# GOLDCLIFF RESOURCE CORPORATION

## CONSOLIDATED FINANCIAL STATEMENTS
**(Expressed in Canadian Dollars)**

**FOR THE YEARS ENDED**
**OCTOBER 31, 2018 and 2017**

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Goldcliff Resource Corporation

We have audited the accompanying consolidated financial statements of Goldcliff Resource Corporation, which comprise the consolidated statements of financial position as at October 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Goldcliff Resource Corporation as at October 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Goldcliff Resource Corporation's ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada | Chartered Professional Accountants

February 1, 2019

**GOLDCLIFF RESOURCE CORPORATION**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT OCTOBER 31

| | Notes | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | 3 | $ 5,255 | $ 13,673 |
| Prepaid expenses | | - | 3,835 |
| Receivables | 4 | 5,920 | 7,819 |
| | | 11,175 | 25,327 |
| **Deposits** | 5 | 36,732 | 36,726 |
| **Exploration and evaluation assets** | 6 | 469,947 | 435,231 |
| | | $ 517,854 | $ 497,284 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 7 | $ 102,006 | $ 76,784 |
| Due to related parties | 11 | 212,327 | 135,019 |
| Loan payable | 8 | 158,785 | 60,000 |
| | | 473,118 | 271,803 |
| **Shareholders' equity** | | | |
| Share capital | 9 | 14,294,709 | 14,268,652 |
| Share-based payment reserve | 10 | 1,801,507 | 1,801,507 |
| Deficit | | (16,051,480) | (15,844,678) |
| | | 44,736 | 225,481 |
| | | $ 517,854 | $ 497,284 |

**Nature of operations and going concern** (Note 1)
**Subsequent event** (Note 16)

**On behalf of the Board:**

**"George Sanders"** Director **"Gary Moore"** Director

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

**GOLDCLIFF RESOURCE CORPORATION**
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEAR ENDED OCTOBER 31

| | Notes | 2018 | 2017 |
|---|---|---|---|
| **EXPENSES** | | | |
| Accretion of debt issue costs | 8 | $ 28,352 | $ 3,200 |
| Exploration and evaluation expenditures (net) | 6, 11 | 68,578 | 525,606 |
| Foreign exchange | | 1,163 | 12,240 |
| Investor relations | | 34,346 | 194,699 |
| Professional fees | 11 | 47,085 | 62,746 |
| Office | | 25,648 | 36,542 |
| Rent | | 1,630 | 1,558 |
| Share-based compensation | 10, 11 | - | 290,970 |
| | | (206,802) | (1,127,561) |
| **Impairment of exploration and evaluation asset** | 6 | - | (5,310) |
| **Loss and comprehensive loss for the year** | | $ ( 206,802) | $ (1,132,871) |
| **Basic and diluted loss per common share** | | $ (0.01) | $ (0.06) |
| **Weighted average number of common shares outstanding** | | 19,393,060 | 19,266,438 |

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

**GOLDCLIFF RESOURCE CORPORATION**
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | Number of Shares | Amount | **Share-based Payment Reserve** | **Deficit** | **Total** |
| | | $ | $ | $ | $ |
| Balance, October 31, 2016 | 18,996,849 | 14,144,278 | 1,509,112 | (14,711,807) | 941,583 |
| Warrants exercised | 200,000 | 50,000 | - | - | 50,000 |
| Share-based compensation | - | - | 290,970 | - | 290,970 |
| Private placements | 500,000 | 85,000 | - | - | 85,000 |
| Share issuance cost | - | (10,626) | 1,425 | - | (9,201) |
| Loss and comprehensive loss for the year | - | - | - | (1,132,871) | (1,132,871) |
| Balance, October 31, 2017 | 19,696,849 | 14,268,652 | 1,801,507 | (15,844,678) | 225,481 |
| Loan bonus shares | 137,142 | 26,057 | - | - | 26,057 |
| Loss and comprehensive loss for the year | - | - | - | (206,802) | (206,802) |
| Balance, October 31, 2018 | 19,833,991 | 14,294,709 | 1,801,507 | (16,051,480) | 44,736 |

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

**GOLDCLIFF RESOURCE CORPORATION**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEAR ENDED OCTOBER 31

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the year | $ (206,802) | $ (1,132,871) |
| Item not affecting cash: | | |
| Accretion of debt issue costs | 28,352 | 3,200 |
| Impairment of exploration and evaluation asset | - | 5,310 |
| Stock-based compensation | - | 290,970 |
| Changes in non-cash working capital items: | | |
| Decrease in receivables | 1,899 | 1,132 |
| (Increase) decrease in deposits | (6) | 2 |
| (Increase) decrease in prepaid expenses | 3,835 | (3,835) |
| Increase (decrease) in accounts payable and accrued liabilities | 21,712 | (824) |
| Increase in due to related parties | 44,698 | 106,539 |
| Net cash used in operating activities | (106,312) | (730,377) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Exploration and evaluation assets | (2,106) | (64,015) |
| Net cash used in investing activities | (2,106) | (64,015) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issuance of share capital for cash | - | 135,000 |
| Share issue costs | - | (9,201) |
| Proceeds from loan payable | 100,000 | 20,000 |
| Net cash provided by financing activities | 100,000 | 145,799 |
| **Change in cash for the year** | (8,418) | (648,593) |
| **Cash, beginning of year** | 13,673 | 662,266 |
| **Cash, end of year** | $ 5,255 | $ 13,673 |

**Summary of significant non-cash transactions:**

| | 2018 | 2017 |
|---|---|---|
| Bonus shares issued for loan | $ 26,057 | $ - |
| Debt issue costs included in accounts payable and accrued liabilities | $ 3,510 | $ - |
| Exploration and evaluation acquisition costs due to related parties | $ 32,610 | $ - |
| Finders' warrants | $ - | $ 1,425 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the Canada Business Corporations Act on July 21, 1986. The Company's primary business is the acquisition and exploration of exploration and evaluation assets and it is considered to be in the exploration stage. The Company's head office is located at 400 – 789 West Pender, Vancouver, BC V6C 1H2 and trades on the TSX-Venture Exchange under the symbol "GCN".

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company expects to raise additional funds through a share issuance to fund operating and administrative costs for the upcoming year. There is no guarantee that such funds will be available to the Company on acceptable terms, or at all. Accordingly, there is material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to publicly accountable enterprises. The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these consolidated financial statements for issue.

These consolidated financial statements were authorized by the Audit Committee and the Board of Directors of the Company on February 1, 2019.

**Basis of preparation**

These consolidated financial statements have been prepared on the historical cost basis except for "financial instruments at fair value through profit or loss," which are measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Basis of preparation** (cont'd...)

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

**Principles of consolidation**

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly-owned subsidiary, Goldcliff Resources (US) Inc. incorporated in the state of Nevada, USA. All significant inter-company balances and transactions have been eliminated on consolidation. All amounts are expressed in Canadian dollars which in the functional currency of the parent company and its subsidiary, unless denominated otherwise.

**Exploration and evaluation assets**

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

Development costs incurred on a mineral property are deferred once management has determined, based on a feasibility study and other criteria, that, a property is capable of economical commercial production as a result of having established proven and probable reserves. Development costs are carried at cost less accumulated depletion and accumulated impairment charges. Exploration and evaluation expenditures incurred prior to determining that a property has economically recoverable resources are expensed as incurred.

The Company reviews the carrying values of exploration and evaluation assets regularly with a view to assessing whether there has been any impairment in value, or whenever events or changes in circumstances that indicate the carrying value may not be recoverable. In the event the estimated discounted cash flows expected from its use or eventual disposition are determined to be insufficient to recover the carrying value of the property, the carrying value is written down to the estimated recoverable amount.

Once a mine has achieved commercial production, mine assets are depleted on a units-of-production basis over the life of the mine.

**Mining and exploration tax recoveries**

The Company recognizes mining and exploration tax recoveries in the period in which they are received. The amount recoverable is subject to review and approval by the respective taxation authority.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**Share capital**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, with any excess value allocated to the warrants. Any value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value of the warrants is transferred to equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

**Determination of functional currency**

The functional currency is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency for the Company and its subsidiary is the Canadian Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, the effects of changes in foreign exchange rates.

**Financial instruments**

*Financial assets*

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company’s cash and deposits are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company’s receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that are considered other than temporary which are recognized in profit or loss. The Company has not classified any financial assets as available for sale for the years presented.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

*Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL for the years presented.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

*Financial liabilities (cont'd…)*

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, due to related parties and loan payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

**Loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Provisions**

*Decommissioning liabilities*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the decommissioning of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for decommissioning liabilities is recognized at its fair value in the year in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning liabilities are amortized over the life of the related assets. At the end of each year, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its decommissioning liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no decommissioning liabilities for the years presented.

*Other provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company had no other provisions for the years presented.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Significant accounting estimates and judgments**

These financial statements require management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include:

<u>Economic recoverability and probability of future economic benefits of exploration and evaluation assets</u>

Management has determined that acquisition costs which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

<u>Valuation of share-based compensation</u>

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's profit or loss and equity reserves.

**Share-based payments**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

**Share-based payments** (cont'd…)

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Impairment**

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Income taxes**

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Foreign currency translation**

The Company's reporting currency and the functional currency of all its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. The functional currency determination was conducted through an analysis of consideration factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates.*

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign exchange translation are reflected in profit or loss.

**Flow-through shares**

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through share premium") as follows:

- Share capital – the market value of the share
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature based on the residual value method.

Thereafter, as qualifying resource expenditures are incurred, these costs are expensed and the flow-through share premium is amortized to profit or loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period).

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 and recorded to profit or loss.

**New Standards, amendments and interpretations not yet effective**

Future accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective as of October 31, 2018. The Company has not early adopted any of these standards. Adopting these standards is expected to increase disclosure on the Company's financial statements.

(Expressed in Canadian Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**New Standards, amendments and interpretations not yet effective** (cont'd…)

**Effective for annual periods beginning on or after January 1, 2018**

**IFRS 9, Financial Instruments – Classification and Measurement**

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

**IFRS 2, Share-based Payment**

Amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions.

**IFRS 7, Financial Instruments: Disclosures**

Amendments to IFRS 7 related to the application of IFRS 9, Financial Instruments.

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

**IFRS 16, Leases**

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

## 3. CASH

| | October 31, 2018 | October 31, 2017 |
|---|---|---|
| Canadian dollar denominated deposits | $ 5,255 | $ 13,673 |
| Total | $ 5,255 | $ 13,673 |

(Expressed in Canadian Dollars)

## 4. RECEIVABLES

| | | October 31, 2018 | | October 31, 2017 |
|---|---|---|---|---|
| GST receivable | $ | 5,920 | $ | 7,819 |
| Total | $ | 5,920 | $ | 7,819 |

## 5. DEPOSITS

| | | October 31, 2018 | | October 31, 2017 |
|---|---|---|---|---|
| Term deposit | $ | 36,732 | $ | 36,726 |
| Total | $ | 36,732 | $ | 36,726 |

Deposits are held by a bank as security for reclamation bonds and cannot be released to the Company without prior approval of the appropriate government agency.

## 6. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and to the best of its knowledge, title to the properties are in good standing.

| | Ainsworth Property | Panorama Ridge Property | Tulameen Property | Pine Grove Property | Total |
|---|---|---|---|---|---|
| **Acquisition costs** | | | | | |
| Total acquisition costs– October 31, 2016 | $ 42,492 | $ 97,557 | $ 5,310 | $ 231,167 | $ 376,526 |
| Additions | - | - | - | 64,015 | 64,015 |
| Impairment | - | - | (5,310) | - | (5,310) |
| Total acquisition costs– October 31, 2017 | $ 42,492 | $ 97,557 | $ - | $ 295,182 | $ 435,231 |
| Additions | - | 2,106 | - | 32,610 | 34,716 |
| Total acquisition costs– October 31, 2018 | $ 42,492 | $ 99,663 | $ - | $ 327,792 | $ 469,947 |

(Expressed in Canadian Dollars)

## 6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

The details of exploration and evaluation expenditures charged to operations during the year ended October 31, 2018 are as follows:

| | Ainsworth Property | Panorama Ridge Property | Pine Grove Property | General Exploration | Total |
|---|---|---|---|---|---|
| **Exploration and evaluation expenditures** | | | | | |
| Field expense | $ 250 | $ 1,901 | $ 30,170 | $ - | $ 32,321 |
| Geological | 6,300 | 6,300 | - | 255 | 12,855 |
| Maintenance fees | - | 2,737 | 20,585 | - | 23,322 |
| Mapping | - | 80 | - | | 80 |
| | $ 6,550 | $ 11,018 | $ 50,755 | $ 255 | $ 68,578 |

The details of exploration and evaluation expenditures charged to operations during the year ended October 31, 2017 are as follows:

| | Ainsworth Property | Panorama Ridge Property | Tulameen Property | Pine Grove Property | Total |
|---|---|---|---|---|---|
| **Exploration and evaluation expenditures** | | | | | |
| Assaying | $ - | $ - | $ - | $ 11,229 | $ 11,229 |
| Drilling | - | 1,800 | - | 263,031 | 264,831 |
| Field expense | - | 1,171 | - | 109,958 | 111,129 |
| Geochemical | - | - | - | 5,323 | 5,323 |
| Geological | 7,425 | 7,425 | - | 130,339 | 145,189 |
| | 7,425 | 10,396 | - | 519,880 | 537,701 |
| Cost recovery – BC METC | (6,998) | (3,392) | (1,705) | - | (12,095) |
| | $ 427 | $ 7,004 | $ (1,705) | $ 519,880 | $ 525,606 |

(Expressed in Canadian Dollars)

## 6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

### a) Ainsworth property

The Company holds certain claims located near Ainsworth, British Columbia.

### b) Panorama Ridge property

The Company holds certain claims, located in the Osoyoos Mining Division in British Columbia.

### c) Tulameen property

The Company held certain claims in the Tulameen district near Princeton, British Columbia.

As there were no plans for exploration, the Company recorded an impairment charge of $5,310 during fiscal 2017.

### d) Pine Grove property

In June 2016, the Company acquired the right to lease certain claims in Lyon County, Nevada, known as the Pine Grove Property. The lease is for an initial term of 10 years, and the Company has the right to extend the term for an additional 10 years thereafter.

As consideration for the lease, the Company paid $80,304 (US $61,730) and will assume an ongoing advanced royalty payment of US $25,000 per year. The claims are subject to a 2.5% net smelter returns royalty ("NSR"), with certain surrounding claims subject to a 5% NSR. During the 2018 fiscal year, the Company paid $32,610 (US $25,000) for a six year option to reduce the NSR for a price of $75,000 per percentage point during the first three years, and $150,000 per percentage point in the final three years.

In August 2016, the Company entered into an option agreement with a company with a common director, to earn up to a 40% interest in claims contiguous to the Pine Grove property. To earn the 40% interest, the Company must incur US $1,400,000 in exploration expenditures over a three-year period, inclusive of $30,000 annual advanced royalty ("AAR") payments that the Company makes on behalf of the optionor (the 2018 AAR payment is outstanding).

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| Falling due within the next twelve months | October 31, 2018 | October 31, 2017 |
|---|---|---|
| Accounts payable | $ 65,927 | $ 40,784 |
| Accrued liabilities | 36,079 | 36,000 |
| Total | $ 102,006 | $ 76,784 |

(Expressed in Canadian Dollars)

## 8. LOAN PAYABLE

During the year ended October 31, 2016, the Company entered into a loan agreement with the Company's chief executive officer ("CEO") for proceeds of $140,000. The loan is for a period of one year and matured on May 31, 2017. The loan is unsecured and is interest free.

Pursuant to the agreement, the Company issued 56,000 bonus shares to the lender, valued at $11,200, which has been fully accreted during the year ended October 31, 2017.

During the year ended October 31, 2018, the Company entered into another loan agreement with the CEO for aggregate proceeds of $120,000, of which $20,000 was advanced during the year ended October 31, 2017. The loan is for a period of one year and matures on November 17, 2018. The loan is unsecured and is interest free.

Pursuant to the 2018 loan agreement, the Company issued 137,142 common shares at a fair value of $0.19 per share to the lender, and is amortized as debt issue costs over the term of the loan. Accretion of debt issue costs of $28,352 has been recorded in fiscal 2018.

As at October 31, 2018, the total principal of $160,000 (2017 - $60,000) remains payable.

The details of the loans payable during the years ended October 31, 2018 and 2017 are as follows:

| | October 31, 2018 | October 31, 2017 |
|---|---|---|
| Opening balance | $ 60,000 | $ 36,800 |
| Proceeds | 100,000 | 20,000 |
| Debt issue costs | (29,567) | - |
| Accretion of debt issue costs | 28,352 | 3,200 |
| Closing balance | $ 158,785 | $ 60,000 |

## 9. SHARE CAPITAL

**Authorized**
Unlimited number of common shares without par value.

During the year ended October 31, 2018:

a) On November 28, 2017, the Company issued 137,142 common shares valued at $26,057 to the CEO pursuant to a loan agreement (note 8)

During the year ended October 31, 2017:

a) On March 28, 2017, the Company issued 200,000 common shares on the exercise of warrants at a price of $ 0.25 per warrant for gross proceeds of $50,000.

(Expressed in Canadian Dollars)

**9. SHARE CAPITAL** (cont'd…)

a) On July 13, 2017, the Company issued 500,000 units at a price of $0.17 per unit pursuant to a non-brokered private placement for gross proceeds of $85,000. Each unit consisted of one common share and one half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at an exercise price of $0.25 until July 13, 2019. The Company paid a finder's fee of $1,885 and issued 10,500 finders warrants valued at $1,425.

## 10. STOCK OPTIONS AND WARRANTS

### Stock options

The Company has an incentive stock option plan (the "Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue. The Plan provides for the issuance of up to 1,758,810 options as at the date of grant with each stock option having a maximum term of ten years. The board of directors has the exclusive power over the granting of options. Options will vest at the discretion of the directors.

As at October 31, 2018, stock options were outstanding enabling the optionees to acquire the following number of common shares:

| Number Of Options | | Exercise Price | Expiry Date | Weighted Average Contractual Life (Years) |
|---|---|---|---|---|
| 530,000 | $ | 0.50 | July 22, 2019 | 0.73 |
| 1,100,000 | | 0.27 | November 28, 2021 | 3.08 |
| 1,630,000 | $ | 0.34 | | 2.31 |

As at October 31, 2017, stock options were outstanding enabling the optionees to acquire the following number of common shares:

| Number Of Options | | Exercise Price | Expiry Date | Weighted Average Contractual Life (Years) |
|---|---|---|---|---|
| 530,000 | $ | 0.50 | July 22, 2019 | 1.73 |
| 1,100,000 | | 0.27 | November 28, 2021 | 4.08 |
| 1,630,000 | $ | 0.34 | | 3.31 |

(Expressed in Canadian Dollars)

## 10. STOCK OPTIONS AND WARRANTS (cont'd…)

Stock option transactions are summarized as follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding and exercisable at October 31, 2016 | 530,000 | $ | 0.50 |
| Granted | 1,100,000 | | 0.27 |
| Exercised | - | | - |
| Expired/Cancelled | - | | - |
| Outstanding and exercisable at October 31, 2017 and 2018 | 1,630,000 | | 0.34 |

The weighted average remaining life of the options outstanding at October 31, 2018 is 2.31 years.

During the year ended October 31, 2017, the Company granted 1,100,000 options with a fair value $290,970, which was recognized as share-based compensation expense.

The following weighted average inputs were used in the valuation of stock options granted in the years ended:

| | 2018 | 2017 |
|---|---|---|
| Risk-free interest rate | - | 1.00% |
| Expected life of options | - | 5 years |
| Annualized volatility | - | 206% |
| Dividend rate | - | - |

**Warrants**

As at October 31, 2018, the Company had outstanding share purchase warrants, enabling the holders to acquire common shares as follows:

| Number of Warrants | Exercise Price | Expiry Date | Weighted Average Contractual Life (Years) |
|---|---|---|---|
| 260,500 | 0.25 | July 13, 2019 | 0.70 |

(Expressed in Canadian Dollars)

**10. STOCK OPTIONS AND WARRANTS** (cont'd…)

**Warrants** (cont'd…)

As at October 31, 2017, the Company had outstanding share purchase warrants, enabling the holders to acquire common shares as follows:

| Number of Warrants | Exercise Price | Expiry Date | Weighted Average Contractual Life (Years) |
|---|---|---|---|
| 260,500 | 0.25 | July 13, 2019 | 0.70 |

The following weighted average inputs were used in the valuation of finders' warrants granted in the years ended:

| | 2018 | 2017 |
|---|---|---|
| Risk-free interest rate | - | 1.22% |
| Expected life of warrants | - | 2 years |
| Annualized volatility | - | 176% |
| Dividend rate | - | - |

Warrant transactions are summarized as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding and exercisable at October 31, 2016 | 3,675,460 | $ | 0.30 |
| Warrants granted | 260,500 | | 0.25 |
| Warrants exercised | (200,000) | | 0.25 |
| Warrants expired | - | | - |
| Outstanding and exercisable at October 31, 2017 | 3,735,960 | | 0.30 |
| Warrants granted | - | | - |
| Warrants exercised | - | | - |
| Warrants expired | (3,475,460) | | 0.30 |
| Outstanding and exercisable at October 31, 2018 | 260,500 | $ | 0.25 |

The weighted average remaining life of the warrants outstanding at October 31, 2018 is 0.70 years.

(Expressed in Canadian Dollars)

## 11. RELATED PARTY TRANSACTIONS

The Company defines key management personnel as directors and officers of the Company.

Included in due to related parties to key management personnel is $212,327, (2017 - $135,019) owing to directors, or corporations controlled by directors or former directors of the Company. These amounts are non interest bearing with no specific terms of repayment.

The Company entered into the following transactions with key management personnel:

| | 2018 | 2017 |
|---|---|---|
| Paid or accrued exploration and evaluation expenditures to corporations controlled by directors: | 16,173 | 18,011 |
| Paid or accrued professional fees to a partner of a legal firm who is an officer of the Company: | 7,207 | 17,857 |
| Share-based compensation | - | 218,229 |
| Issued common shares as a loan bonus to the CEO: | 26,057 | - |
| | $ 51,543 | $ 254,097 |

$160,000 (2017 - $60,000) is owed to the Company's CEO pursuant to a loan agreement as described in note 8.

## 12. SEGMENTED INFORMATION

The Company operates in one business segment, being the acquisition and exploration of exploration and evaluation assets in two geographic regions being Canada and the United States.

Geographic information is included in note 6.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. 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 date.

The fair value of cash and deposits are measured on Level 1 of the fair value hierarchy.

The carrying value of receivables, accounts payable and accrued liabilities, due to related parties, and loan payable approximates their fair value because of the short-term nature of these instruments.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, receivables and deposits. Management believes that the credit risk concentration with respect to financial instruments included in cash, receivables and deposits is remote.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. The Company is exposed to liquidity risk and will require additional capital in the upcoming year.

*Market risk*

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company operates in Canada and the United States. The Company has foreign exchange risk with respect to the nominal US cash and US accounts payable. If the Canadian dollar changes by one percent against all foreign currencies, with all other variables held constant, the impact of the foreign currency would result in a change to profit or loss of less than $1,000 for the year ended October 31, 2018.

(c) Price risk

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

(Expressed in Canadian Dollars)

## 14. CAPITAL MANAGEMENT

The Company defines capital that it manages as equity, consisting of share capital, stock options and share purchase warrants.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

## 15. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2018 | 2017 |
|---|---|---|
| Loss for the year | $ (206,802) | $ (1,132,871) |
| Expected income tax (recovery) | $ (55,000) | $ (295,000) |
| Change in statutory tax rates, foreign exchange and other | 165,000 | (114,000) |
| Permanent difference | - | 76,000 |
| Share issue cost | - | (14,000) |
| Change in unrecognized deductible temporary differences | (110,000) | 347,000 |
| Total income taxes | $ - | $ - |

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

| | 2018 | 2017 |
|---|---|---|
| Deferred tax assets | | |
| Exploration and evaluation assets | $ 631,000 | $ 783,000 |
| Share issue costs | 7,000 | 11,000 |
| Allowable capital losses | 1,000 | 1,000 |
| Non-capital losses available for future period | 1,067,000 | 1,021,000 |
| Unrecognized deferred tax assets | $ 1,706,000 | $ 1,816,000 |

(Expressed in Canadian Dollars)

## 15. INCOME TAXES (cont'd…)

The significant components of the Company's unrecognized deductible temporary differences and unused tax losses are as follows:

| | | 2018 | Expiry Date Range |
|---|---|---|---|
| Temporary differences | | | |
| Exploration and evaluation assets | $ | 2,348,000 | No expiry |
| Investment tax credit | | 26,000 | 2030-2033 |
| Share issue costs | | 27,000 | 2018-2021 |
| Allowable capital losses | | 4,000 | No expiry |
| Non-capital losses available for future period | | 4,003,000 | 2026-2038 |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## 16. SUBSEQUENT EVENT

Subsequent to October 31, 2018, the Company entered into a convertible note (the "Note") with the Company's CEO for proceeds of $350,000. The Note is convertible into common shares of the Company at a price of $0.07 per share until maturity on January 9, 2020. The Note bears interest at the rate of 7.5% per annum, compounded semi-annually and payable on maturity. Shareholder approval will be required if the conversion of the Note would result in the holder acquiring 20% or more of the Company's issued and outstanding share capital on the date of conversion.