**Trifecta Gold Ltd.**

**Condensed Interim Financial Statements**

**For the nine months ended**

**September 30, 2018**

**Unaudited – Prepared by Management**

**(Expressed in Canadian Dollars)**

Trifecta Gold Ltd.
#1016 – 510 West Hastings Street
Vancouver, British Columbia
V6B 1L8

November 23, 2018

To the Shareholders of
Trifecta Gold Ltd.

The attached condensed interim financial statements have been prepared by the management of Trifecta Gold Ltd. and have not been reviewed by the auditor of the Company.

Yours truly,

Dylan Arnold-Wallinger
Chief Executive Officer

## Trifecta Gold Ltd.

### Condensed Interim Statements of Financial Position

### Unaudited – Prepared by Management

| | Note | **September 30, 2018 $** | December 31, 2017 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | 110,205 | 480,008 |
| Receivables and prepayments | 3 | 18,874 | 62,581 |
| Marketable securities | 4 | 45,000 | - |
| | | **174,079** | 542,589 |
| **Non-current assets** | | | |
| Mineral property interests | 5 | 2,086,170 | 1,912,034 |
| **Total assets** | | **2,260,249** | 2,454,623 |
| | | | |
| **Liabilities and shareholders' equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 13,399 | 18,256 |
| Accounts payable to related parties | 8 | 25,104 | 40,578 |
| **Total liabilities** | | **38,503** | 58,834 |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 6 | 3,689,426 | 3,679,426 |
| Contributed surplus | 6 | 246,557 | 130,398 |
| Deficit | | (1,714,237) | (1,414,035) |
| **Total shareholders' equity** | | **2,221,746** | 2,395,789 |
| **Total liabilities and shareholders' equity** | | **2,260,249** | 2,454,623 |
| | | | |
| **Nature of operations and going concern** | 1 | | |
| **Event after the reporting period** | 12 | | |

**Approved on behalf of the Board of Directors on November 23, 2018:**

*"Bruce J. Kenway"* **Director** *"Graham Downs"* **Director**

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

## Trifecta Gold Ltd.

### Condensed Interim Statements of Changes in Shareholders' Equity

### Unaudited – Prepared by Management

**For the nine months ended September 30, 2018 and September 30, 2017**

| | Number of shares # | Share capital $ | Contributed surplus $ | Deficit $ | Total Shareholders' equity $ |
|---|---|---|---|---|---|
| January 1, 2017 | 15,500,001 | 1,550,001 | - | (42,973) | 1,507,028 |
| Common shares issued for mineral properties | 1,150,000 | 310,500 | - | - | 310,500 |
| Common shares issued for cash | 10,765,000 | 1,575,750 | - | - | 1,575,750 |
| Premium on flow-through shares issued | - | (37,955) | - | - | (37,955) |
| Share issue costs | - | (18,145) | - | - | (18,145) |
| Loss and comprehensive loss for the period | - | - | - | (211,518) | (211,518) |
| September 30, 2017 | 27,415,001 | 3,380,151 | - | (254,491) | 3,125,660 |
| January 1, 2018 | 30,565,001 | 3,679,426 | 130,398 | (1,414,035) | 2,395,789 |
| Common shares issued for mineral properties | 100,000 | 10,000 | - | - | 10,000 |
| Share-based payments | - | - | 118,870 | - | 118,870 |
| Re-allocated on cancellation of options | - | - | (2,711) | 2,711 | - |
| Loss and comprehensive loss for the period | - | - | - | (302,913) | (302,913) |
| **September 30, 2018** | **30,665,001** | **3,689,426** | **246,557** | **(1,714,237)** | **2,221,746** |

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

## Trifecta Gold Ltd.

### Condensed Interim Statements of Loss and Comprehensive Loss

### Unaudited – Prepared by Management

### For the three and nine months ended September 30, 2018 and September 30, 2017

| | | Three months ended | | Nine months ended | |
|---|---|---|---|---|---|
| | Note | **September 30, 2018 $** | September 30, 2017 $ | **September 30, 2018 $** | September 30, 2017 $ |
| **General and administrative expenses** | | | | | |
| Administrative expenses | | 1,462 | 2,013 | 8,512 | 5,210 |
| Insurance | | 4,400 | 2,600 | 13,200 | 3,467 |
| Investor relations and shareholder information | | 14,582 | 13,566 | 47,418 | 16,395 |
| Management, administrative and corporate development fees | 8 | 1,728 | 3,074 | 5,766 | 32,601 |
| Management, administrative and corporate development salaries | 8 | 27,155 | 10,520 | 71,728 | 12,337 |
| Office rent | 8 | 7,500 | 7,500 | 22,500 | 10,000 |
| Professional fees | 8 | 20,247 | 6,657 | 64,646 | 95,172 |
| Share-based payments | 6 | 15,648 | - | 118,870 | - |
| Transfer agent and filing fees | | 2,438 | 6,790 | 5,707 | 45,712 |
| Loss before other items | | **(95,160)** | (52,720) | **(358,347)** | (220,894) |
| Interest income | | 484 | 1,891 | 2,601 | 3,121 |
| Property examination costs | 8 | (104) | - | (5,930) | (6,630) |
| Gain on disposal of mineral property interest | 5 | 67,513 | - | 67,513 | - |
| Loss on marketable securities | 4 | (8,750) | - | (8,750) | - |
| **Loss for the period before income taxes** | | **(36,017)** | (50,829) | **(302,913)** | (224,403) |
| Deferred income tax recovery | 9 | - | 12,885 | - | 12,885 |
| **Loss and comprehensive loss for the period** | | **(36,017)** | (37,944) | **(302,913)** | (211,518) |
| | | | | | |
| **Loss per share** | | | | | |
| **Weighted average number of common shares outstanding** | | | | | |
| **- basic #** | 7 | **30,665,001** | 25,892,334 | **30,617,748** | 22,575,223 |
| **- diluted #** | 7 | **30,665,001** | 25,892,334 | **30,617,748** | 22,575,223 |
| | | | | | |
| **Basic loss per share $** | 7 | **(0.00)** | (0.00) | **(0.01)** | (0.01) |
| **Diluted loss per share $** | 7 | **(0.00)** | (0.00) | **(0.01)** | (0.01) |

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

**Trifecta Gold Ltd.**

**Condensed Interim Statements of Cash Flows**

**Unaudited – Prepared by Management**

**For the nine months ended September 30,**

| | Note | **2018** $ | 2017 $ |
|---|---|---|---|
| **Operating activities** | | | |
| Loss and comprehensive loss for the period | | (302,913) | (211,518) |
| Adjustments for: | | | |
| Share-based payments | | 118,870 | - |
| Interest income received | | (2,601) | (3,121) |
| Deferred income tax recovery | | - | (12,885) |
| Loss on marketable securities | | 8,750 | - |
| Gain on disposal of mineral property interest | | (67,513) | - |
| Net change in non-cash working capital items | 10 | (20,286) | (63,499) |
| | | **(265,693)** | (291,023) |
| **Financing activities** | | | |
| Issue of common shares for cash | | - | 1,575,750 |
| Share issue costs | | - | (24,519) |
| | | **-** | 1,551,231 |
| **Investing activities** | | | |
| Interest income received | | 2,601 | 3,121 |
| Proceeds from sale of mineral property interest | | 25,000 | - |
| Yukon mineral exploration grant received | | 37,777 | - |
| Mineral property acquisition costs | | (56,936) | (91,017) |
| Deferred exploration and evaluation expenditures | | (112,552) | (635,962) |
| | | **(104,110)** | (723,858) |
| **Net (decrease) increase in cash** | | **(369,803)** | 536,350 |
| **Cash, beginning of period** | | **480,008** | 100,000 |
| **Cash, end of period** | | **110,205** | 636,350 |

**Supplemental cash flow information** 10

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

## 1. Nature of operations and going concern

Trifecta Gold Ltd. (the "Company" or "Trifecta") was incorporated on October 4, 2016, under the laws of the Province of British Columbia, Canada and was registered extra-territorially in the Yukon Territory on January 6, 2017. The Company's head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. The Company was a wholly-owned subsidiary of Strategic Metals Ltd. ("Strategic"), until June 9, 2017, at which time Strategic's ownership position was reduced to approximately 9.19% through a Plan of Arrangement, which concluded with each Strategic shareholder receiving one Trifecta common share for every four and one-half Strategic common shares they owned as of May 31, 2017. The Company was listed on the TSX Venture Exchange ("TSX-V") on June 15, 2017.

The Company's principal business activity is the acquisition, exploration and evaluation of mineral properties. The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition or option of the mineral property interests. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

These condensed interim financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have traditional sources of revenue, and historically has relied on property option or sale proceeds and share capital financing to cover its operating expenses.

As at September 30, 2018, the Company had working capital of $135,576 (December 31, 2017 - $483,755). The Company will continue to seek the funding necessary to enable the Company to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional debt and/or equity capital. If the Company is unable to raise additional funds in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures or cease operations. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These condensed interim financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. Significant accounting policies

### (a) Basis of presentation

These condensed interim financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended December 31, 2017, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these condensed interim financial statements be read in conjunction with the annual audited financial statements.

These condensed interim financial statements have been prepared on an historical cost basis, except for financial instruments, and have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on these condensed interim financial statements are presented in Canadian dollars which is the functional currency of the Company.

**2. Significant accounting policies** (continued)

**(b) Significant accounting policies**

Except as set out below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these condensed interim financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its financial statements for the year ended December 31, 2018. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

**(c) New accounting policy**

The Company has adopted new accounting standard *IFRS 9 - Financial Instruments*, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on transition date.

The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace *IAS 39 - Financial instruments: recognition and measurement*. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.

The Company continues to classify and measure its financial instruments at fair value through profit or loss with changes in fair value recognized in profit or loss as they arise ("FVTPL"), unless restrictive criteria regarding the objective and contractual cash flows of the instrument are met for classifying and measuring at either amortized cost or fair value through other comprehensive income.

Cash and trade receivables continue to be recorded at FVTPL and other receivables and loans, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method. Trade and other payables are classified and measured as financial liabilities, initially at FVTPL, and subsequently at amortized cost using the effective interest rate method.

**(d) Standards issued but not yet effective**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2019. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

*Effective for annual periods beginning on or after January 1, 2019.*

- New standard IFRS 16 - *Leases*

  IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company has no leases and has initially assessed that there will be no material reporting changes as a result of adopting the new standard.

- New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*

  On June 7, 2017, the IASB issued IFRIC 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. The Company has not yet determined the extent of the impact of adoption of the Interpretation.

## 3. Receivables and prepayments

Receivables and prepayments consists of the following:

| | **September 30, 2018** | December 31, 2017 |
|---|---|---|
| | **$** | $ |
| Prepaid expenses | 15,405 | 17,626 |
| Sales tax recoverable | 3,469 | 7,178 |
| Yukon mineral exploration grant receivable | - | 37,777 |
| | **18,874** | 62,581 |

## 4. Marketable securities

Marketable securities consist of common shares received on the option of mineral property interests as follows:

| | **Cost** | **Fair value** | **Loss** |
|---|---|---|---|
| | **$** | **$** | **$** |
| January 1, 2018 | - | - | |
| Additions (see note 5(a)(iv)) | 53,750 | 53,750 | |
| Unrealized loss for the period | - | (8,750) | (8,750) |
| **September 30, 2018** | **53,750** | **45,000** | **(8,750)** |

The fair value of the marketable securities is based on the bid price of the shares on the TSX-V at each period end.

## 5. Mineral property interests

The Company's mineral property interests consist of exploration stage properties located in Canada (Yukon Territory, and British Columbia), and the United States (Nevada). The properties have been grouped into those which are wholly-owned projects, wholly-owned and under option, and projects under option from other parties. Properties which are in close proximity and could be developed as a single economic unit are grouped into projects.

**5. Mineral property interests** (continued)

Changes in the project carrying amounts for the nine months ended September 30, 2017 and September 30, 2018 are summarized as follows:

| | Nine months ended September 30, 2017 | | | |
|---|---|---|---|---|
| | January 2017 $ | Acquisitions/ staking/ assessments $ | Exploration and evaluation $ | September 30, 2017 $ |
| **Wholly-owned projects** | | | | |
| Eureka | 1,136,660 | - | 63,874 | 1,200,534 |
| Handsome Jack | - | 9,572 | 500 | 10,072 |
| Treble | 115,095 | - | 23,212 | 138,307 |
| Triple Crown | 214,143 | 2,679 | 40,586 | 257,408 |
| **Total** | **1,465,898** | **12,251** | **128,172** | **1,606,321** |
| **Wholly-owned and under option projects** | | | | |
| Trident - wholly-owned claims | | | | |
| Squid | 64,306 | 61,282 | 55,337 | 180,925 |
| Trident - under option | | | | |
| CH Claims | - | 40,500 | 8,658 | 49,158 |
| Squid East | - | 140,540 | 602,006 | 742,546 |
| Squid West | - | 146,944 | 17,564 | 164,508 |
| | **-** | **327,984** | **628,228** | **956,212** |
| **Total** | **64,306** | **389,266** | **683,565** | **1,137,137** |
| **Total all projects** | **1,530,204** | **401,517** | **811,737** | **2,743,458** |

Exploration and evaluation expenditures on the projects consisted of the following:

| **Nine months ended September 30, 2017** | **Eureka** $ | **Treble** $ | **Triple Crown** $ | **Trident** $ | **Handsome Jack** $ | **Total** $ |
|---|---|---|---|---|---|---|
| Assays | 8,455 | 4,403 | 11,522 | 8,210 | - | 32,590 |
| Bulldozer and excavator | - | - | - | 67,000 | - | 67,000 |
| Drilling | 55 | - | - | 173,985 | - | 174,040 |
| Field | 8,123 | 3,877 | 6,244 | 94,149 | - | 112,393 |
| Helicopter and fixed wing | - | 10,580 | 7,758 | 20,536 | - | 38,874 |
| Labour | 40,569 | 20,845 | 34,919 | 247,048 | 500 | 343,881 |
| Resource and environmental studies | - | - | 5,374 | 4,270 | - | 9,644 |
| Survey and consulting | - | - | - | 17,564 | - | 17,564 |
| Travel and accommodation | 6,672 | 2,317 | 3,833 | 50,803 | - | 63,625 |
| | 63,874 | 42,022 | 69,650 | 683,565 | 500 | 859,611 |
| Less: Yukon mineral exploration grant | - | (18,810) | (29,064) | - | - | (47,874) |
| Total | 63,874 | 23,212 | 40,586 | 683,565 | 500 | 811,737 |

**5. Mineral property interests** (continued)

| | Nine months ended September 30, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2018 $ | Acquisitions/ staking/ assessments $ | Proceeds from disposal $ | Gain on disposal $ | Exploration and evaluation $ | September 30, 2018 $ |
| **Wholly-owned projects** | | | | | | |
| Eureka | 1,203,832 | 3,440 | - | - | 12,545 | 1,219,817 |
| Treble | 145,199 | 2,830 | - | - | 7,821 | 155,850 |
| Triple Crown | 268,245 | 2,969 | - | - | 12,697 | 283,911 |
| Handsome Jack | 11,237 | - | (78,750) | 67,513 | - | - |
| | **1,628,513** | **9,239** | **(78,750)** | **67,513** | **33,063** | **1,659,578** |
| **Wholly-owned and under option project** | | | | | | |
| Trident - wholly-owned claims | | | | | | |
| Squid | 206,679 | - | - | - | 5,463 | 212,142 |
| Trident - under option | | | | | | |
| CH Claims | 76,842 | - | - | - | 233 | 77,075 |
| | **283,521** | **-** | **-** | **-** | **5,696** | **289,217** |
| **Projects under option from other parties** | | | | | | |
| Yuge | - | 37,697 | - | - | 79,257 | 116,954 |
| Eureka Dome | - | 20,000 | - | - | 421 | 20,421 |
| | **-** | **57,697** | **-** | **-** | **79,678** | **137,375** |
| **Total all projects** | **1,912,034** | **66,936** | **(78,750)** | **67,513** | **118,437** | **2,086,170** |

**5. Mineral property interests** (continued)

Exploration and evaluation expenditures on the projects consisted of the following:

| Nine months ended September 30, 2018 | Eureka $ | Handsome Jack $ | Treble $ | Triple Crown $ | Trident $ | Yuge $ | Eureka Dome $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| Assays | - | - | - | - | 893 | 3,608 | - | 4,501 |
| Field | 607 | - | - | 183 | 706 | 4,271 | - | 5,767 |
| Labour | 11,938 | - | 7,821 | 11,525 | 3,491 | 15,812 | 421 | 51,008 |
| Survey and consulting | - | - | - | - | - | 53,237 | - | 53,237 |
| Travel and accommodation | - | - | - | 989 | 606 | 2,329 | - | 3,924 |
| **Total** | **12,545** | **-** | **7,821** | **12,697** | **5,696** | **79,257** | **421** | **118,437** |

**(a) Wholly-owned projects**

By an agreement dated December 9, 2016, the Company purchased the Eureka, Treble and Triple Crown mineral properties from Strategic by issuing Strategic 14,500,000 of its common shares at a value of $0.10 per share, giving the transaction a total value of $1,450,000. The agreed amount approximated the cumulative acquisition and exploration costs incurred on the properties by Strategic.

Transactions between related parties take place at a fair market value, where such values can be determined. The purchased properties are in the exploration stage with no proven economic mineral reserves, so there was insufficient information to determine a fair value less cost to sell, or a value in use. Under IFRS 6, mineral property interests can be carried at cost until such time the properties become impaired. Given the properties were not and are not considered impaired, and given a fair value could not be determined, the Company used the cumulative property costs to Strategic as the transfer value of the properties.

**(i) Eureka**

The Eureka project consists of a 100% interest in the Eureka mineral claims located in the Dawson Mining District, Yukon Territory. The project was acquired in December 2016 from Strategic by the issue of 11,250,000 common shares at $0.10 per share for an aggregate cost of $1,125,000. The claims are subject to a 1% net smelter return royalty ("NSR").

**(ii) Treble**

The Treble project consists of a 100% interest in the LLL mineral claims located in the Dawson Mining District, Yukon Territory. The project was acquired in December 2016, from Strategic by the issue of 1,150,000 common shares at $0.10 per share for an aggregate cost of $115,000. The claims are not subject to any royalty interests.

**5. Mineral property interests** (continued)

**(a) Wholly-owned projects** (continued)

**(iii) Triple Crown**

The Triple Crown project consists of a 100% interest in the OOO mineral claims located in the Dawson Mining District, Yukon Territory. The project was acquired in December 2016, from Strategic by the issue of 2,100,000 common shares at $0.10 per share for an aggregate cost of $210,000. The claims are not subject to any royalty interests.

**(iv) Handsome Jack**

The Handsome Jack project consisted of a 100% interest in the Never Sweat mineral claims located in the Golden Triangle region of British Columbia. The project was acquired in September 2017, for consideration of $5,000 cash. The claims are subject to a 1% NSR interest in all precious metals produced from the property. The Company has the right to purchase the NSR at any time for consideration of $500,000 cash.

By agreement dated August 8, 2018, the Company sold its Handsome Jack project to StrikePoint Gold Inc. (“StrikePoint”) for $25,000 cash and the issuance of 250,000 StrikePoint common shares, which were received on September 17, 2018 with a fair value of $53,750.

The Company retains a 1% NSR on the project, one-half of which can be purchased by StrikePoint at any time for a cash payment of $500,000.

**(b) Wholly-owned and under option project**

**Trident**

The Trident project consists of the Squid claims, which are wholly-owned, and the CH claims which are being acquired under an option agreement. The project also included the Squid East and West claims which were under option and later dropped and written-off as at the year ended December 31, 2017.

**Wholly-owned Claims**

The Squid claims are located in the Dawson Mining District, Yukon Territory, and were acquired by staking.

**Under option Claims**

**(i) CH Claims**

By an agreement dated December 8, 2016, and amended on April 27, 2017, the Company may acquire a 100% interest in the CH mineral claims located in the Dawson Mining District, Yukon Territory from Coureur Des Bois Ltee Ltd. (“Coureur”), for consideration of:

- The issuance of 1,500,000 common shares to Coureur as follows:
    - 150,000 shares upon completion of a TSX-V listing (issued June 15, 2017);
    - 150,000 shares on or before December 8, 2017 (issued December 8, 2017);
    - 200,000 shares on or before December 8, 2018;
    - 300,000 shares on or before December 8, 2019; and
    - 700,000 shares on or before December 8, 2020.

Upon completion of the agreement, the Company will attain a 100% interest in the claims and Coureur will retain a 2% NSR from any precious metal commercial production and a 1% NSR from any non-precious metal commercial production. The Company would have the right at any time to purchase one-half of the NSR for $1,000,000.

**5. Mineral property interests** (continued)

**(b) Wholly-owned and under option project** (continued)

**Under option Claims** (continued)

**(ii) Squid East and West Claims**

In December 2016, the Company entered into an option agreement to acquire up to a 75% interest in the Squid East and Squid West mineral claims located in the Dawson Mining District, Yukon Territory from Metals Creek Resources Corp. ("Metals Creek"). Under the agreement, the Company made a payment of $10,000 on January 10, 2017 and issued 1,000,000 common shares on June 15, 2017, at the market price on issue of $0.27 per share, for total share consideration of $270,000, and total consideration of $280,000.

The agreement was terminated effective December 15, 2017, and the Company wrote-off the 2017 option and claims costs of $291,198 and the 2017 exploration costs of $677,826, for total mineral property write-offs of $969,024 during the year ended December 31, 2017.

**(c) Projects under option from other parties**

**(i) Yuge**

On February 27, 2018, the Company signed a letter of intent, which was subsequently replaced with a definitive agreement, to option from Silver Range Resources Ltd. ("Silver Range") up to a 75% interest in Silver Range's newly acquired Yuge property, which is located in Nevada, USA.

For a 51% interest, the Company is required to:

- Reimburse Silver Range its staking and recording costs of $9,591 (approximately US$7,100);
- Complete a US$1,000,000 work program on or before February 28, 2021;
- Pay Silver Range US$250,000 cash and/or shares at the Company's election, on or before February 28, 2021;
- Grant Silver Range a 1% NSR; and
- Grant Silver Range a success fee of US$1 per ounce, payable upon completion of a Preliminary Economic Assessment based on measured and indicated resources greater than 500,000 ounces.

For an additional 24% interest, the Company is required to:

- Complete an additional US$2,000,000 work program on or before February 28, 2023;
- Pay Silver Range US$500,000 cash and/or shares at the Company's election, on or before February 28, 2023; and
- Grant Silver Range an additional 1% NSR, which can be purchased for US$1,000,000 at any time prior to production.

Silver Range will act as the project operator for the first phase of exploration in return for a 10% management fee. Once fully vested a Joint Venture would be formed to continue exploration of the property. Should either party's interest be diluted to below 10%, it would be converted into a 1% NSR, half of which could be purchased for US$1,000,000.

**5. Mineral property interests** (continued)

**(c) Projects under option from other parties** (continued)

**(ii) Eureka Dome**

On April 24, 2018, the Company signed an option agreement with Pacific Ridge Exploration Ltd. ("Pacific Ridge") to earn a 70% interest in the Eureka Dome property, located in the Dawson Mining District, Yukon Territory. To exercise the option, the Company will be required, in stages, to make payments totaling $200,000, issue a total of 1,000,000 shares, and incur a total of $2,500,000 in exploration expenditures on or before December 31, 2022, as follows:

Cash payments:

- $10,000 upon obtaining Exchange acceptance (paid May 11, 2018);
- An additional $10,000 on or before December 31, 2018;
- An additional $10,000 on or before December 31, 2019;
- An additional $20,000 on or before December 31, 2020;
- An additional $50,000 on or before December 31, 2021; and
- An additional $100,000 on or before December 31, 2022.

Share issuances:

- 100,000 shares upon obtaining Exchange acceptance (issued May 11, 2018, fair value of $10,000);
- An additional 100,000 shares on or before December 31, 2018;
- An additional 100,000 shares on or before December 31, 2019;
- An additional 200,000 shares on or before December 31, 2020;
- An additional 200,000 shares on or before December 31, 2021; and
- An additional 300,000 shares on or before December 31, 2022.

Exploration expenditures:

- $50,000 on or before December 31, 2018;
- An additional $200,000 on or before December 31, 2019;
- An additional $250,000 on or before December 31, 2020;
- An additional $500,000 on or before December 31, 2021; and
- An additional $1,500,000 on or before December 31, 2022.

The properties are subject to an area of mutual interest extending two kilometres from the borders of the properties.

Once fully vested, the Company and Pacific Ridge would enter into a joint venture agreement to continue exploration of the property. Should either party's interest be diluted to below 10%, it would be converted into a 1% NSR. The property is subject to a pre-existing 1% NSR to a third-party.

**6. Share capital**

The authorized share capital of the Company consists of an unlimited number of common shares without par value. All issued shares are fully paid.

**Transactions for the issue of share capital during the nine months ended September 30, 2018:**

In May 2018, the Company issued 100,000 common shares to Pacific Ridge under the option agreement for the Eureka Dome property (see note 5(c)(ii)), at the market value on issue of $0.10 per share, for an aggregate fair value of $10,000.

**6. Share capital** (continued)

**Transactions for the issue of share capital during the nine months ended September 30, 2017:**

**(a)** The Company issued 6,500,000 common shares to Strategic at $0.10 per share for total proceeds of $650,000.

**(b)** The Company issued 1,000,000 common shares to Metals Creek under the option agreement for the Squid East and West claims (see note 5(b)(ii)), at the market value on issue of $0.27 per share, for an aggregate fair value of $270,000.

**(c)** The Company issued 150,000 common shares to Coureur under the option agreement for CH claims (see note 5(b)(i)), at the market value on issue of $0.27 per share, for an aggregate fair value of $40,500.

**(d)** The Company completed a private placement consisting of flow-through and non-flow through units in two tranches. The first tranche closed on July 21, 2017 and consisted of the issuance of 1,202,000 flow-through units at $0.25 per unit, for total consideration of $300,500; and 2,760,000 non-flow-through units at $0.20 per unit, for total consideration of $552,000.

The second tranche closed on August 23, 2017 and consisted of the issuance of 253,000 flow-through units at $0.25 per unit, for total consideration of $63,250; and 50,000 non-flow-through units at $0.20 per unit, for total consideration of $10,000.

Each flow-through unit consisted of one flow-through common share and one-half of a non-flow-through share purchase warrant. Each non-flow-through unit consisted of one non-flow-through common share and one-half of a non-flow-through share purchase warrant. Each whole warrant from either unit entitled the holder to purchase one non-flow-through common share at a price of $0.30 each until either July 21, 2018, or August 23, 2018, depending on the closing of the tranche involved. These warrants expired unexercised during the nine-month period ended September 30, 2018.

The flow-through shares were issued at a premium to the trading value of the Company's common shares at the date the flow-through shares were issued, which was a reflection of the value of the income tax write-offs that the Company renounced to the flow-through shareholders. The premium was determined to be $37,955 and was recorded as a reduction of share capital and as a flow-through share premium liability and subsequently reversed to other income.

The Company paid a finder's fee of $5,340 in respect of the placement. Legal and filing fees amounted to $19,180 and have been recorded as a share issue cost and deducted from share capital, net of deferred income tax benefits of $6,375.

**6. Share capital** (continued)

**Stock options**

The Company has an incentive stock option plan (the "Plan"), under which the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. The exercise period for any options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot be less than the "discounted market price" of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options or the date of grant in respect of options granted to consultants, less a discount of from 15% to 25%), unless otherwise agreed to by the Company and accepted by the TSX-V.

A participant who is not a consultant conducting investor relations activities, who is granted an option under the plan with exercise prices at or above "Market Price" will have their options vest immediately, unless otherwise determined by the Board of Directors. A participant who is granted an option under the plan with exercise prices below "Market Price" will become vested with the right to exercise one-sixth of the option upon conclusion of every three months subsequent to the grant date. A participant who is a consultant conducting investor relations activities who is granted options under the plan will become vested with the right to exercise one-quarter of the options upon conclusion of every three months subsequent to the grant date.

A summary of the status of the Company's stock options as at September 30, 2018 and December 31, 2017, and changes during the period/year then ended is as follows:

| | **Nine months ended September 30, 2018** | | Year ended December 31, 2017 | |
|---|---|---|---|---|
| | Options # | Exercise price $ | Options # | Exercise price $ |
| Options outstanding, beginning of period/year | 2,405,000 | 0.25 | - | - |
| Granted | - | - | 2,405,000 | 0.25 |
| Cancelled | (50,000) | 0.25 | - | - |
| **Options outstanding, end of period/year** | **2,355,000** | **0.25** | 2,405,000 | 0.25 |

As at September 30, 2018, the Company has stock options outstanding and exercisable as follows:

| Options outstanding # | Options exercisable # | Exercise price $ | Weighted average remaining life (years) | Expiry date |
|---|---|---|---|---|
| **2,355,000** | **2,355,000** | **0.25** | **3.90** | **August 25, 2022** |

No stock options were granted during the nine months ended September 30, 2018.

On August 25, 2017, 2,405,000 stock options were granted to Officers, Directors, related company employees and consultants, with an exercise price of $0.25 per share until August 25, 2022. The options vested one-quarter every three months from the grant date. The fair value of the options on grant date was determined using the Black-Scholes option pricing model using the following weighted average assumptions: expected life of options - five years, stock price volatility – 73.59%, no dividend yield, and a risk-free interest rate yield of 1.51%. The fair value was particularly impacted by the Company's stock price volatility, which was determined using the volatility of similar resource exploration companies, as the Company did not have a five-year volatility history. Using the above assumptions, the fair value of options on grant date was $0.1041 per option, for a total of $250,364.

The total share-based payment expense for the nine months ended September 30, 2018, was $118,870 (2017 – $nil), which is presented as a general and administrative expense, and includes only the options that vested during the period.

During the nine months ended September 30, 2018, 50,000 stock options (2017 – nil) were cancelled. As a result, the original share-based payment expense of $2,711 (2017 - $nil) has been reversed from contributed surplus and credited to deficit.

6. **Share capital** (continued)

**Warrants**

As an incentive to complete private placements, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

A summary of the status of the Company's warrants as at September 30, 2018 and December 31, 2017, and changes during the period/year then ended is as follows:

| | **Nine months ended September 30, 2018** | | Year ended December 31, 2017 | |
|---|---|---|---|---|
| | Warrants<br>\# | Weighted average exercise price<br>$ | Warrants<br>\# | Weighted average exercise price<br>$ |
| Warrants outstanding, beginning of period/year | 3,632,500 | 0.24 | - | - |
| Private placement warrants issued | - | - | 3,632,500 | 0.24 |
| Expired | (2,132,500) | 0.30 | - | - |
| **Warrants outstanding, end of period/year** | **1,500,000** | **0.15** | 3,632,500 | 0.24 |

As at September 30, 2018 the Company had private placement warrants outstanding and exercisable as follows:

| Warrants outstanding<br>\# | Weighted average exercise price<br>$ | Weighted average remaining life<br>(years) | Expiry date |
|---|---|---|---|
| **1,500,000** | **0.15** | **1.22** | **December 21, 2019** |

**Contributed surplus**

Contributed surplus is comprised of the accumulated fair value of stock options recognized as share-based payments. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when stock options expire, are exercised, or cancelled.

7. **Loss per share**

The calculation of basic and diluted loss per share for the nine months ended September 30, 2018, is based on the loss attributable to common shareholders of $302,913 (2017 - $211,518) and a weighted average number of common shares outstanding of 30,617,748 (2017 – 22,575,223).

All stock options and warrants were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

8. **Related party payables and transactions**

The Company's related parties include key management personnel and Directors, and companies in which they have control or significant influence over the financial or operating policies of those entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the nine months ended September 30, 2018 or September 30, 2017.

**8. Related party payables and transactions** (continued)

Effective June 16, 2017, Dylan Arnold-Wallinger, the Company's President and CEO became a direct employee of the Company. He was previously employed by Archer, Cathro & Associates (1981) Limited ("Archer Cathro"), which charged the Company for his monthly services. No other key management personnel or Directors receive salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no contracts with them that cannot be terminated without penalty on thirty days' notice. Key management personnel and Directors participate in the Company's stock option plan.

There were no stock options granted to key management personnel and Directors during the nine months ended September 30, 2018, (2017 – 1,700,000 stock options were granted having a fair value on issue of $229,217. The options granted are exercisable at $0.25 each until August 25, 2022 and vested over a one-year period that ended on August 25, 2018).

The Company transacted with the following related parties:

**(a)** Archer Cathro is a geological consulting firm that is related party through its management contracts, which confer significant influence over operations. Charges are for property location, acquisitions, exploration, management, and office rent and administration.

**(b)** Glenn Yeadon is the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp"), which provides the Company with legal services.

**(c)** Larry Donaldson is the Company's CFO. He is a partner of Donaldson Grassi, Chartered Professional Accountants, a firm in which he has significant influence. Donaldson Grassi provides the Company with accounting and tax services.

**(d)** Dylan Arnold-Wallinger is the Company's President and CEO. He provides the Company with management, administrative, corporate development and technical services.

The aggregate value of transactions and outstanding balances with related parties are as follows:

| | | **Transactions 9 months ended September 30, 2018** | Transactions 9 months ended September 30, 2017 | **Balances outstanding September 30, 2018** | Balances outstanding December 31, 2017 |
|---|---|---|---|---|---|
| | | **$** | $ | **$** | $ |
| Archer Cathro | | | | | |
| - geological services | | 39,203 | 424,251 | 566 | 4,744 |
| - office and administration | | 28,952 | 49,486 | 3,789 | 6,709 |
| | | 68,155 | 473,737 | 4,355 | 11,453 |
| Yeadon Law Corp | | 31,486 | 73,927 | 11,249 | 19,125 |
| Donaldson Grassi | | 32,800 | 33,315 | 9,500 | 10,000 |
| Dylan Arnold-Wallinger | (1) | 93,919 | 31,093 | - | - |
| | | **226,360** | 612,072 | **25,104** | 40,578 |

(1) Includes geological services of $16,261 for the nine months ended September 30, 2018 (2017 - $nil).

All related party balances are unsecured and are due within thirty days without interest.

The related party transactions do not include expense reimbursements or recoverable sales tax amounts that are included in the period end related party payable balances.

**8. Related party payables and transactions** (continued)

The transactions with the key management personnel and Directors are included in general and administrative expenses as follows:

**(a)** Management, administrative and corporate development fees
- Includes charges by Archer Cathro for administrative and investor relations personnel.

**(b)** Management, administrative and corporate development salaries
- Includes the portion of Dylan Arnold-Wallinger's salary related to management, administrative and corporate development services. The remainder of Dylan Arnold-Wallinger's salary is allocated to deferred exploration and evaluation expenditures and property examination expense for his project technical services.

**(c)** Office rent
- Charged by Archer Cathro.

**(d)** Professional fees
- Includes the legal services of the Company's Secretary, Glenn Yeadon, charged to the Company by Yeadon Law Corp.
- Includes the accounting services of the Company's CFO, Larry Donaldson, charged to the Company by Donaldson Grassi.

**(e)** Property examination costs
- Includes the portion of Dylan Arnold-Wallinger's salary in 2018 related to property examination and charges by Archer Cathro in 2017 for the services of Dylan Arnold-Wallinger while he was an employee of Archer Cathro.

## 9. Income taxes

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

| | **September 30, 2018 $** | September 30, 2017 $ |
|---|---|---|
| Loss for the period before income taxes | (302,913) | (224,403) |
| Statutory Canadian corporate tax rate | 27.00% | 26.00% |
| Anticipated income tax recovery | 81,787 | 58,345 |
| Change in tax resulting from: | | |
| Tax benefits renounced | - | (56,620) |
| Unrecognized items for tax purposes | (33,276) | - |
| Non-capital losses (unrecognized) recognized | (48,511) | 11,160 |
| **Income tax recovery** | - | 12,885 |

The significant components of the Company's unrecognized deferred tax assets are as follows:

| | **September 30, 2018 $** | December 31, 2017 $ |
|---|---|---|
| Mineral property interests | 149,963 | 163,846 |
| Non-capital loss carry forwards | 159,326 | 83,690 |
| Share issue costs | 6,207 | 7,640 |
| Unrecognized deferred tax assets | (315,496) | (255,176) |
| **Net deferred tax assets** | **-** | - |

**9. Income taxes** (continued)

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

As at September 30, 2018, the Company has unused non-capital losses of approximately $590,000 of which $43,000 expire in 2036, $305,000 in 2037 and $242,000 expire in 2038.

As at September 30, 2018, the Company has unclaimed resource deductions in the amount of $2,641,588 (December 31, 2017 – $2,529,035), which may be deductible against future taxable income.

As at September 30, 2018, there are share issue costs totaling $22,990 (December 31, 2017 – $28,295), which have not been claimed for tax purposes.

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

**10. Supplemental cash flow information**

Changes in non-cash operating working capital during the nine months ended September 30, 2018 and 2017, were comprised of the following:

| | **September 30, 2018 $** | September 30, 2017 $ |
|---|---|---|
| Receivables and prepayments | 5,930 | (50,702) |
| Accounts payable and accrued liabilities | (16,857) | 4,270 |
| Accounts payable to related parties | (9,359) | (17,067) |
| **Net Change** | **(20,286)** | (63,499) |

The Company incurred non-cash financing and investing activities during the nine months ended September 30, 2018 and 2017, as follows:

| | **September 30, 2018 $** | September 30, 2017 $ |
|---|---|---|
| Non-cash financing activities: | | |
| Share capital reduced by flow-through share premium | - | (37,955) |
| Issue of share capital for optioned mineral property interest | 10,000 | 310,500 |
| | **10,000** | 272,545 |
| Non-cash investing activities: | | |
| Option of mineral property interest by issue of share capital | (10,000) | (310,500) |
| Share proceeds on option of mineral property interest | 53,750 | - |
| Marketable securities acquired on option of mineral property interest | (53,750) | - |
| Deferred exploration expenditures included in Yukon mineral exploration grant receivable | - | (47,874) |
| Deferred exploration expenditures included in accounts payable and related party payables | 12,594 | 303,851 |
| | **2,594** | (54,523) |

During the nine months ended September 30, 2018 and September 30, 2017, no amounts were paid for interest or income tax expenses.

## 11. Financial risk management

### Capital management

The Company is a resource exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at September 30, 2018, is comprised of shareholders' equity of $2,221,746 (December 31, 2017 - $2,395,789).

The Company currently has no source of revenues. In order to fund future projects and pay for general and administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional financing from equity markets (see note 1).

### Financial instruments - fair value

The Company's financial instruments consist of cash, marketable securities, accounts payable and accrued liabilities, and accounts payable to related parties. The carrying value of accounts payable and accrued liabilities, and accounts payable to related parties, approximate their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **September 30, 2018** | | | | |
| Cash | 110,205 | - | - | 110,205 |
| Marketable securities | 45,000 | - | - | 45,000 |
| | **155,205** | **-** | **-** | **155,205** |
| December 31, 2017 | | | | |
| Cash | 480,008 | - | - | 480,008 |

**11. Financial risk management** (continued)

**Financial instruments - risk**

The Company's financial instruments can be exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and market and currency risk.

**(a) Credit risk**

The Company is exposed to credit risk by holding cash. All of the Company's cash is held in a Canadian financial institution, and management believes the exposure to credit risk with respect to such an institution is not significant. The Company has minimal receivables exposure as its refundable tax credits are due from Canadian Governments.

**(b) Interest rate risk**

The Company is not exposed to interest rate risk as it does not hold financial securities or debt that would be impacted by fluctuating interest rates other than its cash which is subject to variable rates. Fluctuations in market rates would have an insignificant impact on the Company's operations.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due (see note 1). The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

**(d) Market and currency risk**

The Company is exposed to market risk because of fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the September 30, 2018 value of marketable securities, every 10% fluctuation in the share prices of these companies would impact profit or loss for the period, up or down, by approximately $4,500, (2017 - $nil) before income taxes.

**12. Event after reporting period**

On October 9, 2018, the Company announced a private placement offering of up to $500,000, through the issuance of up to 7,142,857 non-flow-through units at a price of $0.07 per unit. Each unit will consist of one common share and one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional non-flow-through common share at a price of $0.10 per share for a period of two years from closing.