration being measured at fair value. Accordingly, the resulting balances and transactions for the periods prior to April 11, 2018 are those of AM Resources SAS.

Upon closing of the reverse takeover, the Company issued 29,411,765 common shares for the shares related to AM Resources SAS.

The fair value of the consideration for the net assets acquired is as follows:

| | |
|---|-----------|
| | \$ |
| 11,350,322 shares issued and outstanding of the Company | 1,929,555 |

The fair value of the Company's shares issued and outstanding prior to the reverse takeover has been determined based on the most recent value on the company's shares which is the private placement completed on April 11, 2018.

Following the closing of the transaction, the issued and outstanding options and warrants of AM Resources Corp continue to be in effect with their original terms and conditions and are deemed to be issued as part of the transaction. Their fair value has been estimated to be nil.

The estimated fair value of the net assets acquired is:

| | |
|-----------------------------------|------------------|
| | \$ |
| Cash | 132,131 |
| Other financial assets | 83,927 |
| Exploration and evaluation assets | 394,481 |
| Prepays | 5,658 |
| Trade and accounts payable | (573,609) |
| Convertible debentures | (367,000) |
| Listing costs expensed | 2,253,967 |
| | <u>1,929,555</u> |

Concurrently to the closing, convertible debentures of AM Resources Corp of \$ 1,604,696 aggregate principal amount of convertible debentures issued automatically converted into 9,439,388 shares, these debentures are not part of the net assets acquired.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

6. RECEIVABLES AND OTHER FINANCIAL ASSETS

As at December 31, 2018 the receivables include the following components:

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| Trade accounts receivable (a) | 97,970 | 202 790 |
| Advances to individuals, without interest cashable on demand (b) | 111,612 | |
| Taxes receivables | 114,753 | 42 776 |
| Advances to private companies, without interest cashable on demand | 289,659 | - |
| Other | 17,273 | |
| | <u>631,267</u> | <u>245 566</u> |

- a) In 2018, trade accounts receivable and sales are from a single customer.
b) 1 individual represents 88% of advances to individuals

7. PROPERTY, PLANT AND EQUIPMENT

Details of the Company's property, plant and equipment and their carrying amounts are as follows:

| | Machinery and equipment | Computer and communication equipment | Vehicles | Total |
|--|----------------------------|--|-----------------|-----------------|
| Gross carrying amount | | | | |
| At January 1, 2017 | 41 940 | - | 35 497 | 77 437 |
| Additions / Transfers | 12 603 | 2 004 | | 14 607 |
| Removals / Sales | - | - | (46) | (46) |
| At December 31, 2017 | <u>54 543</u> | <u>2 004</u> | <u>35 451</u> | <u>91 998</u> |
| Additions / Transfers | 250 030 | 6 349 | 63 006 | 319 385 |
| Exchange difference | - | - | - | - |
| Removals / Sales | - | - | - | - |
| At December 31, 2018 | <u>304 573</u> | <u>8 353</u> | <u>98 457</u> | <u>411 383</u> |
| Accumulated Depreciation | | | | |
| At January 1, 2017 | - | - | - | - |
| Depreciation | (4 682) | (288) | (6 705) | (11 675) |
| Removal / Sales | - | - | - | - |
| At December 31, 2017 | <u>(4 682)</u> | <u>(288)</u> | <u>(6 705)</u> | <u>(11 675)</u> |
| Depreciation | (12 233) | (710) | (10 242) | (23 185) |
| Exchange difference | - | - | - | - |
| Removal / Sales | - | - | - | - |
| At December 31, 2018 | <u>(16 915)</u> | <u>(998)</u> | <u>(16 947)</u> | <u>(34 860)</u> |
| Carrying amount December 31, 2017 | <u>49,861</u> | <u>1,716</u> | <u>28,746</u> | <u>80,323</u> |
| Carrying amount December 31, 2018 | <u>287,658</u> | <u>7,355</u> | <u>81,510</u> | <u>376,523</u> |

8. EVALUATION AND EXPLORATION ASSETS

| Mining Properties | Balance as at January 1, 2018 | Additions | Exchange difference | Balance as at December 31, 2018 |
|-------------------------------------|----------------------------------|----------------|---------------------|------------------------------------|
| | \$ | \$ | | \$ |
| Colombia | | | | |
| Property – Mina Luz (a) | | | | |
| Mining rights | 900,646 | 394,481 | 10,852 | 1,305,979 |
| Exploration and evaluation expenses | - | 87,333 | - | 87,333 |
| | <u>900,646</u> | <u>481,814</u> | <u>10,852</u> | <u>1,393,312</u> |
| Colombia | | | | |
| Property – Rio Negro (b) | | | | |
| Mining rights | 508,286 | 235,167 | - | 743,453 |
| Exploration and evaluation expenses | - | 24,500 | - | 24,500 |
| | <u>508,286</u> | <u>259,667</u> | <u>-</u> | <u>767,953</u> |
| Colombia | | | | |
| Property – Mico (c) | | | | |
| Mining rights | - | - | - | - |
| Exploration and evaluation expenses | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Summary | | | | |
| Mining rights | 1,408,932 | 629,648 | 10,852 | 2,049,432 |
| Exploration and evaluation expenses | - | 111,833 | - | 111,833 |
| | <u>1,408,932</u> | <u>748,481</u> | <u>10,852</u> | <u>2,161,265</u> |

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

8. EVALUATION AND EXPLORATION ASSETS (continued)

| Mining Property | Balance as at January 1, 2017 \$ | Additions \$ | Exchange difference | Balance as at December 31, 2017 \$ |
|-------------------------------------|--|-----------------|---------------------|--|
| Colombia | | | | |
| Property – Mina Luz (a) | | | | |
| Mining rights | 900,646 | - | - | 900,646 |
| Exploration and evaluation expenses | - | - | - | - |
| | 900,646 | - | - | 900,646 |
| Colombia | | | | |
| Property – Rio Negro (b) | | | | |
| Mining rights | - | 508,286 | - | 508,286 |
| Exploration and evaluation expenses | - | - | - | - |
| | - | 508,286 | - | 508,286 |
| Summary | | | | |
| Mining rights | 900,646 | 508,286 | - | 1,408,932 |
| Exploration and evaluation expenses | - | - | - | - |
| | 900,646 | 508,286 | - | 1,408,932 |

a) Mina Luz

the company owns 80% of the Mina Luz property covering 40 hectares. The property is situated southwest of Popayan and 150km southwest of Cali Columbia.

b) Rio Negro Property: Hydrocarbons

The Rio Negro property consists of a mining concession covering 97.5 hectares and situated 50 km north-southwest of Bucaramanga, Columbia. On September 25, 2017, the Company signed an agreement to acquire a 60% interest in the property for a total consideration of \$ 743,453 (\$ 600,000 USD), including a cash payment of \$ 508,286 (\$ 400,000 USD) upon signature of the agreement and \$ 235,167 (\$ 200,000 USD) payable at the mining rights transfer. As at December 31, 2018 the mining rights have been transferred and Trade accounts payable included an amount of 217,521 (157,443 USD).

c) Mico Property: Au

The Mico gold property consists of one mining concession covering an area of 10.4 hectares and situated in the department of Bolivar, Colombia, some 470 km to the north of Bogota, Columbia. The Company can earn a 60% interest by making mining expenditures totaling \$ 50,000 before June 8, 2019.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| Trade accounts and accrued liabilities | 492,022 | 243 315 |
| Employees benefits | 20,732 | 14 555 |
| Current tax liabilities | - | 9 761 |
| | 512,754 | 267 631 |

10. DEBENTURES

On August 14, 2018, the Company issued debentures units of \$ 600,000 USD (\$ 818,520 as at December 31, 2018). Each debentures units is comprised of \$ 1,000 USD principal amounts of unsecured debentures of the Company due on August 14, 2019 and 250 warrants. Each Warrant entitles the holder to purchase a share until August 14, 2019 at a price of \$ 0.30 per share. The debentures bear interest at an annual rate of 15% payable on August 14, 2019. No value was attributed to the 150,000 issued warrants.

11. LONG-TERM DEBT

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Loan for machinery and equipment, 7.5%, payable in monthly instalments of \$1,094 including interests, maturing in September 2023 | 51,881 | - |
| Current portion | 9,562 | - |
| | 42,319 | - |

The estimated instalments in long-term debt for the next year are \$9,562 in 2019, \$10,304 in 2020, \$11,104 in 2021, \$11,966 in 2022 and \$8,945 in 2023.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

12. EQUITY

12.1 Share capital

Authorized

Unlimited number of common shares without par value

Changes in the Company capital stock were as follows:

On August 14, 2018, the Company closed a private placement of 3,065,415 common shares for gross proceeds of \$ 521,121. In connection with the financing, the Company paid finders fees totaling \$ 38,350 and issued 281,986 non-transferable compensation warrants entitling the holder to acquire the same number of shares at a price of \$ 0,22 until August 14, 2019, the fair value of the warrants is \$27,313.

On June 21, 2018, the Company issued 701,343 shares at a price of \$ 0,225 per share to settle the convertible debenture of \$150,000 plus interests of \$7,802 acquired in the reverse takeover transaction (Note 5). Since the value of the shares is less than the value of the debenture plus interests, this created a gain on debt settlement of \$ 49,094.

On April 11, 2018, the Company completed a private placement pursuant to which it issued an aggregate of 10,606,091 shares for gross proceeds of \$ 1,803,035. In connection with the financing, the Company paid finders fees totaling \$ 102,703 and issued 158,244 non-transferable compensation warrants entitling the holder to acquire the same number of shares at a price of \$ 0,22 until April 11, 2019. The fair value of the warrants is \$24,501. Also, \$ 225,000 aggregate principal amount of convertible debentures acquired in the reverse takeover transaction (Note 5) issued automatically converted into 1,764,706 shares.

In 2017, AM Ressources SAS issued shares for gross proceeds of 412,880 \$.

12.2 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

| | 2018 | | 2017 | |
|--------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Balance, beginning of the year | - | - | - | - |
| Issued | 150,000 | 0,30 | - | - |
| Balance, end of the year | 150,000 | 0,30 | - | - |
| | December 31, 2018 | | December 31, 2017 | |
| Expiration date | Number | Exercise price | Number | Exercise price |
| | | \$ | | \$ |
| August 14, 2019 | 150,000 | 0,30 | - | - |
| | 150,000 | | - | |

12.3 Broker's warrants

Outstanding broker's warrants are as follows:

| | 2018 | | 2017 | |
|----------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | Number of broker's warrants | Weighted average exercise price | Number of broker's warrants | Weighted average exercise price |
| | | \$ | | \$ |
| Balance, beginning of year | - | - | - | - |
| Issued | 440,230 | 0,22 | - | - |
| Balance, end of year | 440,230 | 0,22 | - | - |

The number of broker's warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

| Expiration date | 2018 | | 2017 | |
|-----------------|---------|----------------|--------|----------------|
| | Number | Exercise price | Number | Exercise price |
| | | \$ | | \$ |
| April 11, 2019 | 158,244 | 0,22 | - | - |
| August 14, 2019 | 281,986 | 0,22 | - | - |
| | 440,230 | | - | |

The weighted average fair value of the broker's warrants granted of \$ 0.12 (\$329,062 was recorded in the profit or loss) was estimated using the Black-Scholes option pricing model and based on the following average assumptions:

| | 2018 | 2017 |
|---------------------------------|---------|------|
| Share price at date of grant | 0,20 \$ | - |
| Expected life | 1 year | - |
| Risk-free interest rate | 1,99 % | - |
| Expected volatility | 138 % | - |
| Expected dividend | Nil | - |
| Exercise price at date of grant | 0,22 \$ | - |

The underlying expected volatility was determined by reference to historical data of comparable Company's shares over the expected average life of the warrants.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

12. EQUITY (continued)

12.4 Share purchase options

The shareholders of the Company approved a share-based payment plan to purchase shares (the "Plan") that members of the Board may grant options to purchase shares to its directors, officers, employees and consultants to purchase common shares of the Company. Conditions and the exercise price of each stock option is determined by the board of directors.

The purchase price of common shares upon exercise of each option granted under the plan, will be the price set for this option by the Board at the time of grant of each option. The term of the options cannot exceed 5 years.

The options vest at the date of grant, except for options granted to consultants doing investors' relationship activities, for which the vesting period is twelve months.

The plan provides that the maximum number of common shares in the capital of the Company which may be reserved for issuance under the plan may not exceed 10 % of the publicly traded shares issued and outstanding on the grant date of the options (on a non-diluted basis), which represents 5,689,964.

The total number of shares reserved for options exercised in favor of the same person must not represent in any 12 months period, more than 5% of the issued and outstanding shares of the Company this number is calculated to the date the option is granted.

The total number of shares reserved for options exercised in favor of consultants and people that provide services of investor relations must not represent in any 12 month period, more than 2% of common shares issued and outstanding shares of the Company, this number being calculated at the date the option is granted.

All share-based payments will be settled in equity. The Company has no legal or contractive obligation to repurchase or settle the options in cash.

The Company's share options are as follows for the reporting periods presented:

| | <u>2018</u> | | <u>2017</u> | |
|--|------------------|--|---------------|--|
| | <u>Number</u> | <u>Weighted average exercise price</u> | <u>Number</u> | <u>Weighted average exercise price</u> |
| | | \$ | | \$ |
| Balance, beginning of year | - | - | - | - |
| Acquired through the reverse take-over | 4,000 | 5,00 | - | - |
| Expired | (4,000) | 5,00 | - | - |
| Granted | 1,950,000 | 0,17 | - | - |
| Forfeited | (150,000) | 0,17 | - | - |
| Balance, end of year | <u>1,800,000</u> | 0,17 | - | - |
| Options exercisable at the end of year | <u>1,800,000</u> | 0,17 | - | - |

The following table summarizes the information relating to the share purchase options granted under the plan as at December 31, 2018.

| <u>Range of Exercise price</u> | <u>Number of options</u> | <u>Remaining life (years)</u> |
|--------------------------------|--------------------------|-------------------------------|
| \$ | | |
| 0,17 to 0,19 | 1,500,000 | 4,28 |
| 0,20 to 0,23 | 300,000 | 4,39 |

The weighted average fair value of the share purchase options granted of \$0,12 (\$329,062 was recorded in the profit or loss) was estimated using the Black-Scholes option pricing model and based on the following average assumptions:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|-------------|-------------|
| Share price at date of grant | 0,20 \$ | - |
| Expected life | 0,5 year | - |
| Risk-free interest rate | 1,99 % | - |
| Expected volatility | 150 % | - |
| Expected dividend | Nil | - |
| Exercise price at date of grant | 0,20 \$ | - |

The underlying expected volatility was determined by reference to historical data of comparable Company's shares over the expected average life of the warrants.

13. REVENUES

| | <u>2018</u> | <u>2017</u> |
|----------------|------------------|------------------|
| | \$ | \$ |
| Coal | 1,360,130 | 962,267 |
| Transport | 963,742 | 692,395 |
| Other revenues | 15,086 | 1,815 |
| | <u>2,338,958</u> | <u>1,656,477</u> |

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

14. COST OF SALES

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| | \$ | \$ |
| Coal | 1,207,853 | 1,020,719 |
| Transport | 765,523 | 546,716 |
| Depreciation of property, plant and equipment | <u>13,450</u> | <u>23,431</u> |
| | <u>1,986,826</u> | <u>1,590,866</u> |

15. GENERAL AND ADMINISTRATION EXPENSES

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|------------------|----------------|
| | \$ | \$ |
| Salaries and other employee benefits | 171,643 | 150,064 |
| Rental expenses | 78,493 | 62,869 |
| Management fees | 313,188 | - |
| Consulting and professional fees | 487,103 | 54,804 |
| Other operational expenses | 386,076 | 100,563 |
| Share-based payment | <u>329,062</u> | <u>-</u> |
| | <u>1,765,565</u> | <u>368,300</u> |

16. FINANCIAL ASSETS AND LIABILITIES

The carrying amount and fair value of financial instruments presented in the statement of financial position are as follows:

| | <u>2018</u> | | <u>2017</u> | |
|--|------------------|------------------|-----------------|----------------|
| | Carrying amount | Fair Value | Carrying amount | Fair value |
| | \$ | \$ | \$ | \$ |
| FINANCIAL ASSETS | | | | |
| Cash | 785,965 | 785,965 | 121,394 | 121,394 |
| Receivables and other financial assets | <u>516,514</u> | <u>516,514</u> | <u>202,790</u> | <u>202,790</u> |
| | <u>1,302,479</u> | <u>1,302,479</u> | <u>324,184</u> | <u>324,184</u> |
| FINANCIAL LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 492,022 | 492,022 | 243,315 | 243,315 |
| Debenture | 818,520 | 818,520 | - | - |
| Long term debt | <u>51,881</u> | <u>51,881</u> | <u>-</u> | <u>-</u> |
| | <u>1,362,423</u> | <u>1,362,423</u> | <u>243,315</u> | <u>243,315</u> |

The financial assets and liabilities are measured at fair value in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on significance of inputs used in measuring the fair value of the financial assets and liabilities.

The Company defines the fair value hierarchy under which its financial instruments are valued as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date;
- Level 2 includes inputs other than quoted prices in Level 1 that are observable for assets or liability, either directly or indirectly; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

The carrying value of cash, trade receivable, accounts payable and accrued liabilities and debentures are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments. The Fair value of long-term debt has been determined by discounting future cash flows using rates in effect at the end of the period. The fair value approximates the carrying amount.

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Debenture | Long-term debt | Total |
|----------------------------------|----------------|----------------|----------------|
| January 1, 2018 | | - | - |
| Cash-flows: | | | |
| Repayment | | (2,719) | (2,719) |
| Proceed | 780,960 | 54,600 | 835,560 |
| Non-cash: | | | |
| Unrealised loss on exchange rate | 37,560 | - | 37,560 |
| December 31, 2018 | 818,520 | 51,881 | 870,401 |

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

18. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year divided by the weighted average number of shares in circulation during the year. In calculating the diluted loss per share, dilutive potential ordinary shares such as share options and warrants, have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive.

There have been no other transactions involving ordinary shares between the reporting date of the disclosure authorization of these consolidated financial statements.

19. INCOME TAXES

The income tax expense attributable to earnings differs from the amounts computed by applying the combined federal and provincial income tax rate of 26,7% (34 % in 2017) to earnings before income taxes as a result of the follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|
| | \$ | \$ |
| Loss before income taxes | (4,360,914) | (302,689) |
| Expected income tax recovery | (1,164,364) | (102,914) |
| Increase (decrease) in income taxes resulting from: | | |
| Temporary difference not recorded | 307,242 | 74,060 |
| Change in deferred tax rate | 1,386 | - |
| Share-based payments | 87,860 | - |
| Non-deductible expenses | 829,738 | 28,854 |
| Presumptive tax | 13,236 | 13,614 |
| Tax rate difference from a foreign subsidiary | (10,752) | - |
| Share issue cost in equity | (51,110) | - |
| | <u>13,236</u> | <u>13,614</u> |

Movement of deferred income tax in 2018

As at December 31, 2018, deductible timing differences for which the Company has not recognized deferred tax asset are as follows:

| | <u>Federal</u> | <u>Quebec</u> | <u>Colombia</u> |
|------------------------|----------------|----------------|-----------------|
| Property and equipment | - | - | - |
| Share issue expenses | 25,653 | 19,667 | - |
| Non-capital losses | 107,723 | 82,219 | 198,059 |
| Capital losses | - | - | - |
| Advances | - | - | - |
| Donations | - | - | - |
| | <u>133,896</u> | <u>101,887</u> | <u>198,059</u> |

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered.

Accordingly, some deferred tax assets have not been recognized, these deferred tax assets not recognized equal an amount of \$ 433,675.

As at December 31, 2018, the Company has non-capital tax losses, which are available to reduce income taxes in future years and expired as follows:

| | <u>Federal</u> | <u>Quebec</u> | <u>Colombia</u> |
|------|----------------|----------------|-----------------|
| 2038 | 714,955 | 714,955 | - |
| 2030 | - | - | 138,134 |
| 2029 | - | - | 260,524 |
| 2028 | - | - | 46,709 |
| 2027 | - | - | 154,813 |
| | <u>714,955</u> | <u>714,955</u> | <u>600,180</u> |

Movement of deferred income tax in 2017

As at December 31, 2017, deductible timing differences for which the Company has not recognized deferred tax asset are as follows:

| | <u>Colombia</u> |
|------------------------|-----------------|
| Property and equipment | - |
| Share issue expenses | - |
| Non-capital losses | 157,096 |
| Capital losses | - |
| Advances | - |
| Donations | - |
| | <u>157,096</u> |

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

19. INCOME TAXES (continued)

Movement of deferred income tax in 2017 (continued)

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered.

Accordingly, some deferred tax assets have not been recognized, these deferred tax assets not recognized equal an amount of \$ 157,096.

As at December 31, 2017, the Company has non-capital tax losses, which are available to reduce income taxes in future years and expired as follows:

| | Colombia |
|------|----------------|
| 2029 | 260,524 |
| 2028 | 48,709 |
| 2027 | 154,813 |
| | <u>464,046</u> |

20. ADDITIONAL INFORMATION – CASH FLOWS

| | 2018 | 2017 |
|--|------------------|---------------|
| | \$ | \$ |
| Accounts payable and accrued liabilities | (543,242) | 179,715 |
| Receivables and others | (56,897) | (150,858) |
| Prepaid expenses | (40,192) | - |
| Inventory | 1,667 | - |
| | <u>(638,664)</u> | <u>28,857</u> |

21. RELATED PARTY TRANSACTIONS

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

The following table shows the compensation paid or payable to the Board of Directors and key management personnel. Key management personnel are the executive members of AM Resources Corp. board of directors and employees of the Company.

| | 2018 | 2017 |
|--------------------|----------------|---------------|
| | \$ | \$ |
| Management fees | 181,187 | - |
| Consulting fees | 206,500 | 26,359 |
| Total compensation | <u>387,687</u> | <u>26,359</u> |

During the year, the company also entered paid some related parties for the rent of offices and a vehicle. Those leases totalled \$ 61,824 as at December 31, 2018. The term of all the leases is one year. The Company does not have any engagement as at December 31, 2018.

22. POLICIES AND PROCESSES FOR MANAGING CAPITAL

As at December 31, 2018, the capital of the Company consists of equity, debentures and long-term debt. The Company's capital management objective is to have sufficient capital to be able to meet its exploration and mining development plan in order to ensure the growth of its activities and to ensure to pursue its activities. It has also the objective to have sufficient cash to finance its exploration and evaluation expenses, the investing activities and the working capital requirements. There were no significant changes in the Company's approach to capital management during the year ended December 31, 2018. The Company finances its exploration activities primarily seeking additional capital either through private placements or public offerings.

23. FINANCIAL INSTRUMENT RISKS

The company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarized in Note 15. The main types of risks the Company is exposed to are credit risk and liquidity risk.

a) Credit risk

Credit risk is the risk that a party to a financial instrument will default on one of its obligations and thereby cause the other party to incur a financial loss. Cash, other receivables, advances and loans receivable are the Company's principal financial instruments that are potentially subject to credit risk. The credit risk on loans receivable is limited since the contracting party is the private Company holding the Mina Luz property in Colombia. As a result, the Company does not expect the other parties to default. The book values represent the Company's maximum exposure to credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has sufficient financing sources. The Company establishes budgets to ensure it has the necessary funds to fulfill its obligations.

When the counterparty has a choice of when an amount is paid, the liability is included on the earliest date in which the payment can be required.

As at December 31, 2018, the working capital is positive of \$ 139,492. In order to continue its operation, the Company will have to find additional fund and despite the fact it has been successful in the past, there is no guarantee for the future. Actually, there remains a significant risk that the Company is unable to find cash if even the management is optimistic to find the necessary cash for the implementation of its strategic plan.

AM Resources Corp.
(Previously NQ Exploration Inc.)
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(In Canadian dollars)

23. FINANCIAL INSTRUMENT RISKS (continued)

As at December 31, 2018, the Company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

| December 31, 2018 | Current | | Non-current | |
|-------------------|-----------------|----------------|---------------|--------------------|
| | Within 6 months | 6 to 12 months | 1 to 5 years | Later than 5 years |
| Debenture | - | 895,256 | - | - |
| Long-term debt | - | 13,129 | 48,593 | - |
| Total | - | 903,385 | 48,593 | - |

c) Interest rate risk

The long term debt and debentures bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

d) Foreign currency risk

The Company is exposed to foreign currency risk arising from the degree of volatility of the exchange rate. The Company is exposed to the foreign currency risk through its bank account, its advances to private companies and its debenture that are initially in US dollars. A variation of 10% in the currency would affect the net loss and the equity of \$68,000. The Company does not use derivative financial instruments to reduce its exposure to foreign exchange risk.

Furthermore, an intercompany balance of 1,056,675\$ between AM Resources SAS and AM Resources Corp exposes AM Resources Corp. to currency fluctuations between the Colombian pesos and the Canadian dollar. A variation of 10% in the currency would affect the net loss and the equity of 105,000\$.

24. SEGMENT REPORTING

Management currently identifies one operating segment (note 4.15).

The following information provides the required information for all the Company.

| | 2018 | | Total |
|--------------------|--------|-----------|-----------|
| | Canada | Colombia | |
| | \$ | \$ | \$ |
| Non current assets | - | 2,161,265 | 2,161,265 |
| Revenus | - | 2,338,958 | 2,338,958 |
| | | | |
| | 2017 | | Total |
| | Canada | Colombia | |
| | \$ | \$ | \$ |
| Non current assets | - | 1,489,255 | 1,489,255 |
| Revenus | - | 1,656,477 | 1,656,477 |

25. SUBSEQUENT EVENT

On February 5, 2019, the Company acquired a 60% interest in Asphaltite Colombia SAS ("ASF") that holds the Esperanza asphaltite mining property. The Esperanza property consists of a mineral concession that covers an area of 298 hectares in the western portion of the department of Norte de Santander in Colombia. The Company will issue 4,700,000 common shares (\$893,000) and will release ASF from a loan of 145,255,291 Colombian pesos (approximately \$ 60,800).