



UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month periods ended

August 31, 2018 and 2017

KAPUSKASING GOLD CORP.
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	August 31, 2018	May 31, 2018
ASSETS		
CURRENT		
Cash	\$ 41,877	\$ 60,093
HST and other receivables (Note 3)	3,249	3,376
	45,126	63,469
NON-CURRENT		
EXPLORATION AND EVALUATION ASSETS (Note 4)	368,400	366,881
	\$ 413,526	\$ 430,350
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 81,883	\$ 71,267
	81,883	71,267
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	3,948,106	3,948,106
Contributed surplus	1,442,921	1,442,921
Deficit	(5,059,384)	(5,031,944)
	331,643	359,083
	\$ 413,526	\$ 430,350

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
BASIS OF PREPARATION (Note 2)
COMMITMENTS (Note 9)
EVENT AFTER THE REPORTING PERIOD (Note 12)

Approved and authorized for issue on behalf of the Board on **October XX, 2018**:

“Signed”
Jonathan Armes

“Signed”
James Fairbairn

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

KAPUSKASING GOLD CORP.
UNAUDITED INTERIM CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

For the three month period ended August 31,	2018	2017
GENERAL AND ADMINISTRATION:		
Consulting (Note 5)	\$ 18,675	\$ 10,600
Investor relations	2,181	25,405
Office and miscellaneous	774	4,762
Professional fees	4,467	3,222
Transfer agent and filing fees	1,343	5,563
	(27,440)	(49,552)
Other income on settlement of flow-through premium liability (Note 6)	-	1,100
Write down – exploration and evaluation assets	-	(6,518)
NET LOSS AND COMPREHENSIVE LOSS	\$ (27,440)	\$ (54,970)
LOSS PER COMMON SHARE, basic and diluted	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	58,627,650	51,680,332

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KAPUSKASING GOLD CORP.
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the three month periods ended August 31,	2018	2017
OPERATING ACTIVITIES		
Net loss	\$ (27,440)	\$ (54,970)
Items not involving cash:		
Other income on settlement of flow-through premium liability	-	(1,100)
Write down – exploration and evaluation assets	-	6,518
Changes in non-cash working capital items:		
Prepaid expenses	-	25,000
HST and other receivables	127	(986)
Accounts payable and accrued liabilities	10,616	(6,044)
	(16,697)	(31,582)
FINANCING ACTIVITIES		
Issuance of shares/units for cash	-	279,700
Share issue costs	-	(10,500)
	-	269,200
INVESTING ACTIVITIES		
Exploration and evaluation assets	(1,519)	(15,000)
	(1,519)	(15,000)
CHANGE IN CASH	(18,216)	222,618
CASH, BEGINNING OF PERIOD	60,093	53,058
CASH, END OF PERIOD	\$ 41,877	\$ 275,676
SUPPLEMENTAL INFORMATION		
Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ 15,981	\$ 6,518
Shares issued for exploration and evaluation assets	-	18,000

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KAPUSKASING GOLD CORP.
UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share Subscriptions Receivable/Received	Contributed Surplus	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$	\$
Balance, May 31, 2017	47,060,986	3,572,915	136,500	1,184,321	(4,208,902)	684,834
Issued for exploration and evaluation assets	400,000	18,000	-	-	-	18,000
Issued for cash pursuant to private placements	7,646,664	416,200	(136,500)	-	-	279,700
Warrants issued pursuant to private placement	-	(140,600)	-	140,600	-	-
Share issue costs (cash)	-	(10,500)	-	-	-	(10,500)
Premium on flow-through shares	-	(33,867)	-	-	-	(33,867)
Net loss for the period	-	-	-	-	(54,970)	(54,970)
Balance, August 31, 2017	55,107,650	3,822,148	-	1,324,921	(4,263,872)	883,197
Issued for exploration and evaluation assets	1,300,000	44,000	-	-	-	44,000
Issued for cash pursuant to private placements	2,220,000	111,000	-	-	-	111,000
Warrants issued pursuant to private placement	-	(21,000)	-	21,000	-	-
Share issue costs (cash)	-	(8,042)	-	-	-	(8,042)
Share based compensation	-	-	-	97,000	-	97,000
Net loss for the period	-	-	-	-	(768,072)	(768,072)
Balance, May 31, 2018	58,627,650	3,948,106	-	1,442,921	(5,031,944)	359,083
Net loss for the period	-	-	-	-	(27,440)	(27,440)
Balance, August 31, 2018	58,627,650	3,948,106	-	1,442,921	(5,059,384)	331,643

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

**KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED AUGUST 31, 2018 AND 2017
(Expressed in Canadian dollars)**

1. NATURE OF BUSINESS AND GOING CONCERN

Kapuskasing Gold Corp. (the "Company") was incorporated under the Business Corporations Act in British Columbia on April 26, 2010. The head office, principal address and records office of the Company are located at 133 Richmond Street West, Suite 501 Toronto, ON. M5H 2L3. The Company's registered address is 700 West Georgia Street, 25th Floor, Vancouver, British Columbia, V7Y 1B3.

GOING CONCERN

The Company's principal business activities include the acquisition and exploration of mineral property assets. At August 31, 2018, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for an exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and future profitable production from the properties or realizing proceeds from their disposition.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

The Company's ability to retain the rights to certain of its properties is dependent upon the Company continuing to make option payments and/or meet other commitments (see note 4).

The Company has an accumulated deficit of \$5,059,384 as at August 31, 2018 (May 31, 2018 - \$5,031,944). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

As at August 31, 2018, the Company's current cash resources are insufficient to cover the expected expenditures in fiscal 2019. The Company's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

During the three month periods ended August 31, 2018 and 2017, the Company reported a net loss of \$27,440 and a net loss of \$54,970 respectively. Historically, the Company has recognized recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Company's ability to continue as a going concern.

These unaudited interim condensed financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

**KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED AUGUST 31, 2018 AND 2017
(Expressed in Canadian dollars)**

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

These unaudited interim condensed consolidated financial statements were authorized by the Board of Directors of the Company on **October XX, 2018**.

2.2 Basis of Preparation and Functional and Presentation Currency

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's May 31, 2018 annual financial statements.

The financial statements are presented in Canadian Dollars, which is also the functional currency of the Company.

2.3 Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates and judgments relate to, but are not limited to, the following:

- determination of the flow-through share premium requires the use of estimates when using the residual method while calculating the premium associated with the issuance of flow-through shares compared with common shares;
- calculation of the fair value of share-based payments requires the use of estimates of inputs in the Black-Scholes option pricing valuation model;
- assessment of the carrying value of deferred acquisition costs at each reporting date to determine whether any indication of impairment exists. When an impairment exists, the calculation of recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, recoverable metals, and operating performance;
- ownership and control of property requires the use of judgment; and
- assessment of the going concern assumption as detailed in Note 1 to the financial statements.

**KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED AUGUST 31, 2018 AND 2017
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2. BASIS OF PREPARATION (continued)

2.4 Adoption of New and Revised Standards and Interpretations

Adoption of New Standards

The Company has adopted the following new standards, along with any consequential amendments, effective June 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 9 Financial Instruments (“IFRS 9”) – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9’s key changes include but are not limited to eliminating the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale and (ii) replacing IAS 39’s incurred loss model with the expected credit loss model in evaluating certain financial assets for impairment. In implementing IFRS 9, the Company updated the financial instrument classifications within its accounting policy as follows:

	IAS 39	IFR 9
Cash	Fair Value through profit or loss	Fair Value through profit or loss
HST and other receivables	Loans and receivables, measured at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost

There was no material impact on the Company’s condensed consolidated interim financial statements upon adoption of this standard.

New Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after June 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 16 - In 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) has been adopted. The Company does not expect a significant impact from the amendments on the Company’s financial statements.

KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
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3. HST AND OTHER RECEIVABLES

<i>As at</i>	August 31, 2018	May 31, 2018
HST receivable	\$ 3,249	\$ 3,376
Total HST and other receivables	\$ 3,249	\$ 3,376

At August 31, 2018, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 11.

The Company holds no collateral for any receivable amounts outstanding as at August 31, 2018.

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation asset expenditures during the three month periods ended August 31, 2018 and 2017, by nature are detailed as follows:

	2018	2017
	\$	\$
Acquisition costs	-	33,000
Sampling, technical reports, data compilation and mapping	1,519	6,518
Total	1,519	39,518

Exploration and evaluation assets by properties are detailed as follows:

	Acquisition net	Exploration	Write downs	August 31, 2018	May 31, 2018
	\$	\$	\$	\$	\$
Daniel's Harbour	54,000	575	-	54,575	54,575
Sterling	23,000	67,217	-	90,217	90,217
Lady Pond	69,495	154,113	-	223,608	222,089
Total	146,495	221,905	-	368,400	366,881

KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
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4. EXPLORATION AND EVALUATION ASSETS *(continued)*

LADY POND, KINGS COURT, ALEXIS, HAYES, CAPE CHARLES, INDIAN HEAD, IRON MOUNTAIN, ROSS LAKE, NEWFOUNDLAND AND LABRADOR

On April 3, 2017, the Company entered into a Mineral Property Acquisition Agreement to acquire a 100% interest in eight separate properties located in the province of Newfoundland and Labrador. As consideration for the properties, the Company was required to issue 7,500,000 common shares (issued at a fair value of \$375,000), and make a cash payment of \$5,000 (paid). The vendors shall retain a 3.0% net smelter return royalty ("NSR") interest, or where applicable, a 3.0% net profit return royalty ("NPR"). The Company retains the option to buy back 2.0% of the NSR (or NPR) for \$1,000,000.

The properties are termed the: Lady Pond (Cu, Co, Au, Ag) project, Kings Court (Cu, Co) project, Alexis (Co) project, Cape Charles (Co) project, Hayes (V) project, Indian Head (V) project, Iron Mountain (V) project, and the Ross Lake (V) project.

Management exercised judgment in allocating the total consideration of \$380,000 to the eight properties based on the number of claims acquired for each property.

In addition to the claims acquired under the Mineral Property Acquisition Agreement, the Company acquired through staking a 100% interest in 15 claims that form part of the Lady Pond Project.

As at May 31, 2018, the Company did not renew the claims on Kings Court, Alexis, Hayes, Cape Charles, Indian Head, Iron Mountain and Ross Lake, as such, the properties were written off.

DANIELS HARBOUR PROPERTY, NEWFOUNDLAND

On May 10, 2017, the Company signed a non-binding Letter of Intent to purchase a 100% undivided interest in 42 claims comprising the Daniels Harbour Property located on the Great Northern Peninsula of Newfoundland. Under the proposed terms, the Company can acquire the property for staged cash payments totaling \$60,000 (\$10,000 paid), issuing 1,750,000 common shares (1,000,000 shares issued) to the vendor, and carrying out \$100,000 in exploration by the second anniversary of TSX-V acceptance of the agreement.

The vendor shall retain a 3.0% NSR interest, 2.0% of which can be purchased by the Company for \$2,000,000.

On September 10, 2017, the Company entered into an agreement to acquire the Daniels Harbour Property according to the terms of the Letter of Intent.

On September 14, 2017, the Company executed and finalized the formal option agreement to earn a 100% interest in the Daniels Harbour Zinc Property located on the Great Northern Peninsula of Newfoundland, approximately 10 km's north east of the community of Daniels Harbour.

Pursuant to the Agreement, the Company may earn a 100% interest in the Daniels Harbour Property for total consideration of 1,750,000 shares, \$60,000 in cash payments and a work commitment of \$100,000 within the 24 months following TSX-V approval. The Vendor shall retain a 3% net smelter royalty ("NSR") interest. The Company retains the option to buy back 2% of the NSR for \$2,000,000. In the event the Company delineates a 43-101 compliant resource of 5,000,000 tonnes of ore grade zinc (Grade of at least 7% Zn), the vendor will receive a one-time bonus payment equating to CDN\$50,000 payable in cash or shares at the election of the Company on the day of which said report is filed on SEDAR.

On February 8, 2018, the Company executed the asset purchase agreement for a 100% interest in the DH Unity Claims consisting of 30 claims (750 hectares) in the Daniels Harbour area, situated nearby the Company's Daniels Harbour Zinc Property. The Company can purchase a 100% interest in the DH Unity Claims Property for total consideration of 300,000 shares (issued), and a \$1,950 one time cash payment.

KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED AUGUST 31, 2018 AND 2017
(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS *(continued)*

STERLING PROPERTY, NEWFOUNDLAND

On August 21, 2017, the Company entered into an agreement to acquire a 100% undivided interest in 28 claims comprising the Sterling Property located in Newfoundland. Under the terms of the agreement, the Company can acquire the property for staged cash payments totaling \$25,000 (\$5,000 paid), issuing 1,800,000 common shares (400,000 shares issued) to the vendor, and carrying out \$250,000 in exploration by the fourth anniversary of TSX-V acceptance of the agreement.

The vendor shall retain a 3.0% NSR interest, 2.0% of which can be purchased by the Company for \$2,000,000.

5. RELATED PARTY TRANSACTIONS AND BALANCES

During the three month period ended August 31, 2018, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

Related party	Nature of transactions
Jonathan Armes, President & CEO	Consulting fees
James Fairbairn, former CFO	Consulting fees
Marco Guidi, CFO	Consulting fees

Included for the three month periods ended August 31, 2018 and 2017 are the following items paid or accrued to key management personnel and/or companies with common directors. The Company has identified its directors and certain senior officers as its key management personnel. Exchange amounts are the amounts agreed upon by the transacting parties.

As at August 31, 2018, included in accounts payable and accrued liabilities is \$28,000 (May 31, 2018 - \$20,000) payable to directors and officers.

	2018	2017
Consulting	\$ 18,500	\$ 11,000
Stock based compensation	-	-
Totals	\$ 18,500	\$ 11,000

**KAPUSKASING GOLD CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED AUGUST 31, 2018 AND 2017
(Expressed in Canadian dollars)**

6. FLOW-THROUGH PREMIUM LIABILITY

During the year ended May 31, 2018, the Company closed flow through financings (described in Note 8) and recorded a premium received on flow-through shares of \$33,867 which was recorded as a liability to be reversed to profit and loss when the eligible expenditures are incurred.

During the three month period ended August 31, 2018, the Company recognized income on settlement of flow-through premium liability in the amount of \$nil (2017 - \$1,100).

As at August 31, 2018, the remaining liability is estimated at \$nil (May 31, 2018 - \$nil).

7. SHARE CAPITAL

a) Share capital

Authorized

Unlimited common shares without par value.

Issued and outstanding

As at August 31, 2018, the issued share capital is comprised of 58,627,650 common shares (May 31, 2018 – 58,627,650):

Fiscal 2019

There was no share capital activity during the three month period ended August 31, 2018.

Fiscal 2018

- i. On June 12, 2017, the Company closed a non-brokered financing of 2,960,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$148,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each purchase warrant will be exercisable into one common share at \$0.10 for a period of 24 months from the closing of the financing. The Company also closed a non-brokered private placement of 886,664 flow-through units of the Company at a price of \$0.06 per unit for gross proceeds of \$53,200. Each flow-through unit consists of one common share and one half share purchase warrant, each whole warrant exercisable at \$0.10 into one common share of the Company for a period of 24 months from the closing of the financing.

A fair value of \$66,600 was allocated to the warrants using the Black-Scholes model with the following assumptions: term of 2 years, dividend yield 0%, expected volatility of 126%, and a risk free interest rate of 0.83%.

- ii. On August 1, 2017 the Company closed a non-brokered private placement of 1,300,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$65,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. The Company also closed a non-brokered private placement of 2,500,000 flow-through units of the Company at a price of \$0.06 per flow-through unit for gross proceeds of \$150,000. Each flow-through unit consists of one common share and one warrant. Each warrant is exercisable into one non-flow-through common share at \$0.10 for a period of 24 months from the closing of the financing. A cash commission of \$10,500 was paid to an arms' length finder.

A fair value of \$74,000 was allocated to the warrants using the Black-Scholes model with the following assumptions: term of 2 years, dividend yield 0%, expected volatility of 132%, and a risk free interest rate of 1.26%.

- iii. On August 24, 2017, the Company issued 400,000 shares at a value of \$0.045 per share (\$18,000) pursuant to the Sterling Property Acquisition Agreement (Note 4).
- iv. On September 18, 2017, the Company issued 1,000,000 shares at a value of \$0.035 per share (\$35,000) pursuant to the Daniels Harbour Property Acquisition Agreement (Note 4).

KAPUSKASING GOLD CORP.
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7. SHARE CAPITAL (continued)

Fiscal 2018 (continued)

- v. On October 30, 2017 the Company closed a non-brokered private placement of 2,220,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$111,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.075 for a period of 12 months from the closing of the financing.

A fair value of \$21,000 was allocated to the warrants using the Black-Scholes model with the following assumptions: term of 1 year, dividend yield 0%, expected volatility of 120%, and a risk free interest rate of 1.38%.

- vi. On February 8, 2018, the Company issued 300,000 shares at a value of \$0.03 per share (\$9,000) pursuant to the DH Unity Claims acquisition Agreement (Note 4).

b) Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to 5 years from the date of grant, and must comply with the rules of the TSX-V. The stock options vest at the Board's discretion. As at August 31, 2018, the Company had 337,765 (May 31, 2018 – 337,765) options available for issuance.

- (i) A summary of the changes to the Company's issued and outstanding stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2017	2,775,000	\$0.07
Issued	2,750,000	\$0.05
Balance, May 31, 2018	5,525,000	\$0.06
Expired/Cancelled	(325,000)	\$0.07
Balance, August 31, 2018	5,200,000	\$0.06

On October 12, 2017, 2,750,000 options exercisable at \$0.05 and expiring on October 12, 2022 were granted. Share-based compensation of \$97,000 was recorded using the Black-Scholes option pricing model with the following assumptions:

Expected term	5 years
Expected volatility	144%
Risk-free interest rate	1.75%
Dividend yield	nil

- (ii) The following table provides additional information about outstanding stock options at August 31, 2018:

Expiry Date	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	No. of Options Currently Exercisable
January 15, 2020	1,000,000	1.37	\$ 0.10	1,125,000
July 20, 2021	1,550,000	2.89	\$ 0.05	1,650,000
October 12, 2022	2,650,000	4.12	\$ 0.05	2,750,000

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7. SHARE CAPITAL (continued)

c) Warrants and finder's warrants

(i) The following warrants were outstanding and exercisable as at August 31, 2018:

Warrants Outstanding	Warrants Exercisable	Exercise Price	Expiry Date
2,220,000	2,220,000	\$0.075	October 30, 2018
4,000,000	4,000,000	\$0.10	February 5, 2019
3,403,332	3,403,332	\$0.10	June 12, 2019
3,800,000	3,800,000	\$0.10	August 1, 2019
200,000	200,000	\$0.05	October 23, 2020
50,000	50,000	\$0.05	May 17, 2021
13,673,332	13,673,332		

(ii) A summary of the changes to the Company's issued outstanding share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2017	12,283,334	\$0.08
Issued	9,423,332	\$0.09
Expired	(8,033,334)	0.08
Balance, May 31, 2018 and August 31, 2018	13,673,332	\$0.10

8. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted loss per share for the three month periods ended August 31, 2018 and 2017 was based on the loss attributable to common shareholders of \$27,440 (2017 – \$54,970) and the weighted average number of common shares outstanding of 58,627,650 (2017 – 51,680,332). None of the outstanding options and warrants had a dilutive impact during the three month period ended August 31, 2018 and 2017.

9. COMMITMENTS

The Company is obligated to make certain payments and issue shares as described in Note 4 in connection with the acquisition and continued exploration of its exploration and evaluation assets and has approximately \$nil (May 31, 2018 - \$nil) of unspent flow-through commitments.

10. MANAGEMENT OF CAPITAL

The Company considers its capital to be all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three month period ended August 31, 2018. The Company is not subject to externally imposed capital restrictions.

KAPUSKASING GOLD CORP.
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(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. 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 of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions.

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 manages liquidity risk through the management of its capital structure and financial leverage as described in Note 10.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities:

		<1 year	1 – 3 Years	Total
Accounts payable and accrued liabilities	\$	81,883	-	\$ 81,883

Foreign Exchange Risk

The Company currently does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Commodity Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

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11. FINANCIAL INSTRUMENTS (continued)

Fair Value Measurements

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 cash is determined based on “Level 1” inputs which consist of quoted prices in active markets for identical assets. As at August 31, 2018, the Company believes that the carrying values of accounts payable and accrued liabilities approximates its fair value because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company’s Statements of Financial Position as of August 31, 2018, as follows:

	Level 1	Level 2	Level 3	Total
Cash	\$ 41,877	\$ -	\$ -	\$ 41,877

12. EVENT AFTER THE REPORTING PERIOD

On October 23, 2018, the Company closed a total of 4,000,000 units at a price of \$0.02 per unit pursuant to a discretionary waiver of the \$0.05 minimum pricing requirement granted by the TSX Venture Exchange for aggregate gross proceeds of \$80,000. Each unit consists of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one share at \$0.05 for 24 months from the date of issuance.