

Osino Resources Corp. (An exploration stage company)  
Consolidated Financial Statements  
for the year ended December 31, 2018

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

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# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Directors' Responsibilities and Approval

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The directors are required in terms of the British Columbia Business Corporations Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to December 31, 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's consolidated annual financial statements. The consolidated annual financial statements have been examined by the company's external auditor.

The consolidated annual financial statements set out on pages 3 to 32, which have been prepared on the going concern basis, were approved by the board of directors on April 25, 2019 and were signed on their behalf by:

/s/ "Heye Daun"

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**Director**

/s/ "Eugene Beukman"

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**Director**

# Independent Auditor's Report

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To the Shareholders of Osino Resources Corp.:

## Opinion

We have audited the consolidated financial statements of Osino Resources Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the 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 consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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.

## Other Information

Management is responsible for the other information. The other information comprises 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 audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management 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 Company 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Jonathan MacNeil.

Toronto, Ontario

April 25, 2019

The image shows a handwritten signature in black ink that reads "MNP LLP". The letters are stylized and slanted to the right.

Chartered Professional Accountants

Licensed Public Accountants

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Statement of Financial Position as at December 31, 2018

| Figures in Canadian Dollar                             | Note(s) | 2018             | 2017             |
|--|---------|------------------|------------------|
| <b>Assets</b>  |         |                  |                  |
| Non-Current Assets                                     |         |                  |                  |
| Property, plant and equipment                          | 2       | 201,066          | 136,467          |
| Current Assets   |         |                  |                  |
| Other receivables and prepaid expenses                 | 3       | 428,457          | 963,285          |
| Cash and cash equivalents                              | 4       | 4,199,104        | 3,785,084        |
|  |         | <b>4,627,561</b> | <b>4,748,369</b> |
| <b>Total Assets</b>                                    |         | <b>4,828,627</b> | <b>4,884,836</b> |
| <b>Equity and Liabilities</b>                          |         |                  |                  |
| <b>Equity</b>  |         |                  |                  |
| <b>Equity Attributable to Equity Holders of Parent</b> |         |                  |                  |
| Share capital  | 5       | 14,832,727       | 8,971,316        |
| Reserves   |         | 1,731,329        | 1,620,092        |
| Accumulated Deficit                                    |         | (11,881,298)     | (6,176,198)      |
|  |         | 4,682,758        | 4,415,210        |
| Non-controlling interest                               |         | (159,283)        | (7,142)          |
|  |         | <b>4,523,475</b> | <b>4,408,068</b> |
| <b>Liabilities</b>                                     |         |                  |                  |
| Non-Current Liabilities                                |         |                  |                  |
| Other financial liabilities                            | 6       | 83,010           | 59,629           |
| Current Liabilities                                    |         |                  |                  |
| Trade and other payables                               | 7       | 202,848          | 417,139          |
| Other financial liabilities                            | 6       | 19,294           | -                |
|  |         | <b>222,142</b>   | <b>417,139</b>   |
| <b>Total Liabilities</b>                               |         | <b>305,152</b>   | <b>476,768</b>   |
| <b>Total Equity and Liabilities</b>                    |         | <b>4,828,627</b> | <b>4,884,836</b> |

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Statement of Profit or Loss and Other Comprehensive Income

| Figures in Canadian Dollar                   | Note(s) | 2018               | 2017               |
|--|---------|--------------------|--------------------|
| Amortisation and depreciation                | 2       | (30,066)           | (16,469)           |
| Consulting and professional fees             |         | (906,269)          | (267,305)          |
| Exploration and evaluation                   |         | (2,503,093)        | (1,299,121)        |
| Listing expenses                             | 5       | (272,009)          | -                  |
| Management fees                              | 16      | (239,625)          | (245,163)          |
| Office and administration                    |         | (343,045)          | (179,309)          |
| Salaries and benefits                        |         | (687,753)          | (321,366)          |
| Stock option expense                         |         | (769,412)          | (965,455)          |
| Travel                                       |         | (160,288)          | (92,190)           |
| <b>Operating loss</b>                        |         | <b>(5,911,560)</b> | <b>(3,386,378)</b> |
| Investment income                            |         | 40,489             | 2,400              |
| Gain on disposal of assets                   |         | 13,830             | -                  |
| <b>Loss for the year</b>                     |         | <b>(5,857,241)</b> | <b>(3,383,978)</b> |
| <b>Other comprehensive (loss)/income</b>     |         |                    |                    |
| Foreign currency translation                 |         | (95,902)           | 34,575             |
| <b>Total comprehensive loss for the year</b> |         | <b>(5,953,143)</b> | <b>(3,349,403)</b> |
| <b>Loss attributable to:</b>                 |         |                    |                    |
| <b>Owners of the parent:</b>                 |         |                    |                    |
| From continuing operations                   |         | (5,705,100)        | (3,376,836)        |
| <b>Non-controlling interest:</b>             |         |                    |                    |
| From continuing operations                   |         | (152,141)          | (7,142)            |
| <b>Net loss</b>                              |         | <b>(5,857,241)</b> | <b>(3,383,978)</b> |
| Weighted number of shares outstanding        | 17      | 49,831,242         | 29,887,458         |
| Loss per Share - Basic and diluted           | 17      | \$0.12             | \$0.11             |

## Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

### Statement of Changes in Equity

|   | Number of<br>shares | Common<br>shares | Share-based<br>Payment<br>Reserve | Warrant<br>Reserve | Cumulative<br>Translation<br>Reserve | Deficit     | Shareholders<br>equity | Non-controlling<br>interest |
|---|---------------------|------------------|-----------------------------------|--------------------|--------------------------------------|-------------|------------------------|-----------------------------|
| Figures in Canadian Dollar                          |                     |                  |                                   |                    |                                      |             |                        |                             |
| Balance at 31 December 2016                         | 24,452,843          | 3,120,493        | 277,600                           | 594,261            | 223,701                              | (2,799,362) | 1,416,693              | -                           |
| Adjustments   |                     |                  |                                   |                    |                                      |             |                        |                             |
| Private placement                                   | 14,217,138          | 5,433,222        | -                                 | -                  | -                                    | -           | 5,433,222              | -                           |
| Share issue costs                                   | -                   | (47,900)         | -                                 | -                  | -                                    | -           | (47,900)               | -                           |
| Share issue costs - in shares and finders' warrants | 72,325              | (30,162)         | -                                 | 2,662              | -                                    | -           | (27,500)               | -                           |
| Shares issued for Mineral rights                    | 46,025              | 17,500           | -                                 | -                  | -                                    | -           | 17,500                 | -                           |
| Shares issued for terminating stock options         | 1,257,575           | 478,163          | -                                 | -                  | -                                    | -           | 478,163                | -                           |
| Stock options issued                                | -                   | -                | 487,293                           | -                  | -                                    | -           | 487,293                | -                           |
| Loss for the year                                   | -                   | -                | -                                 | -                  | -                                    | (3,376,836) | (3,376,836)            | (7,142)                     |
| Other comprehensive income                          | -                   | -                | -                                 | -                  | 34,575                               | -           | 34,575                 | -                           |
| Balance at 31 December 2017                         | 40,045,906          | 8,971,316        | 764,893                           | 596,923            | 258,276                              | (6,176,198) | 4,415,210              | (7,142)                     |

On June 22, 2018, the Company gave effect to a consolidation of the common shares in the capital of the company at a rate of 5,4318 pre-consolidation common shares for 1 post-consolidation common share. All share capital, option and warrant information has been updated accordingly (note 5).

## Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

### Statement of Changes in Equity

|                                     | Number of shares  | Common shares     | Share-based Payment Reserve | Warrant Reserve | Cumulative Translation Reserve | Deficit             | Shareholders equity | Non-controlling interest |
|-------------------------------------|-------------------|-------------------|-----------------------------|-----------------|--------------------------------|---------------------|---------------------|--------------------------|
| Figures in Canadian Dollar          |                   |                   |                             |                 |                                |                     |                     |                          |
| <b>Balance at 31 December 2017</b>  | <b>40,045,906</b> | <b>8,971,316</b>  | <b>764,893</b>              | <b>596,923</b>  | <b>258,276</b>                 | <b>(6,176,198)</b>  | <b>4,415,210</b>    | <b>(7,142)</b>           |
| Private placement                   | 5,974,452         | 2,855,779         | -                           | -               | -                              | -                   | 2,855,779           | -                        |
| Warrants conversion to shares       | 524,688           | 171,467           | -                           | (46,067)        | -                              | -                   | 125,400             | -                        |
| Private placement                   | 681,174           | 325,600           | -                           | -               | -                              | -                   | 325,600             | -                        |
| Warrants exercise                   | 5,916,055         | 1,959,700         | -                           | (550,856)       | -                              | -                   | 1,408,844           | -                        |
| Finders warrants issued             | -                 | (34,650)          | -                           | 34,650          | -                              | -                   | -                   | -                        |
| Share issuance cost                 | -                 | (16,068)          | -                           | -               | -                              | -                   | (16,068)            | -                        |
| RTO - Romulus Resources Ltd         | 3,155,700         | 599,583           | -                           | -               | -                              | -                   | 599,583             | -                        |
| Stock options issued                | -                 | -                 | 769,412                     | -               | -                              | -                   | 769,412             | -                        |
| Comprehensive loss adjustment       | -                 | -                 | -                           | -               | (95,902)                       | -                   | (95,902)            | -                        |
| Loss for the period                 | -                 | -                 | -                           | -               | -                              | (5,705,100)         | (5,705,100)         | (152,141)                |
| <b>Balance at December 31, 2018</b> | <b>56,297,975</b> | <b>14,832,727</b> | <b>1,534,305</b>            | <b>34,650</b>   | <b>162,374</b>                 | <b>(11,881,298)</b> | <b>4,682,758</b>    | <b>(159,283)</b>         |
| Note                                | 5                 | 5                 | 5                           |                 |                                |                     |                     |                          |

On June 22, 2018, the Company gave effect to a consolidation of the common shares in the capital of the company at a rate of 5,4318 pre-consolidation common shares for 1 post-consolidation common share. All share capital, option and warrant information has been updated accordingly (note 5).

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Statement of Cash Flows

| Figures in Canadian Dollar                        | Note(s) | 2018               | 2017               |
|---|---------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>       |         |                    |                    |
| Cash used in operations                           | 9       | (4,836,677)        | (2,656,560)        |
| Investment income                                 |         | 40,489             | 2,400              |
| <b>Net cash from operating activities</b>         |         | <b>(4,796,188)</b> | <b>(2,654,160)</b> |
| <b>Cash flows from investing activities</b>       |         |                    |                    |
| Purchase of property, plant and equipment         | 2       | (79,147)           | (80,025)           |
| Disposal of property, plant and equipment         | 2       | 28,110             | -                  |
| <b>Net cash from investing activities</b>         |         | <b>(51,037)</b>    | <b>(80,025)</b>    |
| <b>Cash flows from financing activities</b>       |         |                    |                    |
| Proceeds from common shares and warrants          | 5       | 5,345,206          | 4,841,791          |
| <b>Total cash movement for the year</b>           |         | <b>497,981</b>     | <b>2,107,606</b>   |
| Cash at the beginning of the year                 |         | 3,785,084          | 1,609,134          |
| Effect of exchange rate movement on cash balances |         | (83,961)           | 68,344             |
| <b>Total cash at end of the year</b>              | 4       | <b>4,199,104</b>   | <b>3,785,084</b>   |

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Accounting Policies

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### 1. Nature of business and significant accounting policies

#### Nature of Business

Osino Resources Corp. was incorporated on June 5, 2012 in the province of British Columbia, Canada, under the British Columbia Business Corporations Act. The principal activity of the Company is the acquisition, exploration and development of gold mining properties in Namibia. The Company's head office is located at Suite 810, 789 Westpender Street, Vancouver, British Columbia, V6C1H2, Canada.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

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

On June 22, 2018, the Company, then Romulus Resources Ltd. ("Romulus"), completed an amalgamation with Osino Resources Corp. ("ORC"), a private company focused on the acquisition and development of gold properties in Namibia, and 1152372 B.C. Ltd. ("1152372"), a wholly-owned subsidiary of the Company (the "RTO Transaction"). Under the RTO Transaction, each of the issued and outstanding common shares in the capital of ORC were cancelled and exchanged for common shares of the Company. Concurrent with the amalgamation, ORC and 1152372 were amalgamated and the Company changed its name to "Osino Resources Corp."

#### a) Statement of compliance with IFRS

These consolidated annual financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated annual financial statements are based on IFRS issued and outstanding as of April 25, 2019 the date the Board of Directors approved these consolidated annual financial statements for issue.

#### b) Basis of presentation

These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated annual financial statements include the accounts of Osino Resources Corp. and its wholly-owned subsidiaries, Osino BVI Limited (formerly Kailondo Capital Limited), Osino Namibia Holdings (Pty) Ltd ("Osino Holdings"), Osino Prospect Holdings (Pty) Ltd and Osino Otavi Holdings (Pty) Ltd as well as the accounts of 95% owned subsidiary, Osino Gold Exploration (Pty) Ltd, formerly, "Bafex Exploration (Pty) Ltd ("Osino Gold"), the accounts of 90% owned subsidiary, Osino Namibia Minerals Exploration (Pty) Ltd ("Osino Namibia"), the accounts of 70% owned Richwing Exploration (Pty) Ltd, the accounts of 80% owned Fairview Minerals Exploration (Pty) Ltd and the accounts of 70% owned Vavali Mining Exploration (Pty) Ltd. All intercompany transactions, balances, and unrealized gains and losses on intercompany transactions have been eliminated.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of loss and comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

#### c) Functional currency translation

##### i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated annual financial statements are presented in Canadian dollars, which is the reporting parent's functional currency. The functional currency of the reporting parent's subsidiaries is the Namibian dollar ("N\$").

The financial statements of entities that have a functional currency different from that of the reporting parent's operations are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position, and income and expenses – at the average rate for the period (as this is considered a reasonable approximation to the actual rates). All resulting changes are recognized in other comprehensive income or loss as cumulative translation adjustments.

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Accounting Policies

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When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income or loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

### ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of loss and comprehensive loss.

### d) Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgements made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the year the changes are made.

Significant areas requiring the use of estimates and assumptions include valuation of share-based payment reserves, warrant reserves, and recoverability of deferred tax assets. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact of changes in estimates in the financial statements of a future period could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in profit and loss in the periods in which they become known.

### e) Significant accounting judgements

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 2(d)), that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements are related to the economic recoverability of the mineral rights, determining the smallest group of assets that generates independent cash flow, the interpretation and application of tax laws, the determination of functional currency for the Company and its subsidiaries, and the assumption that the Company will continue as a going concern.

### f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

### g) Property, Plant, and Equipment

Property, plant, and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant, and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at a rate calculated to expense the cost of equipment, less its estimated residual value, over the following expected useful lives:

| Item                   | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Plant and machinery    | Straight line       | 4 years             |
| Furniture and fixtures | Straight line       | 5 years             |
| Motor vehicles         | Straight line       | 5 years             |
| Office equipment       | Straight line       | 6 years             |
| IT equipment           | Straight line       | 6 years             |
| Leasehold improvements | Straight line       | 5 years             |

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Accounting Policies

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### **h) Mineral Property Costs**

Mineral property acquisition and exploration costs are expensed as incurred. The Company has not yet realized any revenues from its mineral operations. When it has been determined that a mineral property can be economically developed as a result of establishing probable and proven reserves, the costs then incurred to develop such property will be capitalized. Such costs will be amortized using the unit of production method over the estimated life of the probable reserve. If properties are abandoned or the carrying value is determined to be in excess of possible future recoverable amounts the Company will write off the appropriate amount.

### **i) Revenue recognition**

Revenue will be recorded when consideration is received or receivable and will be recognized to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

Interest income is recognized as it accrues.

### **j) Comprehensive income or loss**

Comprehensive income or loss is the change in equity of an enterprise during a year from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports comprehensive loss in its statement of loss and comprehensive loss and its statement of changes in equity.

### **k) Taxes**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

#### *Current tax*

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### *Deferred tax*

Deferred 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 recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Accounting Policies

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### **l) Non-monetary transactions**

Transactions with no cash consideration are measured at the fair value of either the asset given up or the asset received, whichever is more reliably determinable.

### **m) Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net earning (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculations as the effect would be anti-dilutive.

### **n) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

A CGU recoverable amount is the higher of fair value less costs 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 current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

Industry specific indicators for an impairment review on mineral rights and capitalized exploration related expenditures arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.

### **o) Restoration, rehabilitation and environmental obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant, other site preparation work, and water and soil management, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operation license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value of the liability. These costs are charged against profit or loss over the economic life of the related assets, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as at December 31, 2018.

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Accounting Policies

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### p) Share-based payments

The Company from time to time may issue shares or options to its directors, officers, consultants and employees. The Company values share-based payments using the fair-value method of the services provided. For stock options issued to its directors, officers, consultants and employees where the value of the services provided cannot be determined or the options are provided for services already provided to the Company, the Company values stock-based compensation by reference to the fair value of the stock options issued, utilizing the Black-Scholes option pricing model. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense and an increase or decrease to the share-based payment reserve.

Any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as share-based payment reserve. An individual is classified as an employee when they are an employee for legal purposes, or primarily performing services similar to the services that would be provided by a legal employee.

### q) Standards adopted in the period

#### IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no material impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

| Classification              | IAS 39                                       | IFRS 9         |
|-----------------------------|--|----------------|
| Cash and cash equivalents   | FVTPL  | FVTPL          |
| Other receivables           | Loans and receivables                        | Amortized cost |
| Trade and other liabilities | Other financial liabilities (amortized cost) | Amortized cost |

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

#### *Financial assets*

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

#### i) Financial assets recorded at fair value through profit or loss ("FVTPL")

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets measured at FVTPL.

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Accounting Policies

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### ii) Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's amounts receivable is classified as financial assets measured at amortized cost.

### *Financial liabilities*

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

### i) Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's amounts payable and other liabilities, and long term liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

### ii) Financial liabilities recorded as fair value through profit or loss ("FVTPL").

Financial liabilities are classified as fair value through profit or loss if they fall into one of the five exemptions detailed above.

### *Transaction costs*

Transaction costs associated with financial instruments, carried at fair value through profit or loss, are expensed as incurred, while transaction costs associated with all other financial instrument are included in the initial carrying amount of the asset or the liability.

### *Subsequent measurement*

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

### *Derecognition*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## **Expected Credit Loss Impairment Model**

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements. The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

## **IFRS 15 Revenue from Contracts with Customers**

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The new standard is effective for the Company on January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15.

## Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

### Accounting Policies

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The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The adoption of IFRS 15 had no impact on the Company's financial statements.

#### **r) Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

On June 7, 2017, the IASB issued Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect the Interpretation to have a material impact on the consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the period beginning on January 1, 2019. The Company is currently evaluating the impact of adoption and expects to report more detailed information in its consolidated financial statements as the effective date approaches. The company anticipates the adoption of IFRS 16 will have a minimal impact.

## Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

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#### 2. Property, plant and equipment

|                        | 2018                |                          |                | 2017                |                          |                |
|------------------------|---------------------|--------------------------|----------------|---------------------|--------------------------|----------------|
|                        | Cost or revaluation | Accumulated depreciation | Carrying value | Cost or revaluation | Accumulated depreciation | Carrying value |
| Plant and machinery    | 47,623              | (13,772)                 | 33,851         | 22,112              | (3,917)                  | 18,195         |
| Furniture and fixtures | 10,427              | (2,361)                  | 8,066          | 10,912              | (601)                    | 10,311         |
| Motor vehicles         | 192,047             | (44,819)                 | 147,228        | 185,742             | (89,396)                 | 96,346         |
| Office equipment       | 7,495               | (1,660)                  | 5,835          | 6,173               | (646)                    | 5,527          |
| IT equipment           | 5,320               | (1,357)                  | 3,963          | 5,727               | (507)                    | 5,220          |
| Leasehold improvements | 2,338               | (215)                    | 2,123          | 895                 | (27)                     | 868            |
| <b>Total</b>           | <b>265,250</b>      | <b>(64,184)</b>          | <b>201,066</b> | <b>231,561</b>      | <b>(95,094)</b>          | <b>136,467</b> |

#### Reconciliation of property, plant and equipment - 2018

|                        | Opening balance | Additions      | Disposals       | Foreign exchange movements | Depreciation    | Total          |
|------------------------|-----------------|----------------|-----------------|----------------------------|-----------------|----------------|
| Plant and machinery    | 18,195          | 28,240         | -               | (2,018)                    | (10,566)        | 33,851         |
| Furniture and fixtures | 10,311          | 304            | -               | (670)                      | (1,879)         | 8,066          |
| Motor vehicles         | 96,346          | 89,871         | (14,280)        | (9,316)                    | (15,393)        | 147,228        |
| Office equipment       | 5,527           | 1,835          | -               | (422)                      | (1,105)         | 5,835          |
| IT equipment           | 5,220           | -              | -               | (332)                      | (925)           | 3,963          |
| Leasehold improvements | 868             | 1,572          | -               | (119)                      | (198)           | 2,123          |
|                        | <b>136,467</b>  | <b>121,822</b> | <b>(14,280)</b> | <b>(12,877)</b>            | <b>(30,066)</b> | <b>201,066</b> |

#### Reconciliation of property, plant and equipment - 2017

|                        | Opening balance | Additions      | Foreign exchange movements | Depreciation    | Total          |
|------------------------|-----------------|----------------|----------------------------|-----------------|----------------|
| Plant and machinery    | 6,912           | 14,260         | 634                        | (3,611)         | 18,195         |
| Furniture and fixtures | 543             | 9,940          | 394                        | (566)           | 10,311         |
| Motor vehicles         | -               | 103,793        | 3,735                      | (11,182)        | 96,346         |
| Office equipment       | 620             | 5,296          | 208                        | (597)           | 5,527          |
| IT equipment           | -               | 5,505          | 202                        | (487)           | 5,220          |
| Leasehold improvements | -               | 860            | 33                         | (25)            | 868            |
|                        | <b>8,075</b>    | <b>139,654</b> | <b>5,206</b>               | <b>(16,468)</b> | <b>136,467</b> |

#### 3. Other receivables and prepaid expenses

|                         |                |                |
|-------------------------|----------------|----------------|
| Subscription receivable | -              | 516,031        |
| Prepayments             | 11,158         | 148,707        |
| Value Added Tax         | 289,530        | 275,710        |
| Other receivables       | 127,769        | 22,837         |
|                         | <b>428,457</b> | <b>963,285</b> |

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Notes to the Consolidated Financial Statements

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### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

|              |           |           |
|--------------|-----------|-----------|
| Cash on hand | 4,199,104 | 3,785,084 |
|--------------|-----------|-----------|

The Group's cash, by currency, at December 31, 2018 and December 31, 2017 was as follows:

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Cash at bank and in hand- Canada  | 3,465,062        | 3,325,541        |
| Cash at bank and in hand- Namibia | 734,042          | 459,543          |
|                                   | <b>4,199,104</b> | <b>3,785,084</b> |

### 5. Share capital

#### Authorised

#### Unlimited number of common shares.

IFRS 2 recommends that an entity shall measure any equity-settled share-based payment transactions directly at the fair value of the goods or services received. The Company issued warrants and options as part of the private placements and compensation payments to agents and brokers. The Company determined that the fair value of services received is not reliably measurable because the warrants attached to these transactions are not from the result of any services purchased by the Company. Also, fair value of services from agents and brokers are not reliably determinable because there is no similar open market for the services they provide, and the compensation is not based on a fixed market rate, but rather subject to negotiation by management. Lastly, it is common for exploration stage companies to provide share-based compensation as part of its equity and debt transactions in addition to a cash component. As such management determined that the fair value of warrants rather than the fair value of services received should be used to determine the fair value of share-based transactions.

#### Issued and outstanding

|                      |            |           |
|----------------------|------------|-----------|
| Issued common shares | 14,832,727 | 8,971,316 |
|----------------------|------------|-----------|

#### Issued and common shares are as follows:

|  | Number of<br>shares | Value             |
|--|---------------------|-------------------|
| Balance on hand as at 31 December 2017 | 40,045,906          | 8,971,316         |
| Warrants exercised - March 2018        | 524,688             | 171,467           |
| Private Placement - March 2018         | 5,974,452           | 2,855,779         |
| Warrants exercised - May/June 2018     | 5,916,055           | 1,959,700         |
| Private Placement - June 2018          | 681,174             | 325,600           |
| Romulus RTO                            | 3,155,700           | 599,583           |
| Finders' fee warrants issued           | -                   | (34,650)          |
| Share issuance cost                    |                     | (16,068)          |
|  | <b>56,297,975</b>   | <b>14,832,727</b> |
| Balance on hand as at 31 December 2018 |                     |                   |

(i) In terms of the Amalgamation Agreement, the resulting issuer issued 1 share for every 5,4318 Osino shares held. The following have been updated to reflect this consolidation accordingly.

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

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### 5. Share capital (continued)

From May 18, 2017 to December 31, 2017, the Company issued 14,217,138 common shares of the Company at a price of \$0.38 per share for gross proceeds of \$5,433,221. The Company incurred costs of \$47,900 in cash and issued 72,325 common shares of the Company valued at \$27,500 to a broker related to the transaction. As of December 31, 2017, the Company had a balance of \$516,031 of subscriptions receivable as funds were not received for shares issued before year end. The subscriptions receivable was received subsequent to December 31, 2017.

On August 2, 2017, the Company issued 46,025 common shares at a value of \$0.38 per share as per the licence purchase agreement.

On November 24, 2017, the Company issued 1,257,575 common shares at a value of \$0.38 per share as consideration for the termination of 2,445,284 stock options to the original holders of the stock options.

On March 29, 2018, 524,688 share purchase warrants originally issued on May 12, 2016 were exercised. The Company received gross proceeds of \$125,400. As a result of the transaction, the original fair value of these warrants in the amount of \$46,067 was reclassified from the warrants reserve to share capital.

On April 20, 2018, the Company closed a private placement that raised gross proceeds of \$2,855,779 by the issuance of 5,974,453 common shares of the Company at a price per common share of \$0.48. In connection with the financing, the Company paid a finder's fee to Beacon Securities Limited consisting of,  
(a) a cash fee equal to 5% of the gross proceeds from the issue and sale of shares to RCF Opportunities Fund LP; and  
(b) finder's warrants equal to 5% of the number of shares issued and sold to RCF, exercisable to purchase common shares at a price of \$0.48 per share for a period of 12 months from closing. The Company has received subscription agreements for all the common shares in connection with the private placement, and 151,883 finder's warrants have been issued to Beacon Securities Limited at a fair value of \$72,600.

On 15 May 2018 and 15 June 2018, 5,827,655 warrants issued in May and June, 2016 were exercised at a price of \$0.24 per common share. In addition, 88,400 finders warrants were exercised at a price of \$0.185 per common share. 416,071 previously issued warrants and 2,435 finders warrants expired unexercised. The exercise of the warrants by the warrant holders raised proceeds equivalent to \$1,408,844.

Effective June 22, 2018, Osino completed a reverse take-over transaction pursuant to an amalgamation agreement dated May 17, 2018 between Osino and Romulus pursuant to which:

- (i) all of the issued and outstanding common shares in the capital of the Issuer ("Romulus Common Shares") were consolidated on the basis of every ten (10) Common Shares being consolidated into one (1) Common Share (the "Consolidation");
- (ii) the Issuer changed its name from "Romulus Resources Ltd" to "Osino Resources Corp.";
- (iii) each of the issued and outstanding common shares in the capital of Osino (the "Osino Shares") were cancelled and exchanged on the basis of one Common Share (on a post-Consolidation basis) for every 5.4318 Osino Shares held; and

# Osino Resources Corp. (An exploration stage company)

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### 5. Share capital (continued)

(iv) The net result of which 3,155,700 new shares were issued to existing Romulus shareholders realising a market value of \$599,583 in accordance with IAS2 and IFRS Reverse Acquisition accounting. The financial effects of the transaction were as follows:

|  |           |
|--|-----------|
|  | \$        |
| Cash on hand                             | 318,199   |
| Other receivables and prepaid expenses   | 15,155    |
| Accounts payable and accrued liabilities | (5,780)   |
|  | <hr/>     |
|  | 327,574   |
| Share issuance at market value - Romulus | (599,583) |
|  | <hr/>     |
| Listing expense                          | 272,009   |
|  | <hr/>     |

On June 30, 2018, the Company closed a private placement that raised gross proceeds of \$325,600 by the issuance of 681,173 common shares of the Company at a price per common share of \$0.48.

### Stock options and share-based payment

On June 23, 2016, the Company issued 2,445,284 stock options at an exercise price of \$0.185 and an expiry date of June 23, 2020. The stock options were valued at \$277,600 using the Black-Scholes pricing model with the following assumptions: share price - \$0.14; risk free rate - 0.70%; expected volatility - 136%; dividend yield - nil; and expected life - 4 years. These stock options vested on the grant date. On November 24, 2017, these 2,445,284 stock options were terminated by the Company in exchange for a total of 1,257,575 common shares of the Company

On November 28, 2017, the Company issued 3,866,122 stock options at an exercise price of \$0.38 and an expiry date of November 28, 2022. The stock options were valued at \$1,287,300 using the Black-Scholes pricing model with the following assumptions: share price - \$0.38; risk free rate - 1.59%; expected volatility - 136%; dividend yield - nil; and expected life - 5 years. 1,288,707 stock options vested on the grant date, 1,288,707 stock options will vest on November 28, 2018, the remaining 1,288,707 stock options will vest on November 28, 2019.

On October 10, 2018, the Company issued 1,574,101 stock options at an exercise price of \$0.30 and an expiry date of October 10, 2023. The stock options were valued at \$369,284 using the Black-Scholes pricing model with the following assumptions: share price - \$0.265; risk free rate - 2.43%; expected volatility - 141%; dividend yield - nil; and expected life - 5 years. 524,700 stock options vested on the grant date, 524,700 stock options will vest on October 10, 2019, the remaining 524,701 stock options will vest on October 10, 2020.

During the year ended December 31, 2018, the Company recorded \$769,412 (December 31, 2017: \$965,455) in share-based compensation related to the vesting of stock options.

# Osino Resources Corp. (An exploration stage company)

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### 5. Share capital (continued)

On June 26, 2018, the Company entered into an agreement with Romulus Resources Ltd. ("Romulus"), a public company listed on the NEX Board of the TSX Venture Exchange, whereby Romulus acquired all of the issued and outstanding common shares and securities convertible into common shares of the Company by way of a three-cornered amalgamation, or such other business combination transaction as the parties may agree upon (the "Transaction"). As part of the Transaction, the common shares of Romulus were consolidated on a 10 for 1 basis resulting in an aggregate of 3,155,700 which was converted into 1 new common share of the Resulting Issuer ("Resulting Issuer Share") and 5.4318 outstanding common shares or convertible security exercisable into common shares of Osino were converted into 1 new common share of the Resulting Issuer. This resulted in a Reverse Takeover of Romulus by the Company.

The following table summarizes information about the Company's stock options outstanding as at December 31, 2018 and December 31, 2017:

| Options outstanding | Expiration Date   | Exercise price | Options exercisable |
|---------------------|-------------------|----------------|---------------------|
| 3,866,122           | November 28, 2022 | \$0.38         | 2,577,415           |
| 1,574,101           | October 10, 2023  | \$0.30         | 524,700             |

### Warrants reserve

As of December 31, 2018, there were 151,883 common share purchase warrants (December 31, 2017 – 6,768,414) and nil (December 31, 2017 – 90,838) finders warrants outstanding with a weighted average exercise price of \$0.48 (December 31, 2017 – \$0.24).

The following table summarizes information about the Company's common share purchase warrants outstanding as at December 31, 2018:

| Grant Date        | Expiration Date | Exercise Price | Balance Outstanding December 31, 2018 | Balance outstanding December 31, 2017 |
|-------------------|-----------------|----------------|---------------------------------------|---------------------------------------|
| May 12, 2016      | May 12, 2018    | \$0.24         | Nil                                   | 4,609,132                             |
| May 12, 2016      | May 12, 2018    | \$0.185        | Nil                                   | 8,119                                 |
| June 17, 2016     | June 17, 2018   | \$0.24         | Nil                                   | 1,701,423                             |
| June 17, 2016     | June 17, 2018   | \$0.185        | Nil                                   | 79,472                                |
| June 21, 2016     | June 21, 2018   | \$0.24         | Nil                                   | 424,017                               |
| June 21, 2016     | June 21, 2018   | \$0.185        | Nil                                   | 3,247                                 |
| June 23, 2016     | June 23, 2018   | \$0.24         | Nil                                   | 33,842                                |
| April 20, 2018    | April 20, 2019  | \$0.48         | <u>151,883</u>                        | <u>Nil</u>                            |
| Total outstanding |                 |                | <u>151,883</u>                        | <u>6,859,252</u>                      |

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

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### 5. Share capital (continued)

From May 12 to June 23, 2016, the Company issued 6,768,414 common share purchase warrants as part of the private placement unit. The common share purchase warrants were issued at an exercise price of \$0.24 and expiration of 2 years from the date of grant. The 6,768,414 share purchase warrants were valued at \$594,261 using the Black-Scholes pricing model with the following assumptions: share price - \$0.14; risk free rate - 0.52% to 0.62%; expected volatility - 146% to 147%; dividend yield - nil; and expected life - 2 years. On March 29, 2018, 524,688 common share purchase warrants were exercised. During May and June 2018, 5,827,655 warrants issued in May and June, 2016 were exercised at a price of \$0.24 per common share. 416,122 previously issued warrants expired unexercised. The exercise of the warrants by the warrant holders raised proceeds equivalent to \$1,392,805.

From May 12 to June 21, 2016, the Company issued 90,838 finders warrants to brokers as part of the private placement unit. The finders warrants were issued at an exercise price of \$0.185 and expiration of 2 years from the date of grant. The 90,838 finders warrants were valued at \$8,439 using the Black-Scholes pricing model with the following assumptions:

share price - \$0.38; risk free rate - 1.59%; expected volatility - 136%; dividend yield - nil; and expected life - 5 years.

During May and June 2018, 88,400 finders warrants were exercised at a price of \$0.185 per common share. 2,438 finders warrants expired unexercised. The exercise of the warrants by the warrant holders raised proceeds equivalent to \$16,039.

### 6. Other financial liabilities

#### Held at amortised cost

First National Bank Lease

|  |         |        |
|--|---------|--------|
|  | 102,304 | 59,629 |
|--|---------|--------|

This finance lease is subject to interest at a rate between 11% and 11.50 % per annum and is repayable in 54 equal monthly instalments.

#### Non-current liabilities

At amortised cost

|  |        |        |
|--|--------|--------|
|  | 83,010 | 59,629 |
|--|--------|--------|

#### Current liabilities

At amortised cost

|  |        |   |
|--|--------|---|
|  | 19,294 | - |
|--|--------|---|

|  |                |               |
|--|----------------|---------------|
|  | <b>102,304</b> | <b>59,629</b> |
|--|----------------|---------------|

### 7. Trade and other payables

Trade payables

|  |        |         |
|--|--------|---------|
|  | 58,002 | 375,535 |
|--|--------|---------|

Other payables

|  |        |   |
|--|--------|---|
|  | 59,353 | - |
|--|--------|---|

Accrued expense

|  |        |        |
|--|--------|--------|
|  | 85,493 | 41,604 |
|--|--------|--------|

|  |                |                |
|--|----------------|----------------|
|  | <b>202,848</b> | <b>417,139</b> |
|--|----------------|----------------|

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Notes to the Consolidated Financial Statements

Figures in Canadian Dollar 2018 2017

### 8. Taxation

#### a) Provision for income taxes

The following table reconciles the expected income tax provision at the statutory tax rate of 26.75% (2017 - 26.75%) to the amounts recognised in the statement of income(loss):

|   |             |             |
|---|-------------|-------------|
| Net loss before income taxes                              | (5,857,241) | (3,383,978) |
| Income tax (expense) recovery at statutory rate           | (1,552,169) | (896,750)   |
| Stock based compensation and non-deductible expenses      | 275,983     | 257,070     |
| Share issuance cost                                       | (5,711)     | (19,970)    |
| Difference in foreign tax rates                           | (204,286)   | (96,440)    |
| Tax losses for which no deferred tax asset was recognised | 1,486,183   | 756,090     |
|   | -           | -           |

#### b) Deferred tax balances

Deferred taxes for the Company have not been recognised in respect of the deductible temporary differences set out below:

|  |              |              |
|--|--------------|--------------|
| Non-capital losses carried forward - Canada  | 1,844,185    | 1,119,310    |
| Non-capital losses carried forward - Namibia | 13,418,721   | 9,687,278    |
| Financing fees deductible in future periods  | 94,140       | 106,163      |
| Other temporary differences                  | 39,665       | (61,710)     |
| Deferred tax assets not recognised           | (15,396,711) | (10,851,040) |
|  | -            | -            |

#### c) Losses

As at December 31 2018, the Company can carry forward Canadian non-capital losses to reduce taxable income in future years expiring as follows:

|      |              |
|------|--------------|
| 2035 | \$ 13,536    |
| 2036 | \$ 204,280   |
| 2037 | \$ 491,264   |
| 2038 | \$ 1,135,105 |

### 9. Cash used in operations

|   |                    |                    |
|---|--------------------|--------------------|
| Loss before taxation  | (5,857,241)        | (3,383,978)        |
| <b>Adjustments for:</b>   |                    |                    |
| Depreciation and amortisation   | 30,066             | 16,468             |
| Gains on disposals, scrapings and settlements of assets and liabilities | (13,830)           | -                  |
| Interest income   | (40,489)           | (2,400)            |
| Leave pay provision   | 9,696              | -                  |
| Stock options issued  | 769,412            | 487,293            |
| Common shares issued for acquisition                                    | -                  | 17,500             |
| Common shares issued for termination of stock options                   | -                  | 478,163            |
| Foreign exchange  | (54,828)           | (32,335)           |
| <b>Changes in working capital:</b>                                      |                    |                    |
| Prepaid expenses  | 137,549            | (148,707)          |
| Other receivables   | 397,279            | (207,282)          |
| Trade and other payables  | (214,291)          | 118,718            |
|   | <b>(4,836,677)</b> | <b>(2,656,560)</b> |

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Notes to the Consolidated Financial Statements

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### 10. Commitments

As at December 31, 2018, the Company had the following contractual arrangements and commitments in place for the provision of certain services:

a) On May 12, 2016, the Company entered into a consulting agreement with Sparenberg Capital Limited, a company owned and controlled by an officer and director of the Company, at a monthly fee of \$10,000. The consulting agreement has an initial term of 36 months from the date of agreement and is subject to various severance and termination payments if the consulting agreement is terminated by the Company within the initial term of 36 months.

b) On May 12, 2016, the company entered into a consulting agreement with Rivonia Capital Inc., a company owned and controlled by an officer and director of the Company, at a monthly fee of \$7,500. The consulting agreement has an initial term of 36 months from the date of agreement and is subject to various severance and termination payments if the consulting agreement is terminated by the Company within the initial term of 36 months.

c) On October 31, 2016, the Company entered into an Earn-In agreement with Namgold (Pty) Ltd ("Namgold"). Under the terms of the Earn-In agreement, Osino Gold had the following options, at its sole discretion:

(i) to acquire 51% of mineral claims ("First Option") in Namibia owned by Namgold ("Namgold Property") by incurring \$96,104 (1,000,000 Namibian Dollars) exploration expenditures on or before the 12 month anniversary from the date that all required regulatory approvals in respect of the Namgold Property were completed;

(ii) to acquire an additional 19% of mineral claims ("Second Option") in Namgold Property by incurring an additional \$96,104 (up to 1,000,000 Namibian Dollars) on or before the 24 month anniversary from the exercise date of the Second Option, whereby the Company had 12 months from the completion of the First Option to exercise the Second Option;

(iii) to acquire an additional 10% of mineral claims ("Final Option") in Namgold Property by issuing common shares in the Company valued at \$48,052 (500,000 Namibian Dollars), using the value of the Company's common shares of the most recently completed financing of the Company at that time. The Company has 24 months from the completion of the Second Option to exercise the Final Option.

On August 22, 2018, Osino Otavi Holdings (Pty) Ltd ("Otavi"), a wholly owned subsidiary of Osino Resource Corp. ("Osino") entered into an agreement with Gideon Hamukwaya, the representative of Namgold (Pty) Ltd to form a new company, referred to as Fairview Minerals Exploration (Pty) Ltd. Osino secured a 80% interest in the new company in accordance with the earn-in agreement above signed on October 31, 2016 having met the terms of the agreement and having spent \$575,000 to date on the relevant properties. In addition, in consideration for the purchase of the additional 10% ownership interest in Fairview Minerals Exploration (Pty) Ltd, Osino shall issue to Hamukwaya common shares in Osino to the value of \$200,000 at the closing price determined on the date that the exclusive prospecting licences are transferred to Otavi by the MME. These shares will be subject to voluntary escrow such that Hamukwaya agrees to enter into a formal escrow agreement with Osino that provides for the release of the shares from escrow after 3 years from date of issue.

d) On April 20, 2017, the Company entered into a licence purchase agreement among the Company, Osino Namibia, and Aloe Investments Number 88 (Pty) Ltd. ("Aloe 88") whereby Aloe 88 would sell, assign, and transfer 100% of its rights and interest in and to certain mineral rights in Namibia to Osino Namibia. As consideration, the Company issued 46,025 common shares of the Company plus a number of shares of Osino Namibia equal to 10% of the issued and outstanding share capital of Osino Namibia. As a result of this transaction, the Company's ownership of Osino Namibia was reduced from 100% to 90%.

## Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

### Notes to the Consolidated Financial Statements

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#### 10. Commitments (continued)

e) On May 16, 2014, the Company, through Osino Holdings, signed two agreements, one with Scarab Environmental and Geological Enterprises CC and the second with Riana Getruida Scholtz, whereby Osino Holdings would acquire 100% of the ownership interests in EPL's 5117, 5196 and 5649 for a combined consideration of \$250,000 common shares of the Company. The agreement became effective in October 2015 when the license transfer application was submitted. Osino Namibia, a 100% held subsidiary at the time would secure the transfer and hold the licences.

On June 22, 2017, the Company, through Osino Namibia, was transferred EPLs 5117, 5196 and 5649 from Riana Getruida Scholtz. The renewal of EPL 5649 is still pending.

f) On June 26, 2017, the Company entered into an agreement with Cedric Shilongo ("Shilongo") with respect to the earn-in of an initial 60% interest in EPL 5658, which was subject to a renewal application. The acquisition of the initial 60% interest was to be structured in a new company ("5658 Newco") as a corporate joint venture. Pursuant to the agreement, the Company would earn its initial 60% interest after having incurred \$94,380 (1,000,000 Namibian Dollars) exploration expenditures within 18 months of receipt of all approvals (including environmental permits). The Company could then acquire an additional 20% interest by incurring \$47,190 (500,000 Namibian Dollars) additional exploration expenditures on or before the 18 month anniversary of the agreement.

The Company has met the conditions of the agreement above and will register a Newco in accordance with the terms of the agreement. Osino Prospect Holdings (Pty) Ltd ("Prospect"), a wholly owned subsidiary of the Company has entered into an agreement with Cedric Shilongo, the holder of the exclusive prospecting licence to form a Newco, to be registered to as Terrace Minerals Exploration (Pty) Ltd. Osino has secured an 80% interest in the Newco in accordance with the earn-in agreement signed on June 26, 2016 having met the terms of the agreement and having spent \$457,000 to date on the relevant properties. Refer to Note 14(a).

g) On July 4, 2017, the Company entered into an agreement with Vavali Investment CC ("Vavali"), with respect to the acquisition of a 70% ownership interest in EPL 5465, which was subject to a renewal application submitted with the Ministry of Mines and Energy. On the granting of the renewal license, Vavali would transfer the license to a new company to be incorporated ("5465 Newco"). 5465 Newco would be held 70% by the Company and 30% by Vavali. The parties would then enter into a joint venture agreement upon the transfer of the license to 5465 Newco.

On 31 July 2018, an addendum to the agreement between Osino and Vavali Investments CC ("Vavali") was signed relating to EPL5465 in Namibia. The parties modified the original agreement whereupon Osino transferred to Vavali the amount of \$14,415 (150,000 Namibian Dollars) upon signing the EPL Transfer documents for submission to the Ministry of Mines and Energy. Osino, shall in addition pay an amount of \$33,033 (350,000 Namibian Dollars) within 7 days of receipt of all regulatory approvals of the transfer of EPL5465 to Newco. On August 2, 2018, Osino Otavi Holdings (Pty) Ltd ("Otavi"), a wholly owned subsidiary of Osino Resource Corp. ("Osino") entered into an agreement with Vavali whereby a new company, referred to as Vavali Mining Exploration (Pty) Ltd was formed. Osino secured a 70% interest in the new company in accordance with the earn-in agreement above signed on July 4, 2017 having met the terms of the agreement and having spent \$326,000 to date on the relevant properties. As at December 31, 2018, the application for the renewal and transfer of the exclusive prospecting licence has been submitted.

## Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

### Notes to the Consolidated Financial Statements

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#### 10. Commitments (continued)

h) On September 14, 2017, the Company entered into an earn-in agreement with a third-party license holder of various mineral licenses in Namibia. Under the terms of the earn-in agreement, the licenses will be transferred to a new company and Osino Gold will hold 60% interest in the new company. As consideration, (i) Osino Gold made a cash payment of \$19,221 (200,000 Namibian Dollars); (ii) must incur minimum exploration expenditures of \$37,752 (400,000 Namibian Dollars) within 24 months of the date of the agreement; (iii) provide \$9,438 (100,000 Namibian Dollars) initial working capital after the completion of the minimum expenditures. The Company has the right, in its sole discretion, to terminate the earn-in agreement at anytime.

i) On October 10, 2017, the Company entered into an earn-in agreement with a third-party license holder of various mineral licenses in Namibia. Under the terms of the earn-in agreement, the license will be transferred to a new company and Osino Gold will hold 70% interest in the new company. As consideration, (i) Osino Gold made a cash payment of \$19,221 (200,000 Namibian Dollars); (ii) must incur minimum exploration expenditures of \$37,752 (400,000 Namibian Dollars) within 24 months of the date of the agreement; (iii) provide \$9,438 (100,000 Namibian Dollars) initial working capital after the completion of the minimum expenditures. The Company has the right, in its sole discretion, to terminate the earn-in agreement at anytime.

j) On November 2, 2017, the Company entered into an earn-in agreement with a third-party license holder of various mineral licenses in Namibia. Under the terms of the earn-in agreement, the license will be transferred to a new company and Osino Gold will hold 60% interest in the new company. As consideration, (i) Osino Gold made a cash payment of \$4,805 (50,000 Namibian Dollars); (ii) must incur minimum exploration expenditures of \$47,190 (500,000 Namibian Dollars) within 12 months of the date of the agreement; (iii) provide \$9,438 (100,000 Namibian Dollars) initial working capital after the completion of the minimum expenditures. The Company has the right, in its sole discretion, to terminate the earn-in agreement at anytime.

k) The Company is committed to various lease agreements that require payments for a total of \$40,517 over the next year and nil from 2 to 5 years.

l) On January 29, 2018, the Company entered into an earn-in agreement with Hendrik Dawids, a third-party license holder of various mineral licenses in Namibia. Under the terms of the earn-in agreement, the license will be transferred to a new company and Osino Gold will hold 60% interest in the new company. As consideration, (i) Osino Gold made a cash payment of \$4,805 (50,000 Namibian Dollars); (ii) must incur initial exploration expenditures of \$23,595 (250,000 Namibian Dollars) prior to January 18, 2019; (iii) after completion of the initial expenditure, must incur minimum exploration expenditures of \$23,595 (250,000 Namibian Dollars) over the next 12 months; (iv) provide \$9,438 (100,000 Namibian Dollars) initial working capital after the completion of the minimum expenditures. Osino Gold has the option to acquire additional interest in the new company by incurring further exploration expenditures. The Company has the right, in its sole discretion, to terminate the earn-in agreement at anytime.

## Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

### Notes to the Consolidated Financial Statements

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#### 10. Commitments (continued)

m) On March 8, 2018, the Company entered into letter agreement with Richroad Investments CC, a third-party license holder of various mineral licenses in Namibia. Under the terms of the letter agreement, the license will be transferred to a new company and Osino Gold will hold 70% interest in the new company. As consideration, (i) Osino Gold made a cash payment of \$28,831 (300,000 Namibian Dollars); (ii) On receipt of the regulatory approval for the transfer of the license to the new company, Osino Gold is required to make additional cash payment of \$56,628 (600,000 Namibian Dollars) or issue an equivalent amount in common shares of the Company and Osino Gold's interest in the new company will be increased to 80%; (iii) On completion of exploration programs and other conditions in the letter agreement, Osino Gold is required to make an additional cash payment of \$283,140 (3,000,000 Namibian Dollars) or issue an equivalent amount in common shares of the Company and Osino Gold's interest in the new company will be increased to 90%. Effective June 6, 2018 Richwing Exploration (Pty) Ltd, in which Osino Gold holds an effective 70% share, was registered in accordance with the letter agreement transaction above and the total spend to date is \$15,000. Effective February 15, 2019, the Company's interest in Richwing Exploration (Pty) Ltd has been increased to 80%. Refer to Note 14(e).

n) On November 14, 2018, the Company entered into a letter agreement with J I Hamukoto, a third-party licence holder relating to EPL6167 in Namibia. Under the terms of the letter agreement, as consideration, (i) the Company has agreed to make a cash payment to the Vendor of \$9,434 (100,000 Namibian Dollars) within 7 days of receiving regulatory approval for transfer of the License to Osino Gold; (ii) On receipt of the regulatory approval for the transfer of the licence, another cash payment of \$7,547 (80,000 Namibian Dollars) will be settled within 7 days of the transfer date. The Company and Osino Gold has committed to spending a minimum of \$23,585 (250,000 Namibian Dollars) directly on exploration within the first 12 months under operation by Osino Gold. The Company has also agreed to issue on behalf of the Vendor 108,853 in common shares (the "Payment Shares") equivalent to \$28,302 (300,000 Namibian Dollars). Refer to Note 14(c).

Regulatory approval of the transfer of the licence was received on December 14, 2018. The payments above were effected in terms of the letter agreement dated December 14, 2018.

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

## Notes to the Consolidated Financial Statements

Figures in Canadian Dollar

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### 11. Segmented information

The Company operates in two reportable geographical segments. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker.

| December 31, 2018 | Canada    | Namibia   | Total     |
|-------------------|-----------|-----------|-----------|
| Assets            | 3,576,581 | 1,252,046 | 4,828,627 |
| Net loss          | 2,169,994 | 3,687,247 | 5,857,241 |

| December 31, 2017 | Canada    | Namibia   | Total     |
|-------------------|-----------|-----------|-----------|
| Assets            | 3,983,603 | 901,233   | 4,884,836 |
| Net loss          | 1,645,157 | 1,738,821 | 3,383,978 |

### 12. Non controlling interest

The major transactions and the resulting impact are summarised and described as follows:

|  |         |       |
|--|---------|-------|
| Balance at beginning of the year                                 | 7,142   | -     |
| Change in non-controlling interest                               | -       | -     |
| Share of income (loss) attributable to non-controlling interests | 152,141 | 7,142 |
| Stock based compensation   | -       | -     |
|  | -       | -     |
| Balance at end of the year                                       | 159,283 | 7,142 |

On April 20, 2017, the Company, through its wholly-owned subsidiary Osino Namibia Holdings (Pty) Ltd, entered into a licence purchase agreement with Ominda Minerals CC whereby certain mineral rights would be transferred to Osino in exchange for 10% of the issued and outstanding share capital of another wholly-owned subsidiary of the Company, Osino Namibia Minerals Exploration (Pty) Ltd. As a result of the transaction, Osino's effective interest in Osino Namibia Minerals Exploration (Pty) Ltd declined from 100% to 90%. (Refer to Note 10(d)).

On November 27, 2017, Osino Namibia Holdings (Pty) Ltd, a wholly owned subsidiary of the Company entered into an Sale Agreement with "The Bafex Trust", an indigenous Namibian trust to carry out a qualifying transaction. As a result of the transaction, Osino's effective interest in Osino Gold Exploration (Pty) Ltd declined from 100% to 95%.

In addition, during the course of the year, the Company through its subsidiaries, having met the terms of several earn-in agreements signed with Exploration Property Licence holders, acquired controlling stakes in newco's formed in accordance with these signed earn-in agreements. A summary of the effective holdings held by Osino as a result of these transactions are provided below:

- The Company through its 95% held subsidiary Osino Gold Exploration (Pty) Ltd, holds an effective 66,5% interest in Richwing Exploration (Pty) Ltd (Refer to Note 10(m))
- The Company through its 100% held subsidiary Osino Otavi Holdings (Pty) Ltd, holds an effective 80% interest in Fairview Minerals Exploration (Pty) Ltd (Refer to Note 10(c))
- The Company through its 100% held subsidiary Osino Otavi Holdings (Pty) Ltd, holds an effective 70% interest in Vavali Mining Exploration (Pty) Ltd (Refer to Note 10(g))

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

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### 13. Capital Management

As at December 31, 2018, the capital structure of the Company consists of equity attributable to common shareholders and includes share capital of \$14,832,727 (December 31, 2017 - \$8,971,316), share-based payment reserve of \$1,534,305 (December 31, 2017 - \$764,893), warrant reserve of \$ 34,650 (December 31, 2017 - \$596,923), cumulative translation reserve of \$162,374 (December 31, 2017 - \$258,276) and deficit of \$(11,881,298) (December 31, 2017 - \$(6,176,198)).

The Company's objective when managing capital structure is to ensure sufficient financial resources exist to meet the Company's strategic exploration and business development.

### 14. Events after the reporting period

After the period end, the following occurred:

a) Company registration: The Company has met the conditions of the commitment with respect to EPL5658 ("Shilongo") and is in the process of registering a Newco called Terrace Minerals Exploration (Pty) Ltd that will own the respective licence (refer to note 10(f)).

b) The Company has entered into new consulting agreements with Sparenberg Capital Limited and Rivonia Capital Limited, companies owned and controlled by directors of the Company, at monthly fees of \$20,000 (December 31, 2017: \$100,000) and \$10,000 respectively post year end. The consulting agreements have initial terms of 36 months from the date of agreement and are subject to various severance and termination payments if the consulting agreement are terminated by the Company within the initial term of 36 months. The agreements are subject to renegotiation and acceptance by the Remuneration Committee on an ad-hoc basis.

c) Issue of shares: In line with certain commitments entered into between the Company and the EPL owners, the Company has issued shares with an equivalent value of \$228,302 amounting to 775,520 shares.

(d) On January 31, 2018, the Company entered into a letter agreement with Primary Resources Namibia CC, a third-party licence holder relating to EPL5880 in Namibia. Under the terms of the letter agreement, as consideration, (i) the Company has agreed to make a cash payment to the Vendor of N\$200,000 (\$18,876) within 10 days of receiving regulatory approval for transfer of the License to Osino Minerals; (ii) On receipt of the regulatory approval for the transfer of the licence, another cash payment of N\$1,000,000 (\$94,380) will be settled on the transfer date. The Company has also agreed to issue on behalf of the Vendor share options in the amount of 100,000 common shares (the "Consideration Share Options") in the Company equivalent to N\$333,760 (\$31,500).

(e) Osino's interest in Richwing Exploration (Pty) Ltd has been increased to 80% effective February 15, 2019, having met the terms of the letter agreement signed March 8, 2018 as per Note 10(m).

### 15. Mineral rights

The Company has various early stage gold exploration projects ("Osino Gold Project") in the Republic of Namibia ("Namibia") The Osino Gold Project is located in central Namibia in the area known as the Central Plateau. The project area extends from approximately 150 km northwest to 300km north-northeast of the capital city of Namibia, Windhoek. The Company currently holds the controlling share in the rights to 22 exclusive prospecting licenses in the area and applied for an additional exclusive prospecting license.

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

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### 16. Related parties

The Company considers its Board of Directors and certain consultants which, by virtue of the contracts in place and the functions performed, to be key management. The Company has no compensation arrangements with its Board of Directors. Compensation accrued to the key management and its related entities is listed below:

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Management fees expensed       | \$ 239,625        | \$ 245,163        |
| Share based payments, non-cash | 336,256           | 691,644           |
| Total                          | <u>\$ 575,881</u> | <u>\$ 936,807</u> |

For the year ended December 31, 2018, the Company incurred management fees of \$120,000 (December 31, 2017 – \$122,500) to Sparenberg Capital Limited \$90,000 (December 31, 2017 – \$94,350) to Rivonia Capital Inc., \$10,500 (December 31, 2017 - Nil) to M & S Group and \$19,125 (December 31, 2017 – \$28,313) to 2238012 Ontario Inc., all companies controlled by officers and/or directors of the Company. As at December 31, 2018, nil (December 31, 2017 – \$40,173) was included in accounts payable and accrued liabilities.

### 17. Loss per Share

The calculation of basic and diluted loss per common share attributable to the owners of the company is based on the following data:

|  |                   |                   |
|--|-------------------|-------------------|
| Net loss attributable to owners of the company                           | \$(5,857,241)     | \$(3,383,978)     |
| Weighted average number of common shares outstanding (basic and diluted) | <u>49,831,242</u> | <u>29,887,458</u> |
| Loss per share - basic and diluted                                       | <u>\$0.12</u>     | <u>\$0.11</u>     |

### Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2018 was based on the loss attributable to common shareholders of \$5,857,241 (December 31, 2017 – \$3,383,978) and the weighted average number of common shares outstanding of 49,831,242 (December 31, 2017 – 29,887,458). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

### 18. Financial Instruments

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

|           |   |
|-----------|---|
| Level 1 - | quoted prices (unadjusted) in active markets for identical assets or liabilities;   |
| Level 2 - | inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. process) or indirectly (i.e. derived from process); and |
| Level 3 - | inputs for the asset or liability that are not based on observable market data (unobservable inputs)  |

# Osino Resources Corp. (An exploration stage company)

Consolidated Financial Statements for the year ended December 31, 2018

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### 18. Financial Instruments (continued)

The Company's financial assets and liabilities at fair value through profit or loss, consisting of cash and cash equivalents, are classified as level 1.

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

#### Fair value

As at December 31, 2018, the Company's financial instruments consist of other receivables, subscription receivables, accounts payable and accrued liabilities. These financial instruments are classified as loans and receivables or other financial liabilities and are carried at amortized cost. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.

#### Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company takes steps to ensure that it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs and operations.

The Company intends to issue equity to ensure the Company has sufficient access to cash to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its financial obligations and the Company's capital programs.

#### Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company has credit risk with its other receivable, but it is considered to be minimal. There is no allowance for doubtful accounts recorded as at December 31, 2018.

#### Market risk

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

##### (i) Interest rate risk

The Company is not exposed to the risk that the value of financial instruments will change due to movement in market interest rates.

##### (ii) Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has a portion of accounts payable and accrued liabilities in US Dollar, British Pound, and Namibian Dollar.

## Osino Resources Corp. (An exploration stage company)

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### Notes to the Consolidated Financial Statements

Figures in Canadian Dollar

2018

2017

#### 18. Financial Instruments (continued)

The following assets were denominated in foreign currencies presented in Canadian dollars as of December 31:

|                               | NAD        | NAD       |
|-------------------------------|------------|-----------|
| Cash and cash equivalents     | 7,777,515  | 4,522,610 |
| Accounts receivable           | 3,358,113  | 3,003,866 |
| Property, plant and equipment | 2,130,379  | 1,343,050 |
| Total                         | 13,266,007 | 8,869,526 |

A fluctuation of +/-10% provided as an indicative range in currency movement, on financial instruments that are denominated in foreign currencies other than Canadian dollars, with, all other things being equal, have an effect on the after-tax net income and other comprehensive of approximately +/- \$105,178 (2016: \$76,443).

A fluctuation of +/-10% provided as an indicative range in property, plant and equipment movement, with, all other things being equal, have an effect on the after-tax net income and other comprehensive of approximately +/- \$20,107 (2016: \$13,641).

#### (iii) Commodity price risk

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