# BCM RESOURCES CORPORATION

## Financial Statements

August 31, 2018 and 2017

(Expressed in Canadian Dollars)

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of BCM Resources Corporation,**

We have audited the accompanying financial statements of BCM Resources Corporation, which comprise the statements of financial position as at August 31, 2018 and 2017, the statements of operations and comprehensive loss, changes in 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 Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of BCM Resources Corporation as at August 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, Canada
December 21, 2018

**BCM Resources Corporation**
Statements of Financial Position
As at August 31, 2018 and 2017
As expressed in Canadian dollars

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | $ | **31,828** | $ | 28,737 |
| GST receivable | | **3,441** | | 877 |
| Prepaid expenses | | **-** | | 750 |
| Due from related party | | **5,659** | | 69,535 |
| | | **40,928** | | 99,899 |
| Exploration and evaluation assets (Note 4) | | **643,951** | | 1 |
| Term deposits | | **14,148** | | 14,091 |
| | $ | **699,027** | $ | 113,991 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | $ | **392,133** | $ | 353,274 |
| Due to related parties (Note 7) | | **75,935** | | 112,893 |
| | | **468,068** | | 466,167 |
| **Shareholders' Equity** | | | | |
| Share capital (Note 5) | | **8,568,038** | | 7,729,661 |
| Share subscriptions received | | **-** | | 10,000 |
| Reserves (Note 6) | | **1,550,276** | | 1,389,778 |
| Deficit | | **(9,887,355)** | | (9,481,615) |
| | | **230,959** | | (352,176) |
| | $ | **699,027** | $ | 113,991 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 10)

**Approval on behalf of the Board of Directors:**

*"Scott Steeds"*
Director

*"Dale McClanaghan"*
Director

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

**BCM Resources Corporation**
Statements of Operations and Comprehensive Loss
As at August 31, 2018 and 2017
As expressed in Canadian dollars

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Bank charges and interest | $ | **74,572** | $ | 393 |
| Consulting fees and salaries | | **15,000** | | 52,271 |
| Filing and transfer fees | | **11,486** | | 14,115 |
| Foreign exchange loss | | **5,815** | | - |
| Management fees (Note 7) | | **30,000** | | 55,000 |
| Office and miscellaneous | | **9,262** | | 9,961 |
| Professional fees | | **22,213** | | 20,259 |
| Property costs | | **49,750** | | 13,100 |
| Rent | | **18,929** | | 4,768 |
| Share-based payments (Note 6) | | **158,950** | | - |
| Travel and promotion | | **9,763** | | 11,389 |
| **Net loss before income taxes** | | **(405,740)** | | (181,256) |
| Recovery of exploration and evaluation assets | | **-** | | (18,207) |
| **Net loss and comprehensive loss for the year** | | **(405,740)** | | (163,049) |
| **Basic and diluted loss per share** | $ | **0.01** | $ | 0.01 |
| **Weighted average number of common shares outstanding** | | **34,901,178** | | 26,187,764 |

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

**BCM Resources Corporation**
Statements of Changes in Equity
As at August 31, 2018 and 2017
As expressed in Canadian dollars

| | Number of Shares | Share Capital $ | Share Subscriptions Received $ | Reserves $ | Deficit $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance, August 31, 2016** | **25,943,511** | **7,645,836** | **-** | **1,389,778** | **(9,318,566)** | **(282,952)** |
| Shares issued for cash (Note 5) | 850,000 | 85,000 | - | - | - | 85,000 |
| Share subscriptions received | - | - | 10,000 | - | - | 10,000 |
| Share issuance costs | - | (1,175) | - | - | - | (1,175) |
| Net loss for the year | - | - | - | - | (163,049) | (163,049) |
| **Balance, August 31, 2017** | **26,793,511** | **7,729,661** | **10,000** | **1,389,778** | **(9,481,615)** | **(352,176)** |
| Shares issued for cash (Note 5) | 11,000,000 | 825,000 | (10,000) | - | - | 815,000 |
| Share issuance costs | - | (30,075) | - | - | - | (30,075) |
| Fair value of broker warrants (Note 5) | - | (24,768) | - | 24,768 | - | - |
| Share-based payments (Note 6) | - | - | - | 158,950 | - | 158,950 |
| Warrants exercised (Note 5) | 300,000 | 68,220 | - | (23,220) | - | 45,000 |
| Net loss for the year | - | - | - | - | (405,740) | (405,740) |
| **Balance, August 31, 2018** | **38,093,511** | **8,568,038** | **-** | **1,550,276** | **(9,887,355)** | **230,959** |

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

**BCM Resources Corporation**
Statements of Cash Flows
For the years ended August 31, 2018 and 2017
As expressed in Canadian dollars

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **CASH FLOWS USED IN OPERATING ACTIVITIES:** | | | | |
| Net loss for the year | $ | **(405,740)** | $ | (163,049) |
| Adjustments for items not affecting cash: | | | | |
| Foreign exchange | | **5,815** | | - |
| Share-based payments | | **158,950** | | - |
| Write-off of exploration and evaluation assets | | **-** | | (18,207) |
| Changes in non-cash operating working capital: | | | | |
| Accounts payable and accrued liabilities | | **102,481** | | 17,366 |
| Due from related parties | | **(36,958)** | | 21,131 |
| GST receivable | | **(2,564)** | | 3,201 |
| Term deposits | | **(57)** | | (110) |
| Prepaid expenses | | **750** | | 4,878 |
| **Net cash flows used in operating activities** | | **(177,323)** | | (134,790) |
| **CASH FLOWS FROM USED IN INVESTING ACTIVITIES:** | | | | |
| Exploration and evaluation assets* | | **(643,696)** | | - |
| **Net cash flows used in investing activities** | | **(643,696)** | | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | |
| Shares issued, net of share issuance costs | | **824,110** | | 83,825 |
| Share subscriptions received | | **-** | | 10,000 |
| **Net cash flows from financing activities** | | **824,110** | | 93,825 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **3,091** | | (40,965) |
| **Cash and cash equivalents, beginning of year** | | **28,737** | | 69,702 |
| **Cash and cash equivalents, end of year** | **$** | **31,828** | $ | 28,737 |

*Reflects current year (only) amounts originally reported as exploration advances to Inland Explorations Ltd.

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

BCM Resources Corporation ("BCM" or the "Company") is a publicly listed company incorporated in British Columbia with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange-Venture ("TSX-V"). The Company is principally engaged in the acquisition, exploration, development and mining of mineral properties.

The head office, principal address, and registered and records office of the Company are located at Suite 1780 - 400 Burrard Street, Vancouver, BC, V6C 3A6.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its investment in the Carter Property contains mineral reserves that are economically recoverable. This investment is recorded on actual historical costs incurred to date and is not intended to be reflective of the current or future fair value of the property interest. The Company's continuing operations and the underlying value and recoverability of the costs incurred to date are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development, obtain the necessary permits to mine, and on future profitable production or proceeds from the disposition of this investment.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company does not expect that cash flows for the Company's operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity, or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects. These conditions indicate the existence of material uncertainties that cast significant doubt that the Company will be able to continue on a going concern basis.

## 2. BASIS OF PRESENTATION

a) Statement of compliance

The 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”). These financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

## 2. BASIS OF PRESENTATION – continued

b) Approval of the financial statements

The financial statements of BCM Resources Corporation for the year ended August 31, 2018 were approved and authorized for use by the Board of Directors on December 21, 2018.

c) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of 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 income 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.

In particular, significant areas of judgment and estimation uncertainty considered by management in preparing the financial statements include:

*i.* *Judgments*
- the determination that the Company will continue as a going concern for the next year; and
- the extent to which, specific events have occurred which persuasively suggest that recovery of the carry value of the exploration and evaluation assets is unlikely.

*ii.* *Estimates*
- the inputs used in the determination of the fair value of share purchase options and warrants.

d) Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year’s financial statement presentation.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

*a) Foreign currency translation*

The Company’s presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

*a) Foreign currency translation - continued*

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

*b) Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less. There were no cash equivalents as at August 31, 2018 and August 31, 2017.

*c) Short-term investments*

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months.

*d) Exploration and evaluation costs*

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are initially capitalized. All capitalized exploration and evaluation costs are then monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability, with costs charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "Mines under construction". There is no amortization during the exploration and evaluation phase.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

*d) Exploration and evaluation costs - continued*

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or, alternatively, the sale of all or a portion of the property interest.

*e) Flow-through shares*

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as other liability and, is converted to a deferred tax liability as eligible expenditures are incurred. The deferred tax impact is also recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the deferred income tax assets that were not previously recognized, due to the recording of a valuation allowance, can be recognized to offset any liability that would otherwise occur on renunciation.

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.

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 until paid.

*f) Financial instruments*

*i. Financial assets*

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

• Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents are included in this category of financial assets.

**3. SIGNIFICANT ACCOUNTING POLICIES -** continued

*f) Financial instruments - continued*

*i. Financial assets - continued*

• Held-to-maturity investments (“HTM”)

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

• Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. Due from related party is included in this category of financial assets.

• Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

• Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

*f) Financial instruments - continued*

*i. Financial assets - continued*

• Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

*ii. Financial liabilities*

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

**3. SIGNIFICANT ACCOUNTING POLICIES -** continued

*f) Financial instruments - continued*

*ii. Financial liabilities - continued*

• Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to related parties.

• Derivative financial liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. The Company has no derivative financial liabilities.

*g) Share-based payment transactions*

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day’s closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

*h) Income taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

*i) Share Capital*

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

*j) Earnings (loss) per share*

The Company presents basic and diluted earnings/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. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

*k) 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. Parties are also considered to be related if they are subject to common control, 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.

*l) Decommissioning liabilities*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date at its current project is minimal.

*m) Adoption of new and revised standards and interpretations*

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

- IFRS 9, Financial Instruments; and
- IFRS 16, Leases.

The Company has not early adopted these new standards to existing standards and does not expect the impact of these standards on the Company's financial statements to be material.

As expressed in Canadian dollars

## 4. EXPLORATION AND EVALUATION ASSETS

### Carter Property, Terrace, British Columbia, Canada

| | August 31, 2016 | (Recovery) | August 31, 2017 | Additions | **August 31, 2018** |
|---|---|---|---|---|---|
| **Carter Property** | | | | | |
| Acquisition costs and claim maintenance | $ 365,276 | $ - | $ 365,276 | $ - | $ 365,276 |
| Assay | 160,257 | (18,207) | 142,050 | - | 142,050 |
| Camp and miscellaneous | 258,272 | - | 258,272 | - | 258,272 |
| Drilling | 2,974,765 | - | 2,974,765 | - | 2,974,765 |
| Geological | 1,251,432 | - | 1,251,432 | - | 1,251,432 |
| Reports and mapping | 108,279 | - | 108,279 | - | 108,279 |
| Survey | 180,906 | - | 180,906 | - | 180,906 |
| Travel and accommodation | 906,546 | - | 906,546 | - | 906,546 |
| Mining tax credits | (665,489) | - | (665,489) | - | (665,489) |
| Write-down of exploration and evaluation assets | (5,540,243) | 18,207 | (5,522,036) | - | (5,522,036) |
| Balance, end of year | $ 1 | $ - | $ 1 | $ - | $ 1 |
| **Thompson Knolls Property** | | | | | |
| Acquisition costs and claim maintenance | $ - | $ - | $ - | $ 63,876 | $ 63,876 |
| Drilling | - | - | - | 580,074 | 580,074 |
| Balance, end of year | $ - | $ - | $ - | $ 643,950 | $ 643,950 |
| Total exploration and evaluation assets | $ 1 | $ - | $ 1 | $ 643,950 | $ 643,951 |

a) Carter Property, Terrace, British Columbia, Canada

The Company earned a 100% interest in 10 mineral claims subject to a 1.5% net smelter return ("NSR") royalty by paying $90,000 and issuing 350,000 common shares prior to September 27, 2010. In respect to the NSR, the agreement calls for advance royalty payments of $5,000 on June 15, 2009 (paid), $10,000 on June 15, 2010 (paid), $15,000 on June 15, 2011 (paid), $20,000 on June 15, 2012 (paid), $25,000 on June 15, 2013 (paid), $25,000 on June 15, 2014 (settled with issuance of shares), and a final payment of $50,000 due June 15, 2015 (settled with issuance of shares), for an aggregate of $150,000 in total. The agreement also allows the Company to buy-out 0.75% of the NSR at any time for $750,000.

The Company has also staked and dropped additional claims continuous to the original 10 claims. The Company currently owns 20 claims, all of which are subject to the NSR pursuant to the above noted option agreement.

**4. EXPLORATION AND EVALUATION ASSETS -** continued

During the year ended August 31, 2016, the Company assessed probable impairment of the carrying value of the property, in accordance with the technical accounting standards applicable to the reporting of such costs as assets, due to a lack of recent or currently planned exploration work. The historical costs above are provided for informational purposes only.

The fiscal 2017 recovery is related to the forgiveness of certain trade payables for exploration work previously performed.

b) Thompson Knolls Property, Millard County, Utah, United States

On September 2, 2015, the Company announced that it signed a letter of intent (LOI) with Inland Explorations Ltd. ("Inland"), a company related by two directors in common, for an option to acquire up to 60% interest in Inland's Thompson Knolls Property ("TK Property") located in central Utah's Great Basin. The TK Property is located in Millard County, Utah and consists of 125 federal unpatented mineral claims, plus an additional 28 newly-staked lode claims which are unregistered.

Under the terms of the revised LOI (dated February 9, 2016), BCM has the option to earn a 51% interest within four years by incurring total property expenditures of $3.5 million, issuing to Inland a total of 2.6 million shares in the Company, and making total cash payments of $250,000, as well as posting any required exploration bonds and paying all annual property and permit-related expenses. Consideration of $50,000 and 450,000 shares shall be due on closing of a formal option agreement, (see Note 10), with the balance of property expenditures, cash and share payments staged over a four-year period.

Upon earning a 51% interest, the Company shall have the option to increase its interest in the TK Property by an additional 9%, for a total of 60%, by spending an additional $5 million on the property and delivering a pre-feasibility level study within two years.

The proposed transaction has received final approval by the TSX Venture Exchange and closing of a formal option agreement is scheduled for September 28, 2018 (see Note 10). The transaction is non-arm's length and Inland, a non-reporting issuer, is related to the Company by way of two common directors, all of whom hold shares in Inland and two of which are officers of both companies, as set forth herein (see Note 7).

## 5. SHARE CAPITAL

a) Authorized: Unlimited number of common shares with no par value.

b) Issued:

**During the year ended August 31, 2018**

On August 30, 2018, 300,000 share purchase warrants priced at $0.15 were exercised for gross proceeds of $45,000 (refer also to (c) below).

On December 5, 2017, the Company completed a non-brokered private placement, issuing 11,000,000 units, at $0.075 per unit, for gross proceeds of $825,000. Each Unit consists of one common share and one share purchase warrant. Each warrant can be exercised to acquire one common share of the Company for $0.15 until December 5, 2019. The Company paid cash share issue costs of $30,075 and issued a total of 320,000 broker warrants with a fair value of $24,768.

**During the year ended August 31, 2017:**

On January 31, 2017, the Company completed a non-brokered private placement, issuing 850,000 units, at $0.10 per unit, for gross proceeds of $85,000. Each Unit consists of one common share and one share purchase warrant. Each warrant can be exercised to acquire one common share of the Company for $0.20 until January 31, 2019.

c) Warrants:

On August 30, 2018, 300,000 of the share purchase broker warrants issued as part of the December 5, 2017 private placement were exercised for gross proceeds of $45,000.

On December 5, 2017, 11,000,000 share purchase warrants priced at $0.15 and an additional 320,000 share purchase broker warrants priced at $0.15 were granted and is exercisable until December 5, 2019. The warrants are subject to an acceleration right in favour of the Company; should the closing price of the common shares of the Company on the TSX Venture Exchange, at any time following the date that is four months after the date of issue, be $0.35 or higher for 20 consecutive trading days, the Company will be entitled to accelerate the expiration of the warrants to the date that is 30 business days from the date of issuance of a news release by the Company announcing the exercise of the acceleration right.

On January 31, 2017, the Company granted 850,000 share purchase warrants priced at $0.20, expiring on January 31, 2019.

As expressed in Canadian dollars

## 5. SHARE CAPITAL - continued

The following is a summary of the changes in the Company's outstanding warrants:

| | **August 31, 2018** | | August 31, 2017 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| | | $ | | $ |
| Balance at the beginning of the year | 850,000 | 0.20 | - | - |
| Granted | 11,320,000 | 0.15 | 850,000 | 0.20 |
| Exercised | (300,000) | 0.15 | - | - |
| Outstanding, end of the year | 11,870,000 | 0.15 | 850,000 | 0.20 |

The following share purchase warrants are outstanding and exercisable at August 31, 2018 and August 31, 2017:

| | | **August 31, 2018** | August 31, 2017 |
|---|---|---|---|
| Expiry Date | Exercise Price | Number of Warrants | Number of Warrants |
| January 31, 2019 | $ 0.20 | 850,000 | 850,000 |
| December 5, 2019 | $ 0.15 | 11,020,000 | - |
| | $ 0.20 | 11,870,000 | 850,000 |
| Weighted average remaining life | | 1.20 years | 1.42 years |

The fair value of the share purchase warrants granted during the year ended August 30, 2018 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

| | **August 31, 2018** |
|---|---|
| Strike price | $0.15 |
| Risk free interest rate | 1.54% |
| Expected option life (years) | 2.00 years |
| Expected stock price volatility | 139.65% |
| Dividend payments during life of option | Nil |
| Expected forfeiture rate | Nil |

As expressed in Canadian dollars

## 6. SHARE-BASED PAYMENTS

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors, but shall not be less than the discounted market price as defined by the TSX-V. Under the stock option plan, the terms of all options granted are for a maximum of five years.

On December 13, 2017, the Company granted 1,100,000 stock options priced at $0.14, expiring on December 13, 2022.

The following is a summary of the changes in the Company's outstanding stock options:

| | **August 31, 2018** | | August 31, 2017 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| | | $ | | $ |
| Balance at the beginning of the year | 2,535,000 | 0.12 | 2,535,000 | 0.12 |
| Granted | 1,100,000 | 0.14 | - | - |
| Outstanding, end of the year | 3,635,000 | 0.12 | 2,535,000 | 0.12 |

The following stock options are outstanding and exercisable at August 31, 2018 and August 31, 2017:

| | | | **August 31, 2018** | August 31, 2017 |
|---|---|---|---|---|
| Expiry Date | | Exercise Price | Number of Options | Number of Options |
| December 24, 2020 | $ | 0.05 | 1,750,000 | 1,750,000 |
| March 2, 2021 | $ | 0.15 | 95,000 | 95,000 |
| May 16, 2021 | $ | 0.28 | 690,000 | 690,000 |
| December 13, 2022 | $ | 0.14 | 1,100,000 | - |
| | $ | 0.12 | 3,635,000 | 2,535,000 |
| Weighted average remaining life | | | 2.99 years | 3.43 years |

The fair value of the share options granted during the year ended August 30, 2018 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

| | **August 31, 2018** |
|---|---|
| Strike price | $0.14 |
| Risk free interest rate | 1.65% |
| Expected option life (years) | 5.00 years |
| Expected stock price volatility | 184.00% |
| Dividend payments during life of option | Nil |
| Expected forfeiture rate | Nil |

As expressed in Canadian dollars

## 7. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2018 and 2017, the Company incurred the following transactions to officers and directors of the Company or companies with common directors:

| Key Management Personnel | Type of Fees Paid/Accrued | | August 31, 2018 | | August 31, 2017 |
|---|---|---|---|---|---|
| Dale McClanaghan (a) | Management Fees | $ | 30,000 | $ | 27,500 |
| Deborah Goldbloom (b) | Management Fees | | - | | 27,500 |
| Scott Steeds (c) | Consulting Fees & Other Compensation | | 33,929 | | 57,039 |
| Total | | $ | 63,929 | $ | 112,039 |

During the year ended August 31, 2018, the Company recorded $93,924 (2017 - $nil) in share-based payments relating to options vesting to key management personnel and directors.

During the year ended August 31, 2018, the current CFO received an additional $12,664 (2017 - $15,074) for the reimbursement of meals and entertainment, office and telephone expenses incurred on behalf of the Company.

| Due to (from) Related Parties: | | August 31, 2018 | | August 31, 2017 |
|---|---|---|---|---|
| Dale McClanaghan | $ | 83,573 | $ | 55,879 |
| Deborah Goldbloom | | - | | 57,005 |
| Inland Explorations Ltd. (d) | | (5,659) | | (69,535) |
| Scott Steeds | | (7,638) | | 9 |
| Total | $ | 70,276 | $ | 43,358 |

(a) Dale McClanaghan is the President, CEO, Corporate Secretary, and a director of the Company.
(b) Former CFO and a director of the Company. Effective June 30, 2017, Deborah Goldbloom is no longer a related party to the Company.
(c) Scott Steeds was elected to the board of directors and appointed CFO on June 30, 2017.
(d) Inland Explorations Ltd. ("Inland"), a non-reporting issuer, is related to the Company by way of two common directors, all of whom hold shares in Inland and are officers of both companies as follows:

| Name & Title (with BCM) | Position with Inland | % Inland Shares |
|---|---|---|
| Dale McClanaghan – President & CEO | Director & CFO | 9.4% |
| Scott Steeds – CFO | Director & President (1) | 8% |

(1) Scott Steeds replaced Deborah Goldbloom as director/president of Inland effective Dec 7, 2017.

## 7. RELATED PARTY TRANSACTIONS - continued

Inland shares certain overhead costs in common with the Company. Substantially all of the balance due from Inland previously related to costs incurred by the Company on behalf of Inland for the Thompson Knolls Drill Program. Accordingly, all exploration expenditures incurred to August 31, 2017 were classified as an advance to Inland. During the current year, based on the closing of the Formal Option agreement subsequent to year end, these historic expenditures, and all current project expenditures, have been reclassified to deferred property costs in accordance with the Company's accounting policy for such costs.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Also see Note 4.

## 8. FINANCIAL RISK MANAGEMENT

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 Company's cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks 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. The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

***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 on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. Historically, the Company's sole 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.

***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 is exposed to minimal interest rate risk.

As expressed in Canadian dollars

## 8. FINANCIAL RISK MANAGEMENT - continued

***Capital management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. There were no changes in the Company’s approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

***Fair value***

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 fair value of the Company’s receivables, accounts payable and accrued liabilities, and due to and from related parties approximates their carrying values. Cash and cash equivalents are measured at fair value using Level 1 inputs.

## 9. INCOME TAXES

A reconciliation of income taxes at statutory rates as follows:

| | 2018 | 2017 |
|---|---|---|
| Net loss for the year before income taxes | $ (405,740) | $ (163,049) |
| Statutory tax rate | 26.67% | 26% |
| Expected income tax recovery | (108,197) | (42,392) |
| Net adjustment for deductible/non-deductible amounts | 48,437 | (7,260) |
| Unrecognized benefit of current non-capital losses | 59,760 | 49,652 |
| Total deferred income tax recovery | $ - | $ - |

As expressed in Canadian dollars

## 9. INCOME TAXES - continued

The significant components of the Company’s deferred income tax assets are as follows:

| | 2018 | 2017 |
|---|---|---|
| Deferred income tax assets | | |
| Exploration and evaluation assets | $ 702,402 | $ 668,185 |
| Equipment | 458 | 4,559 |
| Unamortized share issuance costs | 6,886 | 533 |
| Non-capital loss carry forwards | 1,000,890 | 914,680 |
| Valuation allowance | (1,710,636) | (1,587,957) |
| Net deferred income tax assets | $ - | $ - |

At August 31, 2018, the Company has available for deduction against future taxable income non-capital losses from Canadian operations of approximately $3,707,000 (2017- $3,506,000), which expire through to the year 2038. Future tax benefits which may arise as a result of these non-capital losses and other income tax pools are used to offset any future income tax liabilities as they arise.

The Company’s accumulated non-capital losses and years of expiry are as follows:

| Year of Expiry | Amount |
|---|---|
| 2026 | $ 227,000 |
| 2027 | 493,000 |
| 2028 | 449,000 |
| 2029 | 428,000 |
| 2030 | 341,000 |
| 2031 | 374,000 |
| 2032 | 329,000 |
| 2033 | 221,000 |
| 2034 | 181,000 |
| 2035 | 70,000 |
| 2036 | 213,000 |
| 2037 | 180,000 |
| 2038 | 201,000 |
| | $ 3,707,000 |

## 10. SUBSEQUENT EVENTS

***TK Properties Formal Option Agreement Closes***

Effective September 28, 2018, the Company has closed the previously announced option agreement with Inland Explorations Ltd., for an option to acquire up to 60% interest in Inland's Thompson Knolls Property (see Note 4).

Consideration of $50,000 and 450,000 shares in the Company was due on closing with the balance of property expenditures, cash, and share payments are staged over a four-year period. In accordance with these terms, the Company has issued the shares and settled the cash consideration subsequent to year-end.