

GARIBALDI RESOURCES CORP.

Condensed Interim Consolidated Financial Statements

July 31, 2018

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of interim financial statements, they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements have been prepared by and are the responsibility of management. The Company's independent auditor has not performed a review of these interim financial statements.

Garibaldi Resources Corp.
Condensed Interim Consolidated Statements of Financial Position
July 31, 2018 and January 31, 2018
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Note	July 31, 2018	January 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 22,730,945	\$ 14,556,042
Marketable securities	5	-	5,944
Receivables	6	299,748	150,947
Prepaid expenses and advances		26,384	20,640
		23,057,077	14,733,573
Non-current assets			
Reclamation deposits	7	131,890	79,390
Equipment	8	102,080	86,588
Exploration advances		-	25,000
Exploration and evaluation assets	9, 13	20,995,778	12,510,785
		21,229,748	12,701,763
TOTAL ASSETS		\$ 44,286,825	\$ 27,435,336
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	10, 13	\$ 1,657,135	\$ 882,631
Related party loan payable	13	-	3,190
Deferred flow-through premium	12	975,833	199,063
TOTAL LIABILITIES		2,632,968	1,084,884
EQUITY			
Share capital	12	53,738,821	37,785,638
Shares to be issued	12	-	591,000
Contributed surplus		3,676,196	3,694,592
Deficit		(15,761,160)	(15,720,778)
TOTAL EQUITY		41,653,857	26,350,452
TOTAL LIABILITIES AND EQUITY		\$ 44,286,825	\$ 27,435,336

Going Concern – Note 2

Commitments – Notes 9, 11 and 12

Events After the Reporting Date – Note 17

Approved on behalf of the Board on September 28, 2018:

“Steve Regoci”

Steve Regoci, CEO and Director

“Barrie DiCastrì”

Barrie DiCastrì, CFO and Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements

Garibaldi Resources Corp.
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
For the three and six months ended July 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Note	Three months ended July 31, 2018	Three months ended July 31, 2017	Six months ended July 31, 2018	Six months ended July 31, 2017
Expenses					
Consulting fees	13	\$ 23,838	\$ 60,462	\$ 37,507	\$ 79,628
Depreciation		1,896	361	3,183	722
Foreign exchange loss (gain)		(19,729)	2,712	(8,503)	2,916
Insurance		2,599	2,310	5,971	4,620
Management fees	13	72,000	72,000	144,000	144,000
Office and miscellaneous		7,074	8,409	16,098	24,864
Professional fees		32,434	23,708	113,583	45,248
Rent		14,789	17,856	30,069	32,983
Salaries and benefits		4,454	2,845	4,454	5,724
Share-based compensation	12	-	-	206,000	-
Shareholder communications		11,445	3,010	42,196	6,954
Telephone		1,843	1,961	3,314	4,319
Transfer agent and filing fees		26,484	5,474	44,867	10,561
Travel and promotion		3,608	1,656	32,156	1,756
Loss before other items		(182,735)	(202,764)	(674,895)	(364,295)
Other items					
Gain on sale of marketable securities	5	-	-	4,408	-
Unrealized loss on marketable securities	5	-	(996)	-	(2,687)
Interest income		61,928	156	66,464	162
Settlement of flow-through premium liability	12	473,209	5,711	571,230	7,728
Write-down of receivables	6	(580)	-	(7,589)	-
		534,557	4,871	634,513	5,203
Net and comprehensive income (loss)		\$ 351,822	\$ (197,893)	\$ (40,382)	\$ (359,092)
Income (loss) per share – basic and diluted		\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		107,022,530	77,936,906	104,105,073	76,276,719

The accompanying notes form an integral part of these condensed interim consolidated financial statements

Garibaldi Resources Corp.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended July 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Number of shares	Amount	Contributed surplus	Shares to be issued	Deficit	Total
Balance at January 31, 2018	99,815,604	\$ 37,785,638	\$ 3,694,592	\$ 591,000	\$ (15,720,778)	\$ 26,350,452
Shares issued for mineral properties	1,106,000	2,993,980	-	-	-	2,993,980
Shares issued for services	300,000	591,000	-	(591,000)	-	-
Shares issued for cash:						
Exercise of stock options	-	15,000	-	-	-	15,000
Exercise of stock options	1,475,000	509,396	(224,396)	-	-	285,000
Exercise of warrants	851,022	323,223	-	-	-	323,223
Private placements	3,896,350	11,704,772	-	-	-	11,704,772
Less: share issue costs	-	(184,188)	-	-	-	(184,188)
Share-based compensation	-	-	206,000	-	-	206,000
Net and comprehensive loss	-	-	-	-	(40,382)	(40,382)
Balance at July 31, 2018	107,443,976	\$ 53,738,821	\$ 3,676,196	\$ -	\$ (15,761,160)	\$ 41,653,857

	Number of shares	Amount	Contributed surplus	Shares to be issued	Deficit	Total
Balance at January 31, 2017	74,350,458	\$ 18,994,430	\$ 2,638,139	\$ -	\$ (13,592,379)	\$ 8,040,190
Shares issued for mineral properties	850,000	122,500	-	-	-	122,500
Shares issued for cash:						
Exercise of stock options	400,000	40,000	-	-	-	40,000
Private placements	4,863,332	670,200	-	88,000	-	758,200
Less: share issue costs	-	(47,366)	-	-	-	(47,366)
Share subscriptions	-	-	-	21,000	-	21,000
Net and comprehensive loss	-	-	-	-	(359,092)	(359,092)
Balance at July 31, 2017	80,463,790	\$ 19,779,764	\$ 2,638,139	\$ 109,000	\$ (13,951,471)	\$ 8,575,432

The accompanying notes form an integral part of these condensed interim consolidated financial statements

Garibaldi Resources Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended July 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	2018	2017
Operating Activities		
Net loss	\$ (40,382)	\$ (359,092)
Adjustments for non-cash items:		
Depreciation	3,183	722
Gain on sale of marketable securities	(4,408)	-
Share-based compensation	206,000	-
Settlement of flow-through premium liability	(571,230)	(7,728)
Unrealized loss on marketable securities	-	2,687
Foreign exchange loss	3,932	-
Accrued interest receivable	(63,000)	-
Write-down of receivables	7,589	-
Changes in non-cash working capital items:		
Receivables	(93,390)	19,752
Prepaid expenses and advances	(5,744)	(93,842)
Trade payables and accrued liabilities	774,504	366,178
Net cash flows from (used in) operating activities	217,054	(71,323)
Investing Activities		
Expenditures on exploration and evaluation assets	(5,455,600)	(457,400)
Reclamation deposits	(52,500)	(45,500)
Acquisition of equipment	(29,088)	-
Proceeds from sale of marketable securities	6,420	-
Net cash flows used in investing activities	(5,530,768)	(502,900)
Financing Activities		
Proceeds from issuance of common shares, net	13,491,807	822,834
Share subscriptions received	-	109,000
Related party loan payable	(3,190)	(15,634)
Net cash flows from financing activities	13,488,617	916,200
Change in cash and cash equivalents during the period	8,174,903	341,977
Cash and cash equivalents, beginning of period	14,556,042	89,563
Cash and cash equivalents, end of period	\$ 22,730,945	\$ 431,540
Supplemental Information		
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

Non-cash Transactions – Note 16

1. Corporate Information

Garibaldi Resources Corp. (the “Company”) is an exploration stage company incorporated on November 22, 1993 under the laws of the Province of Alberta, Canada. Its business activity is the acquisition, exploration and evaluation of mineral properties located in Canada and Mexico. The Company’s common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “GGI”.

The Company’s head office and principal business address is Suite 1150, 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) IAS 34 “Interim Financial Reporting”.

These condensed interim consolidated financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended January 31, 2018 and 2017.

These condensed interim consolidated financial statements were authorized for issue on September 28, 2018 by the directors of the Company.

Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company (and its subsidiaries) will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At July 31, 2018, the Company has an accumulated deficit of \$15,761,160 (January 31, 2018 – \$15,720,778). As at July 31, 2018, the Company has not advanced its mineral properties to commercial production and has not generated revenue from operations. The Company’s continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

The Company has been successful in raising funds in the past to finance operations, however, there is no assurance it will be able to do so in the future or on terms acceptable to the Company.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value as explained in the significant accounting policies set out in Note 3. The consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency.

2. Basis of Preparation (cont'd)

Use of Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Site Closure and Reclamation Provisions

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact any amounts charged to operations for reclamation and remediation. During the periods presented, no reclamation obligations were incurred and therefore, no provision has been recorded. This represents management's best estimate of the present value of future reclamation and remediation obligations. Actual future expenditures may differ from the estimate.

c) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

2. Basis of Preparation (cont'd)

Use of Accounting Judgments, Estimates and Assumptions (cont'd)

d) Share-Based Payments

Management uses valuation techniques to measure the fair value of share-based payments such as stock options or broker warrants. The fair values are determined using the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the options or warrants, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

e) Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities. All inter-company balances and transactions have been eliminated on consolidation. Details of its controlled entities are as follows:

	Country of Incorporation	Percentage Owned	
		July 31, 2018	January 31, 2018
San Pedro Stone Inc.	Canada	100%	100%
Minera Pender S.A. de C.V.	Mexico	100%	100%

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements as if the policies have always been in effect.

Foreign Currency Translation

The functional currency of each of the Company's entities is determined using primary and secondary indicators related to the economic environment in which that entity operates. The Canadian dollar is the parent company's functional and presentation currency. The functional currency of the subsidiaries is also the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the consolidated statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations whose functional currency is different than the Company's presentation currency are transferred directly to the Company's foreign currency translation reserve in the consolidated statement of comprehensive loss. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and redeemable investment-grade short-term deposit certificates.

3. Significant Accounting Policies (cont'd)

Exploration and Evaluation Assets

Exploration and evaluation assets include the costs of acquiring mineral properties, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized and are classified as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related mineral property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

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

Farm Outs

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

Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits.

Marketable Securities

The Company has classified its marketable securities at fair value through profit or loss and therefore carries them at fair value based on quoted market prices with the unrealized gain or loss recorded in net income or loss for the period.

Share-based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based payments is charged to the consolidated statement of comprehensive loss with a corresponding credit recorded to contributed surplus. The fair value of options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

3. Significant Accounting Policies (cont'd)

Share-based Payments (cont'd)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive loss over the remaining vesting period.

The Company recognizes share issue costs for the fair value of broker warrants issued as finder's fees in connection with private placements. The fair value calculated is recorded as share issue costs with a corresponding credit to contributed surplus. The Company uses the Black-Scholes option pricing model to determine the fair value of the warrants issued.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with the consideration paid.

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company's cash and marketable securities are classified as fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company does not have any assets classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments and it is the Company's intention to hold these investments to maturity. They are measured at amortized cost. Held-to-maturity investments are included in non-current assets except for those which are expected to mature within 12 months of the end of the reporting period. The Company does not have any assets classified as held-to-maturity investments.

3. Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses. The Company does not have any assets classified as available-for-sale financial assets.

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

Non-derivative financial liabilities (excluding financial guarantees) are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost. The Company's accounts payable and related party loan payable are classified as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the settlement date basis. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. The Company does not have any derivative financial assets and liabilities.

Impairment of Assets

The carrying amounts of the Company's assets (which include equipment and exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment of mineral property exploration interests is generally considered to have occurred if one of the following factors is present: the right to explore has expired or is near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

3. Significant Accounting Policies (cont'd)

Income Taxes

Current income taxes:

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

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

Deferred income taxes:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

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

Flow-through shares:

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("Deferred flow-through premium").

The Company may, from time to time, issue flow-through shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On the issuance of a flow-through share, it is bifurcated into equity (share) and liability (flow-through) components on the issue date to the extent that a premium exists. The equity portion is measured at the market value and the residual premium is allocated as a liability. The liability is recorded at the fair value of the obligation to renounce the expenditures that the issuer has incurred. This is effectively the "premium" the investor attributes to a flow-through share versus an ordinary share.

When the expenditures are renounced, the Company records a deferred tax liability and deferred tax expense (renounced expenditures multiplied by the effective corporate tax rate). Simultaneously the Company will debit the liability set up on issuing the flow-through share with the corresponding credit to deferred tax expense.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

3. Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense.

Flow-through shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets. At April 30, 2018 and January 31, 2018, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

3. Significant Accounting Policies (cont'd)

Equipment

Depreciation is calculated using the declining balance method to allocate the cost of the assets over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

Motor vehicles	30% declining balance
Drilling and exploration equipment	20% declining balance
Office equipment	20% declining balance

Depreciation is recorded at one-half rates in the year of acquisition. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to the common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to repurchase common shares at the average market price during the period.

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Recent Accounting Pronouncements

There were no new or revised accounting standards scheduled for mandatory adoption on February 1, 2017, and consequently no new accounting standards were adopted for the year ended January 31, 2018.

The following standards were adopted by the Company effective February 1, 2018:

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

IFRS 9 – Financial Instruments - The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments.

3. Significant Accounting Policies (cont'd)

Accounting Standards and Amendments Issued But Not Yet Effective

The following standard will be adopted by the Company effective February 1, 2019:

IFRS 16 – Leases - In June 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17.

The Company has not early adopted these new and amended standards and does not expect them to have a material effect on the Company's future results and financial position.

4. Cash and Cash Equivalents

	July 31, 2018	January 31, 2018
Cash	\$ 1,730,945	\$ 14,556,042
Redeemable GIC's	21,000,000	-
Total	\$ 22,730,945	\$ 14,556,042

The Company's redeemable GIC's bear interest at 1.35% per annum.

5. Marketable Securities

At July 31, 2018, the Company did not hold any marketable securities. During the six months ended July 30, 2018, the Company sold 601 common shares of Coeur Mining Inc. for proceeds of \$6,420 resulting in a realized gain on sale of \$4,408.

At January 31, 2018, marketable securities consisted of 601 common shares of Coeur Mining Inc. During the year ended January 31, 2018, the Company did not sell any marketable securities. During the year ended January 31, 2018, the Company recognized an unrealized loss of \$2,913 due to fluctuations in the quoted market price of the shares held.

6. Receivables

	July 31, 2018	January 31, 2018
IVA receivable (Mexico)	\$ 15,911	\$ 20,057
GST receivable (Canada)	215,837	130,890
Accrued interest and other receivables	68,000	-
Total	\$ 299,748	\$ 150,947

The Company is exposed to credit risk on its sales taxes receivable which consist of refundable government goods and services taxes. The Company has recorded an allowance of 30% on its IVA receivable. During the six months ended July 31, 2018, the Company recorded a write-down of sales taxes receivable of \$7,589.

7. Reclamation Deposits

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The reclamation deposits are held in redeemable interest-bearing certificates with large financial institutions.

8. Equipment

July 31, 2018

	Motor vehicles	Office equipment	Drilling and exploration equipment	Total
Cost:				
At January 31, 2018	\$ 196,887	\$ 12,994	\$ 362,891	\$ 572,772
Additions	-	-	29,088	29,088
At July 31, 2018	196,887	12,994	391,979	601,860
Accumulated Depreciation:				
At January 31, 2018	127,233	10,590	348,361	486,184
Depreciation	10,448	240	2,908	13,596
At July 31, 2018	137,681	10,830	351,269	499,780
Net book value:				
At January 31, 2018	\$ 69,654	\$ 2,404	\$ 14,530	\$ 86,588
At July 31, 2018	\$ 59,206	\$ 2,164	\$ 40,710	\$ 102,080

January 31, 2018

	Motor vehicles	Office equipment	Drilling and exploration equipment	Total
Cost:				
At January 31, 2017	\$ 129,268	\$ 12,994	\$ 362,891	\$ 505,153
Additions	67,619	-	-	67,619
At January 31, 2018	196,887	12,994	362,891	572,772
Accumulated Depreciation:				
At January 31, 2017	114,046	9,990	344,726	468,762
Depreciation	13,187	600	3,635	17,422
At January 31, 2018	127,233	10,590	348,361	486,184
Net book value:				
At January 31, 2017	\$ 15,222	\$ 3,004	\$ 18,165	\$ 36,391
At January 31, 2018	\$ 69,654	\$ 2,404	\$ 14,530	\$ 86,588

Garibaldi Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
July 31, 2018
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

9. Exploration and Evaluation Assets

July 31, 2018

	Mexico			Canada							TOTAL
	La Patilla	Iris	Sonora	Red Lion	Grizzly	King North & King South	E&L	Palm Spring	SID & Sunrise	Other	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition Costs											
Balance, January 31, 2018	115,596	278,752	1,478,334	78,317	142,223	36,628	162,111	48,000	231,000	113,555	2,684,516
Additions	-	-	-	1,110,000	-	-	807,500	1,096,480	-	-	3,013,980
Balance, July 31, 2018	115,596	278,752	1,478,334	1,188,317	142,223	36,628	969,611	1,144,480	231,000	113,555	5,698,496
Deferred Exploration Costs											
Balance, January 31, 2018	487,784	240,188	3,443,829	330,705	1,374,669	228,150	3,112,642	149,455	212,912	245,936	9,826,270
Depreciation	-	-	-	-	-	-	10,413	-	-	-	10,413
Assays	-	-	-	10,639	-	-	36,610	-	-	-	47,249
Drilling and trenching	-	-	-	-	-	-	1,432,556	-	-	-	1,432,556
Equipment rental	-	-	-	-	-	-	103,928	-	-	-	103,928
Geology and mapping	-	-	-	20,625	-	-	816,466	-	-	7,585	844,676
Helicopter	-	-	-	-	25,110	-	1,172,893	-	-	-	1,198,003
Surveying	-	-	23,472	-	-	-	664,588	123,381	-	-	811,441
Travel and field	-	-	-	33,837	-	-	988,909	-	-	-	1,022,746
Balance, July 31, 2018	487,784	240,188	3,467,301	395,806	1,399,779	228,150	8,339,005	272,836	212,912	253,521	15,297,282
Total	603,380	518,940	4,945,635	1,584,123	1,542,002	264,778	9,308,616	1,417,316	443,912	367,076	20,995,778

Garibaldi Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
July 31, 2018
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

9. Exploration and Evaluation Assets (cont'd)

January 31, 2018

	Mexico			Canada							TOTAL
	La Patilla	Iris	Sonora	Red Lion	Grizzly	King North & King South	E&L	Palm Spring	SID & Sunrise	Other	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition Costs											
Balance, January 31, 2017	112,666	264,123	1,295,271	55,817	142,223	36,628	118,111	18,000	-	78,555	2,121,394
Additions	2,930	14,629	183,063	22,500	-	-	44,000	30,000	231,000	35,000	563,122
Balance, January 31, 2018	115,596	278,752	1,478,334	78,317	142,223	36,628	162,111	48,000	231,000	113,555	2,684,516
Deferred Exploration Costs											
Balance, January 31, 2017	487,784	240,188	3,372,846	330,846	1,374,669	227,490	50,673	111,320	177,222	208,050	6,581,088
Depreciation	-	-	5,835	-	-	-	-	-	-	-	5,835
Assays	-	-	-	-	-	-	74,166	-	-	-	74,166
Community development	-	-	-	-	-	-	33,000	-	-	-	33,000
Drilling and trenching	-	-	-	-	-	-	792,122	-	-	-	792,122
Geology and mapping	-	-	-	(141)	-	660	761,719	38,135	34,810	30,198	865,381
Surveying	-	-	65,148	-	-	-	766,078	-	-	-	831,226
Travel and field	-	-	-	-	-	-	634,883	-	880	7,688	643,451
Balance, January 31, 2018	487,784	240,188	3,443,829	330,705	1,374,669	228,150	3,112,641	149,455	212,912	245,936	9,826,269
Total	603,380	518,940	4,922,163	409,022	1,516,892	264,778	3,274,752	197,455	443,912	359,491	12,510,785

9. Exploration and Evaluation Assets (cont'd)

Mexico Properties

La Patilla

The Company owns a 100% interest in the 99 hectare La Patilla property located in Sinaloa State, Mexico. Should the property be placed into commercial production, the Company will issue 800,000 common shares to the original owner and will pay a 3% net smelter return royalty capped at US\$3,000,000. The Company has the right to buy down the net smelter return royalty to 1% by paying US\$2,000,000.

Iris

The Company owns a 100% interest in the Iris property located in Chihuahua State, Mexico. The property is subject to a 2% net smelter return royalty. The Company has the right to buy down the net smelter return royalty to 1% by paying US\$1,500,000 to the optionor.

Sonora Properties

The Company owns two non-contiguous concessions in Sonora State, Mexico, known as the Tonichi and Rodadero concessions.

The Company must also incur minimum exploration and development expenditures approximating \$75,000 per year to keep the concessions in good standing. The concessions will each be subject to a 1% net smelter return royalty which the Company can purchase at any time for \$1,000,000 each.

Canada Properties

Red Lion

On January 31, 2014, the Company entered into a mineral property option agreement to acquire a 100% interest in 5 mineral tenures located in the Liard Mining Division of British Columbia, known as the Mount Sister Mary Property and a 100% interest in 6 mineral tenures located in the Omenica Mining Division of British Columbia, known as the Red Lion Property. The optionor retained a net smelter return royalty of 2% which may be reduced to 1% by the Company at any time for \$2,000,000. Under the terms of the agreement the option payments and share issuances were as follows:

- Within 10 days of TSX-V approval – cash payment of \$18,500 (paid) and issuance of 75,000 common shares (issued with a fair value of \$16,875).
- On or before January 31, 2015 – issuance of additional 150,000 common shares (issued with a fair value of \$25,500).
- On or before January 31, 2016 – issuance of additional 150,000 common shares (issued with a fair value of \$18,000).
- On or before January 31, 2017 – issuance of additional 150,000 common (issued with a fair value of \$22,500).
- On or before January 31, 2018 – issuance of additional 500,000 common shares (issued with a fair value of \$1,110,000).

During the year ended January 31, 2016, the Company abandoned its interest in the Mount Sister Mary mineral tenures and recorded a write-off of the option payments and capitalized costs relating to the Mount Sister Mary mineral tenures in the amount of \$65,295. The Company has retained the Red Lion mineral tenures and exploration and evaluation expenditures on those tenures continue to be capitalized.

9. Exploration and Evaluation Assets (cont'd)

Grizzly

The Company owns a 100% in the Grizzly claims located in the Sheslay Valley district of northwestern British Columbia, subject to a 2% net smelter return royalty.

On January 27, 2014, the Company entered into an agreement to purchase a 100% interest in 2 additional mineral claims, East Hat and East Hat 2, adjacent to the Grizzly claims. The vendor retained a 2% net smelter return on production from the properties. The Company has the option at any time to reduce the net smelter return to 1% for a payment of \$1,000,000 to the vendor. On March 5, 2014, the Company received TSX-V approval of the agreement and issued 100,000 common shares with a fair value of \$22,500 to the vendor.

King

On August 15, 2009, the Company entered into a mineral property option agreement to acquire 6 mineral tenures comprising approximately 1,720 hectares located in the Iskut River area of British Columbia known as the King Property. Under the terms of the agreement, the Company agreed to pay \$10,000 (paid), issue 100,000 common shares (issued at a value of \$21,000), pay an additional \$90,000 in cash or shares in tranches over the next five years, and complete \$100,000 (completed) in exploration work on the property. The Company was to make a \$70,000 payment by June 30, 2014 which was not paid.

On December 15, 2015, the option agreement was amended and the Company earned a 100% interest in the King Property by agreeing to engage the optionor for a minimum of \$72,500 of exploration work on the King Property in 2016 in lieu of making the final \$70,000 option payment. The optionor retained a net smelter return royalty of 2%.

King South

On May 10, 2016, the Company entered into a purchase agreement to acquire 17 mineral tenures located in the Liard Mining Division of British Columbia known as the King South claims. In exchange for the tenures the Company issued 300,000 common shares with a fair value of \$30,000 and agreed to engage the vendor for a minimum of \$50,000 (incurred during the year ended January 31, 2017) of exploration work on the claims. The vendor retained a net smelter return royalty of 2% which may be reduced to 1% by the Company at any time for \$1,000,000.

9. Exploration and Evaluation Assets (cont'd)

E&L

On June 3, 2016, the Company entered into a mineral property option agreement to acquire a 100% interest in 4 mineral tenures located in the Liard Mining Division in northwest British Columbia known as the E&L Property. In order to earn the interest, the Company is required make cash payments totalling \$100,000, issue 1,100,000 common shares over the four-year option period and incur exploration expenditures on the property totalling \$375,000 by the end of the four-year option period. The option will be subject to a 2% net smelter return ("NSR") royalty retained by the optionor.

Under the terms of the agreement, in order to acquire the 100% interest in the E&L Property, the option payments, share issuances and exploration expenditures are as follows:

- Within 10 days of TSX-V approval – a cash payment of \$5,000 (paid) and the issuance of 100,000 common shares (issued with a fair value of \$10,500).
- On or before June 3, 2017 – a cash payment of \$15,000 (paid), the issuance of an additional 200,000 common shares (issued with a fair value of \$29,000) and exploration expenditures of \$25,000 (incurred).
- On or before June 3, 2018 – a cash payment of \$20,000 (paid), the issuance of an additional 250,000 common shares (issued with a fair value of \$787,500) and exploration expenditures of an additional \$50,000 (incurred).
- On or before June 3, 2019 – a cash payment of \$25,000 (paid subsequent to July 31, 2018), the issuance of an additional 250,000 common shares (issued subsequent to July 31, 2018 with a fair value of \$672,500) and exploration expenditures of an additional \$75,000 (incurred).
- On or before June 3, 2020 – a cash payment of \$35,000 (paid subsequent to July 31, 2018), the issuance of an additional 300,000 common shares (issued subsequent to July 31, 2018 with a fair value of \$807,000) and exploration expenditures of an additional \$225,000 (incurred).

During the year ended January 31, 2017, the Company increased the size of the E&L property in a series of mineral property purchase agreements as follows:

- i) Pursuant to a mineral property purchase agreement dated September 12, 2016, the Company acquired 20 mineral tenures, comprising 1,473 hectares known as the East Claims property in consideration for 150,000 common shares (issued during the year ended January 31, 2017 at a value of \$12,750) and a cash payment of \$15,000 (paid during the year ended January 31, 2017);
- ii) Pursuant to a Purchase Agreement dated October 18, 2016, the Company acquired 2 mineral tenures comprising approximately 89 hectares known as the E&L South and North claims in consideration for 75,000 common shares (issued during the year ended January 31, 2017 at a value of \$6,750); and
- iii) Pursuant to a Purchase Agreement dated October 28, 2016, the Company acquired 10 mineral tenures comprising approximately 4,148 hectares known as the Qu claims in consideration for 500,000 common shares (issued during the year ended January 31, 2017 at a value of \$65,000).

9. Exploration and Evaluation Assets (cont'd)

Palm Spring

On May 5, 2016 and amended on June 19, 2018, the Company entered into a mineral property option agreement to acquire a 100% interest in 35 mineral tenures located in the Liard Mining Division in northwest British Columbia known as the Palm Spring Property. The optionor retained a net smelter return royalty of 2% which may be reduced to 1% by the Company at any time for \$1,000,000.

Under the terms of the agreement, in order to acquire a 100% interest in the Palm Spring Property, the option payments and share issuances are as follows:

- Within 10 days of TSX-V approval – a cash payment of \$10,000 (paid) and the issuance of 100,000 common shares (issued with a fair value of \$8,000).
- On or before May 5, 2017 – the issuance of an additional 200,000 common shares (issued with a fair value of \$30,000).
- On or before May 5, 2018 – the issuance of an additional 300,000 common shares (issued with a fair value of \$924,000).
- On or before June 19, 2018 – the issuance of an additional 56,000 common shares (issued with a fair value of \$172,480).

9. Exploration and Evaluation Assets (cont'd)

Sid & Sunrise

On October 5, 2016, the Company entered into a mineral property option agreement to acquire a 100% interest in 9 mineral tenures located in the Omenica Mining Division in British Columbia known as the SID claims. In order to earn the interest, the Company will be required to issue 2,000,000 common shares over the four-year option period and incur exploration expenditures on the property totalling \$1,000,000 by the end of the four-year option period. The option will be subject to a 2% net smelter return retained by the optionor.

Under the terms of the agreement, in order to acquire the 100% interest in the property, the option payments, share issuances and exploration expenditures are as follows:

- Within 10 days of TSX-V approval – the issuance of 100,000 common shares (issued with a fair value of \$11,000).
- On or before October 5, 2017 – the issuance of an additional 100,000 common shares (issued with a fair value of \$220,000) and exploration expenditures of \$25,000 (incurred).
- On or before October 5, 2018 – the issuance of an additional 200,000 common shares and exploration expenditures of an additional \$100,000.
- On or before October 5, 2019 – the issuance of an additional 600,000 common shares and exploration expenditures of an additional \$250,000.
- On or before October 5, 2020 – the issuance of an additional 1,000,000 common shares and exploration expenditures of an additional \$625,000.

Other

Black Gold

The Company's Black Gold property represents a black granite quarry located in Grand Forks, British Columbia. The claims remain in good standing.

Tora Tora

The Tora Tora mineral claims are located in the Similkameen area of British Columbia and were acquired at a nominal cost, subject to a 2% net smelter return royalty. The Company continues to pay maintenance fees to keep these claims in good standing.

Golden Bear

On May 5, 2015, the Company acquired eight mineral claims comprising approximately 1,400 hectares adjacent to the southern border of the Company's Grizzly property.

Under the terms of the agreement, the Company issued 150,000 common shares with a fair value of \$9,000 in exchange for a 100% interest in the Golden Bear claims, subject to a 2% net smelter return royalty, half of which the Company can buy back for \$1,000,000.

9. Exploration and Evaluation Assets (cont'd)

Caribou Copper-Gold Claims

On April 3, 2017, the Company entered into a mineral property option agreement to acquire a 100% interest in 5 mineral tenures in the Clinton and Caribou Mining Divisions of British Columbia.

Under the terms of the agreement, in order to acquire 100% interest in the property, the option payments, share issuances and exploration expenditures are as follows:

- Cash payment of \$10,000 (The parties later agreed to revise the cash payment to \$5,000, which was paid during the year ended January 31, 2018).
- Issuance of 700,000 common shares over a two-year period (200,000 common shares were issued during the year ended January 31, 2018 with a fair value of \$30,000).
- Exploration expenditures on the property totalling \$150,000 by the end of the two-year option period.

The vendor will retain a 2% net smelter return royalty, which may be reduced to 1% by the Company at any time for \$1,500,000.

10. Trade Payables and Accrued Liabilities

	July 31, 2018	January 31, 2018
Land taxes payable (Mexico)	\$ 90,037	\$ 454,051
Trade payables	1,395,898	172,377
Due to related parties	171,200	256,203
Total	\$ 1,657,135	\$ 882,631

11. Commitments

Operating lease:

At July 31, 2018, future payments required under a non-cancellable operating lease for office premises contracted are as follows:

Payable not later than one year	\$ 21,565
Total	\$ 21,565

Management services agreements:

The Company entered into management services agreements which provide for monthly remuneration of \$12,000 for each of its Chief Executive Officer and Chief Financial Officer.

12. Share Capital

Authorized:

Unlimited common shares with no par value

Issued and Outstanding:

At July 31, 2018, there were 107,443,976 (January 31, 2018 – 99,815,604) issued and outstanding common shares.

Issued During the Six Months Ended July 31, 2018:

On February 6, 2018, the Company issued 500,000 common shares with a fair value of \$1,110,000 as an option payment for the Red Lion property (Note 9).

On April 25, 2018, the Company issued 300,000 common shares with a fair value of \$591,000. During the year ended January 31, 2018, the Company entered into a consulting agreement with a director of the Company. Under the terms of the agreement the Company agreed to issue 300,000 common shares for services. The common shares were valued at \$591,000 based on the fair value of the shares on the date they became issuable and were recorded as shares to be issued as at January 31, 2018.

On April 30, 2018, the Company issued 864,850 common shares at \$3.35 per share pursuant to a private placement of flow-through shares for gross proceeds of \$2,897,247. A finder's fee of \$144,862 and filing fees of \$34,050 were paid on the private placement. The Company recorded a flow-through premium of \$285,400 on the private placement. During the six months ended July 31, 2018, the Company recorded other income of \$285,400.

On May 1, 2018, the Company issued 31,500 common shares at \$3.35 per share pursuant to a private placement of flow-through shares for gross proceeds of \$105,525. A finder's fee of \$5,276 was paid on the private placement. The Company recorded a flow-through premium of \$12,600 on the private placement. During the six months ended July 31, 2018, the Company recorded other income of \$12,600.

On May 4, 2018, the Company Issued 3,000,000 common shares at \$3.35 per share pursuant to a private placement of flow-through shares for gross proceeds of \$10,050,000. The Company recorded a flow-through premium of \$1,050,000 on the private placement. During the six months ended July 31, 2018, the Company recorded other income of \$74,167 and the remaining amount of \$975,833 is recorded as a deferred flow-through premium as at July 31, 2018.

On May 30, 2018, the Company issued 250,000 common shares with a fair value of \$787,500 as an option payment for the E&L property (Note 9).

On June 13, 2018, the Company issued 300,000 common shares with a fair value of \$924,000 as an option payment for the Palm Spring property (Note 9).

On June 13, 2018, the Company issued 56,000 common shares with a fair value of \$172,480 as an option payment for the Palm Spring property (Note 9).

During the six months ended July 31, 2018, the Company issued 1,475,000 common shares pursuant to the exercise of stock options for proceeds of \$285,000 and re-classified \$224,396 from contributed surplus to share capital upon exercise.

During the six months ended July 31, 2018, the Company issued 851,022 common shares pursuant to the exercise of share purchase warrants for proceeds of \$323,223.

12. Share Capital

Issued During the Year Ended January 31, 2018:

On April 12, 2017, 100,000 common shares with a fair value of \$11,000 were issued as an option payment for the SID Property (Note 9).

On May 11, 2017, (i) 150,000 common shares with a fair value of \$22,500 were issued as an option payment for the Red Lion property; (ii) 200,000 common shares with a fair value of \$30,000 were issued as an option payment for the Palm Spring property; and (iii) 200,000 common shares with a fair value of \$30,000 were issued as an option payment for the Clinton and Caribou Property (Note 8).

On May 29, 2017, 200,000 common shares with a fair value of \$29,000 were issued as an option payment for the E&L Property (Note 9).

During the year ended January 31, 2018, the Company issued 4,000,000 flow-through units for gross proceeds of \$720,000 pursuant to a private placement at \$0.18 per unit. Each unit consisted of one flow-through common share and one-half share purchase warrant with each full share purchase warrant exercisable into one non flow-through common share of the Company at \$0.25 per share for a period of two years. In connection with this private placement, the Company paid commissions of \$42,000 and filing and legal fees of \$15,490. There was a flow-through premium of \$0.04 per share or \$160,000 which was recorded as a deferred flow-through premium and which will be recognized as other income as flow-through expenditures are incurred. During the year ended January 31, 2018, the Company recorded other income of \$160,000 in connection with this flow through premium. The difference of \$560,000 between the gross proceeds of \$720,000 and the deferred flow-through premium of \$160,000 has been recognized as equity.

The Company renounced \$720,000 of exploration expenditures to the investors on December 31, 2017.

During the year ended January 31, 2018, the Company issued 1,430,000 units for gross proceeds of \$200,200 pursuant to a private placement at \$0.14 per unit. Each unit consisted of one common share and one share purchase warrant exercisable into one common share of the Company at \$0.20 per share for a period of two years. In connection with this private placement, the Company paid filing and legal fees of \$5,880.

On August 17, 2017, the Company issued 2,031,998 units for gross proceeds of \$934,719 pursuant to a private placement at \$0.46 per unit. Each unit consisted of one common share and one share purchase warrant exercisable into one common share of the Company at \$0.60 per share for a period of two years. In connection with this private placement, the Company paid filing and legal fees of \$13,054.

12. Share Capital

Issued During the Year Ended January 31, 2018:

On October 2, 2017, the Company issued 2,622,500 units for gross proceeds of \$2,150,450 pursuant to a private placement at \$0.82 per unit and 4,184,391 flow-through units for gross proceeds of \$3,849,640 pursuant to a flow-through private placement at \$0.92 per flow-through unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$1.05 per share for a period of two years. Each flow-through unit consisted of one flow-through common share and one-half share purchase warrant with each full share purchase warrant exercisable into one non-flow-through common share of the Company at \$1.05 per share for a period of two years. In connection with this private placement, the Company paid commissions of \$257,950 and filing and legal fees of \$35,000. There was a flow-through premium of \$0.10 per share or \$418,440 which was recorded as a deferred flow-through premium and which will be recognized as other income as flow-through expenditures are incurred. During the year ended January 31, 2018, the Company recorded other income of \$219,377 and the remaining amount of \$199,063 is recorded as a deferred flow-through premium as at January 31, 2018. During the six months ended July 31, 2018, the Company recorded other income of \$199,063.

The Company renounced \$3,845,455 of exploration expenditures to the investors on December 31, 2017 of which \$1,945,455 was renounced under the look-back rule. At July 31, 2018, the Company has incurred the required expenditures renounced under the look-back rule.

On October 5, 2017, 100,000 common shares with a fair value of \$220,000 were issued as an option payment for the SID Property (Note 9).

During the year ended January 31, 2018, the Company issued 3,174,603 units for gross proceeds of \$9,999,999 pursuant to a private placement at \$3.15 per unit. Each unit consisted of one common share and one share purchase warrant exercisable into one common share of the Company at \$4.50 per share for a period of two years. In connection with this private placement, the Company paid commissions of \$319,600 and filing and legal fees of \$53,700.

During the year ended January 31, 2018, the Company issued 1,225,000 common shares pursuant to the exercise of stock options for proceeds of \$165,000 and re-classified \$108,250 from contributed surplus to share capital upon exercise.

During the year ended January 31, 2018, the Company issued 5,846,654 common shares pursuant to the exercise of share purchase warrants for proceeds of \$1,641,564.

Shares to be Issued at January 31, 2018:

During the year ended January 31, 2018, the Company entered into a consulting agreement with a director of the Company. Under the terms of the agreement the Company agreed to issue 300,000 common shares for services. The common shares were valued at \$591,000 based on the fair value of the shares on the date they became issuable and were recorded as shares to be issued as at January 31, 2018. The 300,000 common shares were issued on April 25, 2018.

12. Share Capital (cont'd)

Stock options:

The Company has a stock option plan available to directors, officers, employees and consultants under which the total stock options available for grant is limited to 10% of the issued and outstanding common shares at any point in time. The exercise price of options granted may not be less than the market price of the Company's stock on the date of grant less any discount permitted by the policies of the TSX-V.

Options are granted for a maximum term of five years and vest on the date of the grant unless vesting terms are prescribed by regulatory policy or otherwise determined by the Company's Board of Directors.

Stock Options Granted During the Six Months Ended July 31, 2018:

During the six months ended July 31, 2018, the Company granted 100,000 stock options to a consultant of the Company exercisable for a period of five years at \$2.30 per share.

Stock Options Granted During the Year Ended January 31, 2018:

During the year ended January 31, 2018, the Company granted 1,500,000 stock options to directors, officers and consultants of the Company exercisable for a period of five years at \$0.50 per share, and 200,000 stock options exercisable for a period of five years at \$1.50 per share.

The weighted average grant date fair value of options granted during the six months ended July 31, 2018 was \$2.06. The weighted average grant date fair value of options granted during the year ended January 31, 2018 was \$0.68. The fair values were determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	Six Months Ended July 31, 2018	Year Ended January 31, 2018
Share price	\$ 2.59	\$ 0.82
Expected life of options	5 years	5 years
Annualized volatility	108%	113%
Risk-free interest rate	1.60%	1.32%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

12. Share Capital (cont'd)

Stock options (cont'd):

A summary of stock option activity for the six months ended July 31, 2018 and for the year ended January 31, 2018 is as follows:

	Six Months Ended July 31, 2018		Year Ended January 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	5,225,000	\$ 0.29	5,250,000	\$ 0.15
Options granted	100,000	2.30	1,700,000	0.62
Options expired	-	-	(500,000)	0.30
Options exercised	(1,475,000)	0.19	(1,225,000)	0.15
Options outstanding, end of period	3,850,000	\$ 0.38	5,225,000	\$ 0.29
Options exercisable, end of period	3,850,000	\$ 0.38	5,225,000	\$ 0.29

At July 31, 2018, the weighted average remaining contractual life of the outstanding options is 2.79 years.

At July 31, 2018, there were 3,850,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of options outstanding	Exercise Price	Expiry Date
250,000	\$0.20	February 3, 2019
1,000,000	\$0.10	July 30, 2020
1,200,000	\$0.20	December 24, 2020
1,100,000	\$0.50	August 18, 2022
200,000	\$1.50	September 26, 2022
100,000	\$2.30	February 16, 2023
3,850,000		

12. Share Capital (cont'd)

Share Purchase Warrants

A summary of share purchase warrant activity for the six months ended July 31, 2018 and for the year ended January 31, 2018 is as follows:

	Six Months Ended July 31, 2018		Year Ended January 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	11,192,060	\$ 1.83	3,687,416	\$ 0.23
Warrants issued	-	-	13,351,298	1.59
Warrants expired	-	-	-	-
Warrants exercised	(851,022)	0.38	(5,846,654)	0.28
Warrants outstanding, end of period	10,341,038	\$ 1.95	11,192,060	\$ 1.83

At July 31, 2018, the weighted average remaining contractual life of the outstanding warrants is 0.89 years.

At July 31, 2018, there were 10,341,038 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of warrants Outstanding	Exercise Price	Expiry Date
750,000	\$0.25	June 5, 2019
621,500	\$0.20	July 11, 2019
1,260,260	\$0.60	August 16, 2019
2,140,000	\$1.05	October 2, 2019
2,394,675	\$1.05	October 5, 2019
2,539,683	\$4.50	October 20, 2019
634,920	\$4.50	October 31, 2019
10,341,038		

13. Related Party Transactions

Related party transactions

The Company incurred the following charges by directors of the Company and by companies with directors in common with the Company during the six months ended July 31, 2018 and 2017:

	2018	2017
Deferred exploration costs – geological	\$ 59,100	\$ -
Consulting fees	1,300	28,000
Management fees	144,000	144,000
	\$ 204,400	\$ 172,000

At July 31, 2018, trade payables and accrued liabilities included \$171,200 (January 31, 2018: \$256,203) due to directors of the Company and to companies with directors in common with the Company for services provided and for expenses incurred on behalf of the Company.

At July 31, 2018, related party loan payable included \$Nil (January 31, 2018: \$3,190) due to the Company's Chief Financial Officer.

Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

Key management personnel compensation

The Company considers its Board of Directors and Executive Officers to be key management. The Company incurred the following key management compensation charges during the six months ended July 31, 2018 and 2017:

	2018	2017
Short-term benefits	\$ 204,400	\$ 172,000
Share-based compensation	-	-
	\$ 204,400	\$ 172,000

14. Financial Instruments and Risk Management

As at July 31, 2018, the Company's financial instruments consist of cash and cash equivalents and trade payables.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Mexico. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from financing activities and its holdings of cash and cash equivalents.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at July 31, 2018:

	Within one year	Between one and five years	More than five years
Trade payables	\$ 1,657,135	\$ -	\$ -
	\$ 1,657,135	\$ -	\$ -

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currencies. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The Company's Mexican subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Mexican pesos while its functional currency is the Canadian dollar.

14. Financial Instruments and Risk Management (cont'd)

The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities that are denominated in Mexican pesos:

	July 31, 2018	January 31, 2018
Cash	\$ 324,242	\$ 29,509
Sales taxes receivable	15,911	20,057
Trade payables	(96,379)	(444,860)
	\$ 243,774	\$ (395,294)

Based on the above net exposure, at July 31, 2018, a 10% change in the exchange rate of the Mexican peso in relation to the Canadian dollar would impact the Company's net income or loss by approximately \$24,400.

The Company is also exposed to currency risk as it incurs expenditures that are denominated in US dollars while its functional currency is the Canadian dollar.

The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars:

	July 31, 2018	January 31, 2018
Cash	\$ 16,389	\$ 9,965

Based on the above net exposure, at July 31, 2018, a 10% change in the exchange rate of the US dollar in relation to the Canadian dollar would impact the Company's net income or loss by approximately \$1,600.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are exposed to interest rate risk. The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. All marketable securities are subject to price and market volatility.

At July 31, 2018, the Company holds no marketable securities.

At January 31, 2018, the Company held 601 common shares of Coeur Mining Inc. with a total market value of \$5,944.

14. Financial Instruments and Risk Management (cont'd)

Classification of financial instruments

Financial assets included in the consolidated statements of financial position are as follows:

	July 31, 2018	January 31, 2018
Fair value through profit or loss:		
Cash and cash equivalents	\$ 22,730,945	\$ 14,556,042
Marketable securities	-	5,944
	\$ 22,730,945	\$ 14,561,986

Financial liabilities included in the consolidated statements of financial position are as follows:

	July 31, 2018	January 31, 2018
Non-derivative financial liabilities:		
Trade payables	\$ 1,657,135	\$ 882,631
Related party loan payable	-	3,190
	\$ 1,657,135	\$ 885,821

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial instruments measured at fair value on a recurring basis as at July 31, 2018 and January 31, 2018:

	July 31, 2018		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 22,730,945	\$ -	\$ -
Marketable securities	-	-	-
	\$ 22,730,945	\$ -	\$ -
	January 31, 2018		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 14,556,042	\$ -	\$ -
Marketable securities	5,944	-	-
	\$ 14,561,986	\$ -	\$ -

15. Segmented Information

Operating segment

The Company operates in a single reportable operating segment which is the acquisition, exploration and evaluation of mineral properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	July 31, 2018		
	Canada	Mexico	Total
Equipment	\$ 81,684	\$ 20,396	\$ 102,080
Reclamation deposits	131,890	-	131,890
Exploration and evaluation assets	14,927,825	6,067,953	20,995,778
	\$ 15,141,399	\$ 6,088,349	\$ 21,229,748

	January 31, 2018		
	Canada	Mexico	Total
Equipment	\$ 63,249	\$ 23,339	\$ 86,588
Reclamation deposits	79,390	-	79,390
Exploration advances	25,000	-	25,000
Exploration and evaluation assets	6,466,304	6,044,481	12,510,785
	\$ 6,633,943	\$ 6,067,820	\$ 12,701,763

16. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the six months ended July 31, 2018 and 2017, the following transactions were excluded from the consolidated statements of cash flows:

	2018	2017
Depreciation on equipment capitalized to exploration and evaluation assets	\$ 10,413	\$ 2,918
Shares issued for exploration and evaluation assets	\$ 2,993,980	\$ 122,500
Exploration advances	\$ 25,000	\$ -
Shares issued for services	\$ 591,000	\$ -
Reclass entry on exercise of stock options	\$ 224,396	\$ -

17. Events After the Reporting Date

Subsequent to July 31, 2018, the Company:

- Issued 100,000 common shares at \$0.60 per share pursuant to the exercise of 100,000 share purchase warrants for proceeds of \$60,000.
- Issued 142,000 common shares at \$1.05 per share pursuant to the exercise of 142,000 share purchase warrants for proceeds of \$149,100.
- Paid \$60,000 as an option payment for the E&L property (Note 9).
- Issued 250,000 common shares with a fair value of \$672,500 as an option payment for the E&L property (Note 9).
- Issued 300,000 common shares with a fair value of \$807,000 as an option payment for the E&L property (Note 9).