Merger Mines Corporation

Financial Statements (Unaudited)

For the Years Ending

December 31, 2018 and December 31, 2017

Notice

The accompanying unaudited financial statements of Merger Mines Corporation, for the years ending December 31, 2018 and December 31, 2017 have been prepared by management and approved by the Board of Directors of the Company.

These financial statements have not been reviewed or audited by external accountants.

/s/Lex Smith

Lex Smith

President

Merger Mines Corporation

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Merger Mines Corporation
Comparative Balance Sheet
As of December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash and Cash Equivalents	67,977	8,198
Accounts Receivable	0	0
Total Current Assets	67,977	8,198
Other Assets		
Mining Claims		
Investments	67,987	67,987
Notes Receivable	0	170,000
Total Other Assets	67,987	237,987
Total Assets	135,964	246,185
Liabilities and Equity		
Current Liabilities		
Accounts Payable	10,540	435
Advances Payable	581,155	454,131
Security Deposits	0	0
Total Current Liabilities	591,695	454,566
Long Term Liabilities		
Stock Split Payable	0	15,253
Total Liabilities	591,695	469,819
Equity		
Common Stock	41,212	35,948
9,500,000 shares authorized and 412,120 shares issued at Dec 31, 2018 and 359,480 shares issued Dec 31, 2017		
Additional Paid in Capital	1,525,291	1,398,943
Retained Earnings	(1,644,189)	(1,280,480)
Other Comprehensive Income	(378,045)	(378,045)
Treasury Stock	0	0
Total Equity	(455,731)	(223,634)
Total Liabilities and Equity	135,964	246,185

Merger Mines Corporation
Comparative Income Statement
For the Years Ended December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
Gross Income		
Rents	0	200
Interest/Dividends	0	2
Total Income	0	202
Operating Expenses		
Professional Fees	20,631	25,327
Taxes	75	75
Property Related Expenses	8,804	37,802
Fees - Listing, Claim, Etc	6,095	12,664
Acquisition/Research & Development	125,000	177,422
Administrative Expenses	77,558	79,763
Total Operating Expenses	238,163	333,053
Net Profit (Loss) from operations	(238,163)	(332,851)
Non Operating		
Misc Income	15,253	
Bad Debt Expense	(170,000)	
Realized Gain (Loss)	29,200	(1,727)
Net Non Operating Profit (Loss)	(125,547)	(1,727)
Total Net Profit (Loss)	(363,710)	(334,578)

Merger Mines Corporation
Statement of Cash Flows
For the Years Ended December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
Cash - Start of Year	8,198	14,150
Operating Activities		
Gross Receipts	0	200
Operating Expenses	(96,445)	(200,720)
Net Cash from Operations	(96,445)	(200,520)
Investing Activities		
Interest/Dividend Income		2
Net Cash Received/Advanced on Notes	127,024	194,566
Net Cash Securities Buy/Sell		0
Net Cash on Sale of Assets	29,200	0
Net Cash from Investing	156,224	194,568
Capital Activities		
Capital Stock Issued	0	0
Net Cash from Capital Activities	0	0
Cash - End of Year	67,977	8,198

Merger Mines Corporation

Notes to unaudited Financial Statements

December 31, 2018

NOTE 1: DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business:

Merger Mines Corporation ("the Company" or "Merger") was chartered in 1929 in the State of Arizona, and then incorporated under the laws of the State of Arizona on February 17, 1938.

Prior to August of 2015, the company was primarily engaged in the acquisition, exploration and development of mineral properties. Then, in August of 2015, the company signed a letter of intent to acquire the intellectual property of Bright Flash Development, Inc., with the acquisition finalized in November of 2015. Since that acquisition Merger has aggressively moved forward with engineering high tech equipment that will allow mining companies to harness high power fiber lasers for mining narrow veins deposits of precious metals.

Description of Merger's Laser Miner Project

Modern technology and innovative thinking have combined to provide a creative new way to mine underground. By utilizing the power of lasers for spalling (breaking) rock underground, lasers will eventually eliminate conventional methods of drilling and blasting. Preliminary test work indicates substantial savings can be realized in time, material costs, and operating costs.

This new mining method involves the use of high optical power output lasers to cut or spall ore bearing material from the host rock. Because the spalled material is in the form of "pea" sized chips, these chips can easily be moved from the working face to the surface. A milling advantage is that these small chips do not require crushing and can be discharged directly to the ball mill or leach pad.

Merger Mines Corporation is developing a single head laser based mining device (Phase I) for use as a characterization unit for underground mines. Once the operating parameters of the single head mining unit are established, other laser mining units (Merger Miner) can be developed for steeply declining narrow veins. The single head Merger Miner (Phase II) will be used for such narrow high grade veins. The mining width for this unit will be just over two feet. Another example is a four unit laser based mining array (Phase III) that would work in an eight foot wide raise or crosscut. With the experience gained from the mining program, laser based mining heads will be mounted on mobile equipment and used for driving drifts and development headings. Plans are also in place for driving raises, either bald or timbered. Not presently under consideration, but certainly not ruled out, is the sinking of mine shafts.

In underground mines, lasers based units will reduce operating costs substantially. Jacklegs, drill steel, bits, powder, blasting caps and a multitude of small tools can be eliminated from normal stoping costs. Labor costs for mining and material costs will be greatly reduced. Underground supervision will be simplified and overall mine safety should improve. Plans are in place for a laser based mining unit using a one or two person crew to operate multiple working faces from a central control module.

Lasers based units could also be a valuable tool in open pit mining. A laser based mining head could be readily mounted on a standard track drill and be used for blast hole drilling. The head has the capability to chamber, or enlarge the bottom of the drill hole for shaped charges for special blasting requirements.

Many mines today are facing adverse environmental conditions underground. These conditions vary from mine to mine, but depth, temperature, water, and pressure are the key problems encountered by many. The miner is affected by all of these, but the laser can operate effectively and efficiently in all of these environments.

The mining industry today is in desperate need of new technology. Annually, mines are closing because of declining head grades, increasing labor and material costs, lower grades due to dilution, and adverse environmental conditions encountered underground. Laser based units will not solve all of these problems, but they will help to turn marginal mines into profitable mines.

There are numerous reasons our idea could be of benefit to the mining industry. At the present time there is no one else investigating the laser based concept that we are developing. Recently, mining magazines have been showcasing all types of ideas and equipment for narrow vein mining. Unfortunately all of these ideas are not new; all involve drilling and blasting utilizing the same conventional mining equipment.

The Green Movement to protect our environment has made it difficult and expensive to develop and start up new mines. Laser mining will not eliminate mining pollution, but it can decrease the amount of pollution.

Mining equipment manufacturing companies that can develop a new mining technology, that also provides safer mining conditions, will have a decided marketing advantage over their competitors. One aspect of mining safety that needs to be investigated is that of rock bursts. If extensive drilling and blasting can be minimized, can the frequency of rock bursts be reduced? Several well-known mining companies have approached us with this question and are following our progress because of the safety concerns they have.

Intellectual Property Rights

The Merger Miner is the invention of Gary Mladjan, Vice President, Engineering and Technology at Merger Mines Corporation. A U.S. Patent, "Method of Mining using a Laser", file No. 14952979, was submitted on November 26, 2015 with a subsequent International Patent submitted in mid-November, 2016. These patents were assigned to Merger Mines Corporation upon filing.

Merger Mines Corporation expects to file additional patent disclosures on the operational details of the hardware and software as they are fleshed out. To protect those concepts, anyone who is made privy to any of the detail parts or operational aspects within the Scan Head is required to sign, at least, a Mutual Non-Disclosure Agreement or a more detailed Contractual Agreement for total disclosure of those aspects.

Stage of Development

The idea of using a laser to spall rock was first explored by the Laser Applications Laboratory at Argonne National Laboratories in the 2003/2004 time period. Their studies were basically conducted for the Oil and Gas Industries and much effort has been expended in that area and is being used successfully in drilling and perforation in the "fracking" process. In 2011, with local leadership encouragement, new industries were deemed necessary for economic growth in the region. Mr. Mladjan thought that possibly some way could be found to revitalize mining in the Silver Valley and provide engineering/ manufacturing work in the local area. Drawing on a life-time of experience of conceiving, designing, and manufacturing opto-mechanical devices in the Defense Industry and with the advice from friends in the mining industry, why not use a laser for fracturing rock? The concept was fleshed out and more detail began to be added. Bright Flash Development, Inc. was formed and a fund raising effort was begun. That raise was moving very slowly, partly by SEC advertising restrictions and partly due to this being a radically different idea being introduced to the mining industry. In July of 2015, Merger Mines Corporation recognized the potential of using lasers for mining and offered to purchase the intellectual property of Bright Flash Development and its prime opto-mechanical engineer. The sale/purchase was culminated in November, 2105.

A Lab Test Unit and the Characterization Unit or "Phase I Unit" has been modeled completely using the SolidWorks CAE program. While there are some design modifications occurring in the Scan Head, these are the results of a coordinated effort between our internal opto-mechanical group and the servo system contractor's design group. (Frencken America). These design issues/modifications are now concluded and the model has now been updated and detail engineering documentation is now under way. Work is also being carried out on the production or Phase II Unit SolidWorks CAE model is close to what we believe to be the final version concept. Many of the constituent components have been selected and have been incorporated into the model. (Seen on our website, www.mergerminescorp.com)

Other planned major components of the System are commercial parts such as the IPG Photonics Fiber Laser, a Vactagon air driven vacuum system, to collect samples, along with an optional Atlas Copco Tankless Compressor, and a Generarc Electrical Generator if those services are not available on site.

The Engineering Documentation System, Product Data Management and the first of the engineering detail drawings are starting to be completed. As this is being accomplished, each subassembly is going through a “Design For Manufacturing and Assembly” (DFMA) review by and with our major custom component suppliers.

A manual “The Merger Miner and Safety” is in first draft and has been submitted to the Mine Safety and Health Administration (MSHA) for review and comments. The manual covers mandated basic safety regulations on the laser itself, (Code of Federal Regulations, Title 21, Chapter I, Subchapter J, Part 1040 and OSHA Technical Manual, Section III, Chapter 6) (the laser is a commercial ytterbium fiber laser manufactured and sold by IPG Photonics) and additional safety features both for the Scan Head laser output and the other related equipment in the system.

Limiting Factors

As always with a development project such as this, where there is risk involved, financing is difficult. Initial work done on rock spallation was done in the laboratory in a rock type different from what if found in precious metals mining. The Lab Test Unit will be used to demonstrate spalling in typical geologic material found in precious metal mining operations. Mining people are steeped in traditional mining methods and current solutions appear to be just smaller sized equipment for mining narrow veins. Most “technical” people know little about mining techniques, only the tables showing the price of precious metals for the day and the rise and fall of the larger mining and mining equipment stock.

Our in-house cadre of mining experts, technical experts and outside contract experts in the various fields points to a successful Phase I conclusion with an estimated 12 months or less after receiving funding guarantees. Phase II, the production model, can be available in perhaps as little as 12 to 18 months after conclusion of Phase I, again dependent on available funding.

The Company’s year-end is December 31.

Basis of Presentation:

The foregoing unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, these financial statements do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements.

The preparation of Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities at the date of the Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the Financial Statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Fair Value Measurements

Topic 820 in the Accounting Standards Codification (ASC 820) defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, ASC 820 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy is as follows:

- Level 1 inputs — Unadjusted quoted process in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

- Level 2 inputs — Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

- Level 3 inputs — Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Investments in available-for-sale securities are reported at fair value utilizing Level 1 inputs. For these investments, the Company obtains fair value from active markets.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of Merger's financial position and results of operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of commercial accounts and interest bearing bank deposits with remaining maturities of 90 days or less. As of December 31, 2018 the Company's cash and cash equivalents consist of $ 67,977 in cash.

NOTE 3: INVESTMENTS

The Company has invested in various privately and publicly held companies. At this time, the Company holds securities classified as available for sale. Amounts are reported at fair value as determined by quoted market prices, with unrealized gains and losses excluded from earnings and reported separately as a component of stockholders' equity. The cost of securities sold is based on the specific identification method.

Unrealized gains and losses are recorded on the statements of operations as other comprehensive income (loss) and on the balance sheet as other accumulated comprehensive income.

The following summarizes the investments at December 31, 2018:

Description of Security	Stock Symbol	Quantity	Cost	Market Value
Shoshone Silver/Gold Mining	SHSH	6,398,638	441,032	63,987
Other			4,000	4,000
Total			445,032	67,987

NOTE 4: MINING AND MINERAL PROPERTIES

The company currently has interest in approximately 600 acres of unpatented mining properties.

Unpatented Mining Claims:

Shoshone County – the company controls approximately 40 acres constituting 2 claims, the annual Bureau of Land Management fees are $ 310 which the company expenses each year.

Kootenai County – the company controls approximately 60 acres constituting 3 claims, the annual Bureau of Land Management fees are $ 465 which the company expenses each year.

NOTE 5: COMMON STOCK

The Company is authorized to issue 9,500,000 shares of $0.10 par value common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company. See Note 7 concerning reverse stock split.

During the quarter ended December 31, 2015, the company issued 14,000 shares of Common Stock at $2.50 per share as part of a private placement. Par value of these shares is $0.10.

During the quarter ended March 31, 2017, the Company issued 250,000 shares of Common Stock at $0.01 per share for past services by 3 of its Directors; issued 10,000 shares of Common Stock at $0.01 per shares for 2016 Director Fees to the 5 current Directors; and issued 50,000 shares of Common Stock at $2.50 per share for services to be rendered.

During the quarter ended June 30, 2017, the company issued 1,893 shares of Common Stock at $2.50 per share for services to be rendered.

During the quarter ended March 31, 2018, the company issued 645 shares of Common Stock at $2.50 per share for services rendered; 50,000 shares of Common Stock at $2.50 per share for services to be rendered; and 2,000 shares of Common Stock at $2.50 per share under its private placement.

The company has issued 412,120 shares.

NOTE 6: PREFERRED STOCK

The Company is also authorized to issue 500,000 shares of $1.00 par value Preferred Stock. Currently no issues of Preferred Stock have occurred.

NOTE 7: REVERSE STOCK SPLIT

During the quarter ending December 31, 2014, The Company performed a reverse stock split of 1,000 existing common shares receiving 1 new common share (1,000:1). Fractional shares were paid cash. Based upon the reverse stock split, common stock and additional paid in capital were adjusted.

During the quarter ending December 31, 2018 it was determined that amounts set aside for fractional share amounts would not be expended, thus, the amount was canceled and recognized as other income. If any claims come in related to the stock split the amounts will be recognized as current year expenses.

NOTE 8: BAD DEBT EXPENSE

During the quarter ending, management has determined that the $170,000 note receivable is worthless. All reasonable attempts to collect have been exhausted, thus the amount has been written off as a bad debt.

NOTE 9: COMMITMENTS AND CONTIGENCIES

From time to time, the Company may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Company. As of December 31, 2018 no material commitments or contingencies were outstanding.