# INTACT GOLD CORP.

## CONDENSED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2018

## (EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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## INTACT GOLD CORP.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars - Unaudited)

| | September 30, 2018 | March 31, 2018 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash | **1,865,709** | 157,442 |
| Receivables (Note 3) | **25,268** | 9,573 |
| Prepaid expenses and deposits (Note 4) | **13,716** | 752 |
| | **1,904,693** | 167,767 |
| Equipment (Note 5) | **166** | 265 |
| Exploration and evaluation property interests (Note 6) | **682,663** | 682,663 |
| | **2,587,522** | 850,695 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 7) | **321,716** | 162,410 |
| Loans payable (Note 8) | **96,200** | 96,200 |
| Flow-through liability (Note 12) | **32,469** | 32,469 |
| | **450,385** | 291,079 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 9) | **5,611,631** | 3,708,171 |
| Reserves (Note 9) | **363,282** | 362,046 |
| Accumulated deficit | **(3,837,776)** | (3,510,601) |
| | **2,137,137** | 559,616 |
| | **2,587,522** | 850,695 |

Nature and continuance of operations (Note 1)
Subsequent event (Note 15)

Approved and authorized by the Board on November 29, 2018.

**On Behalf of the Board:**

| | |
|---|---|
| "Anthony Jackson" | "Greg Burns" |
| Anthony Jackson, Director | Greg Burns, Director |

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

# INTACT GOLD CORP.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars - Unaudited)

| | For the three months ended September 30, | | For the six months ended September 30, | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **ADMINISTRATIVE EXPENSES** | | | | |
| Consulting fees | **$ -** | $ 552 | **$ 250,000** | $ 42,791 |
| Depreciation (Note 5) | **49** | 49 | **99** | 99 |
| Filing and transfer agent fees | **14,679** | 20,198 | **27,175** | 28,853 |
| Foreign exchange loss | **1,733** | - | **1,986** | - |
| Management and director fees (Note 11) | **12,000** | 12,000 | **24,000** | 62,000 |
| Office and miscellaneous | **313** | 3,678 | **2,650** | 29,881 |
| Professional fees | **21,265** | 17,731 | **21,265** | 20,510 |
| Travel and related expenses | **-** | 280 | **-** | 280 |
| | **(50,039)** | (54,488) | **(327,175)** | (184,414) |
| **OTHER INCOME** | | | | |
| Settlement of flow-through liabilities (Note 12) | - | - | - | 795 |
| | - | - | - | 795 |
| **LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD** | **$ (50,039)** | $ (54,488) | **$ (327,175)** | $ (183,619) |
| **Basic and diluted loss per common share** | **$ (0.00)** | $ (0.01) | **$ (0.02)** | $ (0.03) |
| **Weighted average common shares outstanding** | **18,182,651** | 5,632,651 | **16,796,312** | 5,590,350 |

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

# INTACT GOLD CORP.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars - Unaudited)

| | Share Capital | | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Shares to be Issued | Stock Options | Warrants | Total | Subscription Receivable | Accumulated Deficit | Total |
| | | $ | $ | $ | $ | $ | $ | $ | $ |
| Balance - March 31, 2017 | 5,507,651 | 3,635,671 | 30,000 | 213,586 | 148,460 | 362,046 | (280,050) | (3,270,933) | 476,734 |
| Private placement (Note 9) | 100,000 | 50,000 | - | - | - | - | - | - | 50,000 |
| Share issuance costs (Note 9) | 25,000 | 30,000 | (30,000) | - | - | - | - | - | - |
| Subscription receivable (Note 9) | - | - | - | - | - | - | 280,050 | - | 280,050 |
| Loss for the period | - | - | - | - | - | - | - | (183,619) | (183,619) |
| **Balance - September 30, 2017** | **5,632,651** | **3,715,671** | - | **213,586** | **148,460** | **362,046** | - | **(3,454,552)** | **623,165** |
| Balance - March 31, 2018 | 5,632,651 | 3,708,171 | - | 213,586 | 148,460 | 362,046 | - | (3,510,601) | 559,616 |
| Private placement (Note 9) | 12,500,000 | 2,000,000 | - | - | - | - | - | - | 2,000,000 |
| Exercise of warrants (Note 9) | 50,000 | 25,000 | - | - | - | - | - | - | 25,000 |
| Share issuance costs (Note 9) | - | (121,540) | - | - | 1,236 | 1,236 | - | - | (120,304) |
| Loss for the period | - | - | - | - | - | - | - | (327,175) | (327,175) |
| **Balance - September 30, 2018** | **18,182,651** | **5,611,631** | - | **213,586** | **149,696** | **363,282** | - | **(3,837,776)** | **2,137,137** |

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

**INTACT GOLD CORP.**
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars - Unaudited)

| | For the six months ended September 30, 2018 | 2017 |
|---|---|---|
| | **$** | $ |
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | |
| Loss for the period | **(327,175)** | (183,619) |
| Adjustments for non-cash items: | | |
| Depreciation | **99** | 99 |
| Settlement of flow-through liability | **-** | (795) |
| Changes in non-cash operating working capital items: | | |
| Receivables | **(15,695)** | 1,461 |
| Prepaid expenses and deposits | **(12,964)** | (9,267) |
| Accounts payable and accrued liabilities | **159,306** | 3,452 |
| | **(196,429)** | (188,669) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of shares | **2,000,000** | 50,000 |
| Share subscription receivable | **-** | 280,050 |
| Exercise of warrants | **25,000** | - |
| Share issuance costs | **(120,304)** | - |
| Loans received | **-** | 146,200 |
| | **1,904,696** | 476,250 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | |
| Exploration and evaluation property expenditures | **-** | (57,936) |
| Exploration and evaluation property recoveries | **-** | 50,000 |
| | **-** | (7,936) |
| **CHANGE IN CASH** | **1,708,267** | 279,645 |
| **CASH, BEGINNING OF PERIOD** | **157,442** | 23,635 |
| **CASH, END OF PERIOD** | **1,865,709** | 303,280 |

Supplemental disclosures with respect to cash flows (Note 10)

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

### Nature of operations

Intact Gold Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on April 3, 2007. The Company's business is to acquire and explore interests in mining projects.

The Company's head office and principal address is 800 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5. The Company's registered and records office is located at 800 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

### Share consolidation

On January 10, 2018, the Company consolidated its common shares on a one for ten basis. Unless otherwise stated, all share and per share amounts have been restated retrospectively to reflect this share consolidation.

### Going concern

The Company's mineral property is at the exploration stage and is without a known body of commercial ore. The business of exploring for minerals and mining involves a high degree of risk. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The amounts shown as exploration and evaluation property interests represent acquisition, holding and deferred exploration costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for exploration and evaluation property interests is dependent upon the Company obtaining the necessary financing to complete the exploration and development of the properties, the discovery of economically recoverable reserves and future profitable operations.

These condensed interim 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. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2018, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company may require additional financing for the upcoming fiscal year in order to maintain its operations and exploration activities and there are no assurances that the Company will be successful in raising additional capital on commercially reasonable terms or at all. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with current cash on hand, proceeds from the exercise of options and warrants, and further private placements, if available.

The condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Condensed Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Statement of compliance (continued)

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended March 31, 2018.

These unaudited condensed interim financial statements of the Company for the period ended September 30, 2018 were approved and authorized for issue by the Board of Directors on November 29, 2018.

### Basis of preparation

These condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim financial statements are presented in Canadian dollars unless otherwise noted.

### Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar and was determined through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

### Use of estimates

The preparation of condensed interim financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets and the recoverability and measurement of deferred tax assets and liabilities.

Critical judgments exercised in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are as follows:

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

Management has determined that exploration, evaluation, and related costs incurred 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Use of estimates (continued)

Economic recoverability and probability of future economic benefits of exploration and evaluation assets (continued)

Information about assumptions and estimations uncertainties that have a significant risk of resulting in material adjustments are as follow:

Valuation of share-based compensation

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 earnings and equity reserves.

Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

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

Depreciation is calculated using a declining balance method. The depreciation rates applicable to each category of equipment are as follows:

Computer equipment: 30% declining balance

### Exploration and evaluation property interests

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluations of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined impairment in value, the property is written down to its recoverable

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Exploration and evaluation property interests (continued)

amount. Mineral properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

### Restoration and environmental obligations

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

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

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

As at September 30, 2018 and March 31, 2018, there were no significant restoration and environmental obligations.

### Share capital

Financial instruments issued by the Company are classified as shareholders' equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from shareholders' equity, net of tax.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing price on the issuance date. The excess, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to accumulated deficit.

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into (i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and (ii) share capital. Upon qualifying expenses being incurred,

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share capital (continued)

Valuation of equity units issued in private placements (continued)

the Company derecognizes the liability on a pro-rata basis and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax recognized as a tax provision.

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 portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subjected 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.

### Share-based compensation

The Company operates an employee stock option plan. Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of expired unexercised vested stock options to accumulated deficit from reserves on the date of expiration.

### Loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. As at September 30, 2018, all of the Company's 92,500 (2017 - 92,500) stock options and 12,986,292 (2017 - 2,896,549) warrants were anti-dilutive and therefore excluded from the diluted loss per share calculation.

### Change in accounting policies - Financial Instruments

The Company has adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The main area of change is the accounting for equity securities previously classified as fair value through profit and loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Change in accounting policies - Financial instruments (continued)

The following is the Company's new accounting policy for financial instruments under IFRS 9.

**(i) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

| Financial assets/liabilities | Original classification IAS 39 | New classification IFRS 9 |
|---|---|---|
| Cash | Amortized cost | Amortized cost |
| Receivables | Amortized cost | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost |
| Loans payable | Amortized cost | Amortized cost |

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on April 1, 2018.

**(ii) Measurement**

Financial assets at FVTOCI
Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of net (loss) income. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Change in accounting policies - Financial instruments (continued)

#### (iii) Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### (iv) Derecognition

<u>Financial assets</u>
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

<u>Financial liabilities</u>
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net (loss) income.

### Impairment of assets

The carrying amount of the Company’s assets (which include equipment and exploration and evaluation property interests) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset’s fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(Expressed in Canadian Dollars - Unaudited)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended September 30, 2018 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending March 31, 2019 or later:

*IFRS 16 - Leases* specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing any material effect on its financial statements from the adoption of this standard.

## 3. RECEIVABLES

The following table shows the breakdown of the Company's accounts receivable as of September 30, 2018 and March 31, 2018:

| | **September 30, 2018** | March 31, 2018 |
|---|---|---|
| | **$** | $ |
| Taxes receivable | **25,268** | 9,573 |
| Total receivables | **25,268** | 9,573 |

## 4. PREPAID EXPENSES AND DEPOSITS

The following table shows the breakdown of the Company's prepaid expenses as of September 30, 2018 and March 31, 2018:

| | **September 30, 2018** | March 31, 2018 |
|---|---|---|
| | **$** | $ |
| Legal fees | **752** | 752 |
| Filing fees | **12,964** | - |
| Total prepaid expenses | **13,716** | 752 |

(Expressed in Canadian Dollars - Unaudited)

## 5. EQUIPMENT

| | Computer equipment |
|---|---|
| | $ |
| **Cost:** | |
| Balance at March 31, 2017 and 2018 and September 30, 2018 | 3,236 |
| **Accumulated depreciation:** | |
| Balance at March 31, 2017 | 2,773 |
| Charge for the year | 198 |
| Balance at March 31, 2018 | 2,971 |
| Charge for the period | 99 |
| Balance at September 30, 2018 | 3,070 |
| **Net book value:** | |
| Balance at March 31, 2018 | 265 |
| **Balance at September 30, 2018** | **166** |

## 6. EXPLORATION AND EVALUATION PROPERTY INTERESTS

**Title to mineral properties**

Title to mineral property interests 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 conveyance history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and to the best of management's knowledge, title to all of its properties are in good standing and free of material defect.

**Belleterre Extreme East Property and Ortona Property**

On May 9, 2016, the Company entered an agreement with Caprock Ventures Corp ("Caprock"). Pursuant to the terms of the agreement, the Company may acquire a 100% in the Belletere Extreme East Property and the Ortona Property located in Quebec, Canada.

By way of consideration, the Company made cash payments totaling $25,000 and issued 150,000 shares valued at $120,000. An additional 50,000 shares may be issued to the optionor if certain targets are met. Exploration expenditures of $500,000 are required within three years. The properties are subject to a 0.5% NSR, which the Company may repurchase for $500,000.

The original vendors of the properties also retain NSRs (1% NSR on the Ortona Property, which may be repurchased for $1,000,000, and 3.5% NSR on the Belleterre Extreme East Property, whereby the Company may repurchase the first 2% for $1,000,000 and the remaining 1.5% for $750,000 at any time).

## 6. EXPLORATION AND EVALUATION PROPERTY INTERESTS (continued)

### Guillet Property

On April 18, 2016, the Company entered into an agreement whereby Caprock has granted the Company the option to acquire an undivided 100% interest in and to certain mineral claims (the "Guillet Property" or the "Property"), located near the town of Belleterre, Temiscamingue, Quebec.

The Company paid to Caprock an aggregate amount of $50,000, issued 100,000 shares valued at $160,000, and will incur $500,000 in exploration expenditures by December 31, 2019. The property is subject to a 0.5% NSR on future gold production, which includes advance royalty payments of $25,000 annually beginning on December 31, 2020, to Caprock. The Company has the option at any time to purchase 0.5% of the NSR for payment of $500,000 to Caprock.

The original vendors of the property will retain a 3.5% NSR on the Guillet Property. The Company has the right to purchase the first 1% for $1,000,000, the second 1% for $1,500,000 and the third 1.0% for $2,000,000 at any time.

### Gold Hill - Blackjack Property

On February 3, 2016, the Company entered into an agreement with King's Bay Gold Corporation to acquire an undivided 100% interest in and to certain mineral claims (collectively, the "Gold Hill - Blackjack Property"), located in the Kenora Mining Division of Ontario.

As per property acquisition agreement, the consideration paid by the Company comprised the payment of $10,000 upon TSX-V approval, the issuance of 20,000 common shares within 10 days of TSX-V approval, and the issuance of 20,000 warrants exercisable at $1.725 over a period of two years. During the year ended March 31, 2017, the Company made the payment and issued the shares and warrants.The shares and warrants were valued at $20,000 and $10,910, respectively.

A NSR of 2% is payable on future gold production whereby the Company can buy back one half of the NSR at any time by paying $1,000,000 to the original vendors.

The Company entered into an option agreement on May 9, 2017 with Westridge Resources Inc. ("Westridge"), a B.C. company, to option out a 100% right, title and interest in Black Jack gold property.

Under the terms of the agreement, the Company irrevocably grants to Westridge the sole and exclusive right and option to acquire a 100% right, title and interest in the property, free of all encumbrances, on the following terms:

Westridge will pay the Company up to $155,000 in cash on the following schedule:

(i) $50,000 upon the effective date of this agreement; (received)
(ii) $5,000 after 12 months; and
(iii) $50,000 every 12 months thereafter for two years.

Westridge will issue to the Company up to 100,000 common shares in the capital of Westridge on the following schedule:

(i) 50,000 common shares 12 months after the effective date of this agreement; and
(ii) 50,000 common shares every 12 months thereafter for two years.

(Expressed in Canadian Dollars - Unaudited)

## 6. EXPLORATION AND EVALUATION PROPERTY INTERESTS (continued)

### Gold Hill - Blackjack Property (continued)

Expenditures related to the Company's exploration and evaluation property interests are as follows:

| | Belleterre/ Ortona Property | Guillet Property | Gold Hill Blackjack Property | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance as at March 31, 2017** | **304,877** | **210,000** | **66,113** | **580,990** |
| Exploration expenditures | | | | |
| Geological consulting and engineering | 151,673 | - | - | 151,673 |
| Recoveries | - | - | (50,000) | (50,000) |
| **Balance as at March 31, 2018 and September 30, 2018** | **456,550** | **210,000** | **16,113** | **682,663** |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table shows the breakdown of the Company's accounts payable and accrued liabilities as of September 30, 2018 and March 31, 2018:

| | **September 30, 2018** | March 31, 2018 |
|---|---|---|
| | **$** | $ |
| Accounts payable (Note 11) | **309,590** | 150,283 |
| Accrued liabilities | **12,126** | 12,127 |
| Total | **321,716** | 162,410 |

## 8. LOANS PAYABLE

During the year ended March 31, 2018, the Company received a loan of $113,900 from third parties and $110,200 from related parties (Note 11). During the year ended March 31, 2018, the Company repaid $127,900 in loans payable. As at September 30, 2018, the Company had $96,200 (March 31, 2018 - $96,200) outstanding loans payable. These loans are non-interest bearing with no specified terms of repayment.

## 9. SHARE CAPITAL AND RESERVES

### Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

### Issued share capital

On January 10, 2018, the Company consolidated its capital on a one-new-for-10-old basis.

On May 17, 2016, the Company issued 280,000 units at a price of $1.25 per unit for gross proceeds of $350,000. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share until May 17, 2018 at a price of $1.75. The Company recognized a value for the warrants at $14,000 using the residual value method. In connection with closing of the private placement, the Company paid certain finder's fees: $2,813 cash and 3,290 purchase warrants exercisable at $1.75 for two years (the "finder's warrants") valued at $1,974. The warrants were valued using the Black-Scholes

## 9. SHARE CAPITAL AND RESERVES (continued)

### Issued share capital (continued)

valuation model using a volatility of 106%, a risk-free rate of 0.53%, an expected life of two years and a dividend rate of zero.

On May 19, 2016, the Company issued 125,000 units at a price of $1.60 per unit for gross proceeds of $200,000. Each unit comprises one flow-through common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share until May 19, 2018 at a price of $2.00. In connection with closing of the private placement, the Company paid certain finder's fees: $18,000 cash and a settlement fee of $2,500. The warrants were valued using the Black-Scholes valuation model using a volatility of 107%, a risk-free rate of 0.53%, an expected life of two years and a dividend rate of zero.

On May 5, 2016, the Company issued 100,000 shares for the acquisition of the Guillet Property (Note 6). The fair value of these shares amounts to $160,000.

On May 24, 2016, the Company issued 20,000 shares for the acquisition of the Gold Hill - Blackjack Property (Note 6). The fair value of these shares amounts to $20,000. The Company also issued 20,000 warrants valued at $10,910 exercisable at $1.725 for two years. The warrants were valued using the Black-Scholes valuation method using a volatility of 105%, a risk-free rate of 0.53%, an expected life of two years and a dividend rate of zero.

On June 23, 2016, the Company issued 150,000 shares for the acquisition of the Belleterre Extreme East Property and the Ortona Property (Note 6). The fair value of these shares amounts to $120,000.

On August 12, 2016, the Company closed a private placement and issued 266,667 units at a price of $0.75 per unit for gross proceeds of $200,000. Each unit comprises one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share until August 12, 2018, at a price of $1.00. A value of $Nil was attributed to the warrants using the residual value method.

On March 31, 2017, the Company closed a non-brokered private placement consisting of 307,692 non-flow-through units at a price of $0.65 per unit, for gross proceeds of $200,000. Each unit comprises one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share for a period of two years at a price of $1.00. The Company recognized a value for the warrants of $61,538 using the residual value method. Concurrently, finders' fees of $17,750 were paid, 25,000 finders' shares were issued, valued at $30,000, and 25,000 finders' warrants exercisable for two years at a price of $1.00 were issued, valued at $2,968. The finders' warrants were valued using the Black-Scholes valuation model using a volatility of 105%, a risk-free rate of 0.62%, an expected life of two years and a dividend rate of zero. The Company also closed the other non-brokered private placement of 300,000 flow-through units at a price of $0.75 per unit, for gross proceeds of $225,000. Each unit comprises one common share and one half common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share for a period of two years from issuance date at a price of $1.20. The Company recognized a flow through share premium on issuance of $30,000. The Company had subscriptions receivable on this financing of $280,050 at March 31, 2017. Further, 25,000 finders shares valued at $30,000 were issued after March 31, 2017 and were recognized as shares to be issued at March 31, 2017.

During the year ended March 31, 2017, 36,000 warrants were exercised at $0.25, 41,600 warrants were exercised at $1.00 and 237,000 warrants were exercised at $0.50. Shares were issued for a total consideration of $169,100. The fair value of $13,930 attributed to exercised warrants was reversed accordingly.

On May 23, 2017, the Company closed a non-brokered private placement consisting of 100,000 flow-through units at a price of $0.50 per unit for gross proceeds of $42,500. Each unit comprises of one flow-through common share and one common share purchase warrant. The warrants can be exercised at a price of $0.50 and expires one year after the issuance date. The Company recognized a flow-through liability of $7,500 for the issuance of these shares.

(Expressed in Canadian Dollars - Unaudited)

## 9. SHARE CAPITAL AND RESERVES (continued)

### Issued share capital (continued)

On April 20, 2018, the Company closed a non-brokered private placement for 12,500,000 units at a price of $0.16 per unit, for gross proceeds of $2,000,000. Each unit comprises one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share for a period of one year at a price of $0.21. A value of $Nil was attributed to the warrants using the residual value method. In connection with closing of the private placement, the Company paid certain finder's fees: $576 cash, $119,728 cash payable and 3,600 purchase warrants exercisable at $0.21 for one year (the "finder's warrants") valued at $1,236. The warrants were valued using the Black-Scholes valuation model using a volatility of 157%, a risk-free rate of 1.88%, an expected life of one year and a dividend rate of zero.

On June 13, 2018, 50,000 shares were issued upon exercise of 50,000 warrants at a price of $0.50 per share for gross proceeds of $25,000.

### Share purchase warrants

A summary of share purchase warrant activities are as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **Outstanding and exercisable at March 31, 2017** | **2,796,549** | **$0.87** |
| Warrants issued | 100,000 | $0.50 |
| Warrants expired | (1,821,400) | $0.68 |
| **Outstanding and exercisable at March 31, 2018** | **1,075,149** | **$1.16** |
| Warrants issued | 12,503,600 | $0.21 |
| Warrants exercised | (50,000) | $0.50 |
| Warrants expired | (275,790) | $1.58 |
| Warrants expired | (266,667) | $1.00 |
| **Outstanding and exercisable at September 30, 2018** | **12,986,292** | **$0.24** |

A summary of the share purchase warrants outstanding at September 30, 2018 is as follows:

| Warrants outstanding and exercisable | Exercise price | Expiry date |
|---|---|---|
| | $ | |
| 150,000 | 1.20 | March 31, 2019 |
| 307,692 | 1.00 | March 31, 2019 |
| 25,000 | 1.20 | March 31, 2019 |
| 12,503,600 | 0.21 | April 20, 2019 |
| **12,986,292** | **0.24** | |

The weighted average life of warrants outstanding at September 30, 2018 is 0.55 year.

(Expressed in Canadian Dollars - Unaudited)

## 9. SHARE CAPITAL AND RESERVES (continued)

### Stock options

The following table summarizes the options outstanding at September 30, 2018:

| Options outstanding and exercisable | Exercise price | Expiry date |
|---|---|---|
| | $ | |
| 35,167 | 3.00 | February 10, 2021 |
| 11,667 | 3.00 | January 27, 2022 |
| 45,666 | 3.75 | March 23, 2022 |
| **92,500** | **3.37** | |

During the year ended March 31, 2018, 666 stock options expired (2017 - Nil). No other changes in the number of options occurred from March 31, 2016 to September 30, 2018.

The weighted average life of stock options outstanding at September 30, 2018 was 3.04 years.

## 10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the six months ended September 30, 2018, the Company:

- Issued warrants as finder's fees valued at $1,236.

During the six months ended September 30, 2017, the Company:

- Issued common shares as finder's fee valued at $30,000.

## 11. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2018, the Company entered into the following transactions with key management personnel (senior officers and directors), not disclosed elsewhere in these financial statements:

| | **For the six months ended September 30,** | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Management and director fees | **24,000** | 61,470 |
| Total | **24,000** | 61,470 |

As at September 30, 2018, the Company recognized accounts payable owing to a company controlled by a director and officer of the Company of $111,870 (March 31, 2018 - $86,670).

During the year ended March 31, 2017, loan repayments amounting to $26,500 were made to a family member of an officer (Note 8). Also, during the year ended March 31, 2017, the Company incurred $6,000 in consulting fees to a family member of an officer. At March 31, 2017, the Company had other receivables from a family member of an officer of $3,500, which was repaid during the year ended March 31, 2018.

During the year ended March 31, 2018, the Company received loans of $110,200 (Note 8) from companies controlled by a director and officer of the Company. Also during the year, the Company paid back loans to a company controlled by a director and officer of the Company in the amount of $16,900 (Note 8). The loans are non-interest bearing with no specific terms of interest or repayment. The loans are non-interest bearing with no specific terms of interest or repayment.

## 12. FLOW-THROUGH PREMIUM LIABILITY

The Company issued 100,000 flow-through shares during the year ended March 31, 2018 for a total amount of $42,500. A flow-through premium of $7,500 was recognized during the year, which increased the flow-through liability to $40,764. During the same year $55,300 was spent on exploration leading to a decrease in liability of $8,295. The ending balance of the flow-through liability as at March 31, 2018 is $32,469. The Company is still required to spend $216,460 in eligible exploration expenditures as at March 31, 2018 relating to flow-through shares.

During the year ended March 31, 2017, the Company issued 425,000 flow-through units for gross proceeds of $425,000 and recognized a flow-through premium of $73,750. Of this amount, $40,486 was recognized as other income during the year based on expenditures incurred. As at March 31, 2017, the flow-through premium liability outstanding relating to these flow-through shares was $33,264.

## 13. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

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 loans payable approximate their carrying values. The Company's other financial instruments, being cash, are measured at fair value using Level 1 inputs.

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:

(a) 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 has deposited the cash with its bank from which management believes the risk of loss is remote. The majority of the Company's receivables are amounts receivable from the Canada Revenue Agency for excise tax credits and as such, the credit risk is minimal.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company's liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities. The Company will require additional financing for the upcoming fiscal year in order to maintain its operations and satisfy its liabilities.

## 13. FINANCIAL INSTRUMENTS & RISK MANAGEMENT (continued)

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(d) 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 interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

## 14. CAPITAL DISCLOSURE AND MANAGEMENT

The Company considers its capital structure to include the components of shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As an exploration stage company, the Company is currently unable to self-finance its operations.

Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

The Company's share capital is not subject to any external restrictions and the Company did not change its approach to capital management during the period.

## 15. SUBSEQUENT EVENT

No subsequent event.