# MARGAUX RESOURCES LTD.

## CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2018 AND 2017

EXPRESSED IN CANADIAN DOLLARS

(UNAUDITED)

**Under National Instrument 51-102, Part 4, subsection 4.3(3)9(a)**, if an auditor has not performed a review of the interim condensed 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 consolidated financial statements of Margaux Resources Ltd. as of June 30, 2018, have been compiled by management and approved by the Audit Committee and the Board of Directors of the Corporation.

The Corporation's independent auditors have not performed a review of these interim condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim condensed financial statements by an entity's auditors.

# MARGAUX RESOURCES LTD.
## Statements of Financial Position

| As at | **June 30, 2018** **$** | September 30, 2017 $ |
|---|---|---|
| **ASSETS** | | |
| **CURRENT** | | |
| Cash | **699,275** | 1,024,387 |
| Other receivables | **35,573** | 24,536 |
| Prepaids | **52,584** | 50,735 |
| Deposit | **76,000** | 58,250 |
| **TOTAL CURRENT ASSETS** | **863,432** | 1,157,908 |
| **NON-CURRENT** | | |
| **PROPERTY AND EQUIPMENT** (Note 5) | **179,168** | 166,415 |
| **EXPLORATION AND EVALUATION ASSETS (**Note 6) | **6,902,197** | 4,926,031 |
| **LONG-TERM PREPAIDS** (Note 6) | **200,000** | 200,000 |
| **TOTAL NON-CURRENT ASSETS** | **7,281,365** | 5,292,446 |
| **TOTAL ASSETS** | **8,144,797** | 6,450,354 |
| **LIABILITIES** | | |
| **CURRENT** | | |
| Trade and other payables | **191,705** | 305,718 |
| Flow-through share liability (Note 7) | **49,341** | - |
| **TOTAL CURRENT LIABILITIES** | **241,046** | 305,718 |
| **SHAREHOLDERS' EQUITY** | | |
| **SHARE CAPITAL** (Note 7) | **15,986,445** | 13,135,722 |
| **CONTRIBUTED SURPLUS** (Note 7) | **5,255,389** | 4,993,467 |
| **DEFICIT** | **(13,338,083)** | (11,984,553) |
| **TOTAL SHAREHOLDERS' EQUITY** | **7,903,751** | 6,144,636 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **8,144,797** | 6,450,354 |

**GOING CONCERN** (Note 2)

**COMMITMENTS** (Note 8)

**SUBSEQUENT EVENT** (Note 11)

Approved by the Board of Directors:

| | |
|---|---|
| "H. Tyler Rice" | "James Letwin" |
| H. Tyler Rice, Director | James Letwin, Director |

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

# MARGAUX RESOURCES LTD.
## Statements of Comprehensive Loss

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **June 30, 2018** | June 30, 2017 | **June 30, 2018** | June 30, 2017 |
| **Expenses** | | | | |
| Operating | **16,942** | 23,087 | **318,337** | 84,179 |
| General and administrative | **243,673** | 467,050 | **1,029,018** | 1,737,119 |
| Share-based payments (Note 7) | **36,567** | 100,686 | **174,137** | 322,326 |
| Depreciation and depletion (Note 5) | **10,606** | 5,118 | **28,819** | 15,353 |
| **Total expenses** | **307,788** | 595,941 | **1,550,311** | 2,158,977 |
| Flow through share premium (Note 7) | **(102,513)** | (30,975) | **(196,781)** | (64,946) |
| Fair value gain on derivative | **-** | - | **-** | (1,007) |
| Net loss and comprehensive loss | **205,275** | 564,966 | **1,353,530** | 2,093,024 |
| Weighted average number of shares | **60,282,181** | 49,655,350 | **57,377,357** | 40,679,421 |
| Basic and diluted loss per common share | **(0.00)** | (0.01) | **(0.02)** | (0.05) |

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

# MARGAUX RESOURCES LTD.
## Statements Changes in Shareholders' Equity

| | Note | Share Capital<br>$ | Contributed Surplus<br>$ | Deficit<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Balance as at, September 30, 2016 | | 7,291,304 | 4,464,557 | (9,188,282) | 2,567,579 |
| Net loss and comprehensive loss | | | | (2,796,271) | (2,796,271) |
| Common shares issued, net costs | 7 | 3,374,733 | (32,556) | - | 3,342,177 |
| Warrants | 7 | 2,372,431 | - | - | 2,372,431 |
| Equity component of note payable | 7 | (2,746) | 3,971 | - | 1,225 |
| Share-based payments | 7 | - | 516,863 | - | 516,863 |
| Capitalized share-based payments | 7 | - | 40,632 | | 40,632 |
| Conversion of note payables | | 100,000 | - | - | 100,000 |
| Balance as at, September 30, 2017 | | 13,135,722 | 4,993,467 | (11,984,553) | 6,144,636 |
| Net and comprehensive loss | | - | - | (1,353,530) | (1,353,530) |
| Common shares issued, net costs | 7 | 2,587,997 | (25,955) | - | 2,562,042 |
| Warrants | 7 | 262,726 | - | - | 262,726 |
| Value attributed to expired warrants | 7 | - | 94,708 | - | 94,708 |
| Share-based payments | 7 | - | 174,137 | - | 174,137 |
| Capitalized share-based payments | 7 | - | 19,032 | - | 19,032 |
| **Balance as at, June 30 2018** | | **15,986,445** | **5,255,389** | **(13,338,083)** | **7,903,751** |

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

# MARGAUX RESOURCES LTD.
## Statements of Cash Flows

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **June 30, 2018** | June 30, 2017 | **June 30, 2018** | June 30, 2017 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net loss | **(205,275)** | **(564,966)** | **(1,353,530)** | (2,093,024) |
| Items not affecting cash: | | | | |
| Share-based payments | **36,567** | 100,686 | **174,137** | 322,326 |
| Depreciation and depletion (Note 5) | **10,606** | 5,118 | **28,819** | 15,353 |
| Flow through share premium | **(102,513)** | (30,975) | **(196,781)** | (15,426) |
| Prepaid Royalty | - | - | - | (50,000) |
| Change in non-cash working capital | | | | |
| Trade and other receivables | **92,671** | - | **(11,037)** | (32,100) |
| Prepaids | **(40,522)** | (33,763) | **(1,849)** | (33,419) |
| Deposits | - | (12,500) | **(17,750)** | (12,500) |
| Trade and other payables | **155,136** | (131,840) | **(114,013)** | (68,082) |
| **Net Cash used in operating Activities** | **(53,330)** | (668,240) | **(1,492,004)** | (1,966,872) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from share and warrant issuance, net of costs | - | 942,812 | **3,065,552** | 5,729,419 |
| Proceeds from note payables | **-** | **-** | **-** | (44,300) |
| **Net cash generated from financing activities** | **-** | 942,812 | **3,065,552** | 5,685,119 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Property and equipment | **(20,000)** | (14,700) | **(41,572)** | (101,963) |
| Exploration and evaluation | **(614,305)** | (679,941) | **(1,857,088)** | (2,126,991) |
| **Net cash used in investing activities** | **(634,305)** | (694,641) | **(1,898,660)** | (2,228,954) |
| **(DECREASE) INCREASE IN CASH FOR THE PERIOD** | **(687,635)** | (420,069) | **(325,111)** | 1,489,293 |
| **CASH – BEGINNING OF PERIOD** | **1,386,910** | 2,619,633 | **1,024,387** | 710,271 |
| **CASH – END OF PERIOD** | **699,275** | 2,199,564 | **699,275** | 2,199,564 |

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

## 1. CORPORATE INFORMATION

Margaux Resources Ltd. (the "Corporation" or "Margaux") was incorporated under the Alberta Business Corporations Act on August 5, 2009 and was a Capital Pool Company under Policy 2.4 of the TSX Venture Exchange (the "TSX-V"). In January 2011, the Corporation completed an initial public offering ("IPO") and currently trades on the TSX-V and the OTCQB Venture Market under the trading symbols "MRL" and "MARFF" respectively. The registered address of the Corporation is 1600, 510 – 5th Street SW, Calgary, Alberta, T2P 3S2.

The Corporation is a polymetallic exploration company and regional consolidator focused on the exploration and development of previously producing properties in the Kootenay Arc, located in southern British Columbia, including the Jackpot/Oxide, Jersey-Emerald, Sheep Creek and Bayonne properties, on which Margaux has options.

## 2. GOING CONCERN

These condensed interim financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Corporation is in the process of acquiring and exploring mineral properties in British Columbia. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon:

- the existence of economically recoverable reserves;
- the ability of the Corporation to obtain financing in order to secure and maintain title and beneficial interest in its properties;
- the ability to complete the development of the properties; and,
- the ability to achieve future profitable production from the properties or obtain proceeds from the sale of properties.

Certain conditions exist that may cast significant doubt on the validity of this assumption. The Corporation incurred a net loss of $205,275 and $1,353,530 for the three and nine months ended June 30, 2018 (2017 - $564,966 and $2,093,024) and had negative cash flows from operating activities of $53,330 and $1,492,004 (2017 – $668,240 and $1,966,872). These condensed interim financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Corporation were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts materially different from those recorded in these financial statements. The Corporation intends to raise the required funds through the issuance of equity, by securing strategic partners or assuming debt.

## 3. BASIS OF PREPARATION

These interim condensed financial statements are unaudited and have been prepared in accordance with IAS 34, *Interim Financial Reporting*. These interim condensed financial statements are presented in Canadian dollars which is the Corporation's functional currency. In preparing these interim condensed financial statements, the accounting policies, methods of computation and significant judgements made by management in applying the Corporation's accounting policies and key sources of estimation of uncertainty were the same as those that applied to the audited financial statements as at and for the year ended September 30, 2017.

The disclosures herein are incremental to those included with the audited annual financial statements as at and for the year ended September 30, 2017 and should be read in conjunction with the annual financial statements as at and for the year ended September 30, 2017. These condensed interim financial statements were authorized for issue by the board of directors on August 24, 2018.

## 4. SIGNIFICANT ACCOUNTING POLOCIES

These interim condensed financial statements follow the same accounting principles and methods of application as those disclosed in note 4 of the Corporation's annual Financial Statements as at and for the year ended September 30, 2017, with the exception of 'Financial Instruments' and 'Revenue Recognition' policies which are amended below.

**IFRS 9 – Financial Instruments**.

The Corporation adopted IFRS 9 with a date of initial application as of January 1, 2018, this is the date in which all IFRS 9 classification and measurement is required to be implemented. The Corporation retrospectively adopted the standard and elected not to restate comparative information. There were no material changes in the measurement and carrying values of the Corporation's financial instruments as a result of the adoption. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). IFRS 9 eliminates the previous IAS 39 categories of 'held to maturity investments, loans and receivables and other financial liabilities' and 'available for sale financial assets'. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and the nature of its contractual cash flow characteristics. Embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9; the entire hybrid contract is assessed for classification and measurement.

IFRS 9 replaces the 'incurred credit loss model' in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortized cost, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. Under IFRS 9, credit losses are recognized earlier than under IAS 39; it is no longer necessary for a credit event to have occurred before credit losses are recognized. See Note 11 of the Corporation's annual Financial Statements as at and for the year ended September 30, 2017 for additional disclosure on the Corporation's credit risk.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Corporation's financial assets and financial liabilities. The Corporation has no contract assets or financial instruments measured at FVOCI.

| Financial Instrument | Measurement Category | |
|---|---|---|
| | IAS 39 | IFRS 9 |
| Cash | Loans and Receivables | Amortized Cost |
| Account receivable | Loans and Receivables | Amortized Cost |
| Accounts payable | Other Financial Liabilities | Amortized Cost |

**Financial Instruments Policy**

The Corporation recognizes financial assets and financial liabilities, including derivatives, on the statements of financial position when the Corporation becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

*Amortized cost*
A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

*Fair value through other comprehensive income ("FVTOCI")*
A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding.

*Fair value through profit or loss ("FVTPL")*
All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Corporation may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**IFRS 15 – Revenue from Contracts with Customers**

The Corporation adopted IFRS 15 on January 1, 2018. The Corporation currently had no contract with customers or revenue in the current or comparative periods. IFRS 15 has had no impact on the financial statements.

**Standards Issued But Not Yet Effective**

**IFRS 16 – Leases** sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor') and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Corporation is in the early stages of evaluating the impact of IFRS 16 on its consolidated financial statements and the extent of the impact has not yet been determined.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

## 5. PROPERTY AND EQUIPMENT

| | Petroleum and natural gas assets $ | Equipment $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| **Balance as at October 1, 2017** | **272,399** | **218,714** | **491,113** |
| Additions | - | **41,572** | **41,572** |
| **Balance as at June 30, 2018** | **272,399** | **260,286** | **532,685** |
| **Accumulated depletion and depreciation and impairment** | | | |
| **Balance as at October 1 2017** | **272,399** | **52,299** | **324,698** |
| Charge for the period | - | 28,819 | 28,819 |
| **Balance as at June 30, 2018** | **272,399** | **81,118** | **353,517** |
| **Net book value** | | | |
| **June 30, 2018** | - | **179,168** | **179,168** |

## 6. EXPLORATION AND EVALUATION ASSETS

| | **$** |
|---|---|
| Balance as at October 1, 2017 | 4,926,031 |
| Additions – Kootenay Arc Zinc Project | 1,512,663 |
| Additions – Sheep Creek Project | 413,507 |
| Additions – Tungsten Tailings Project | 49,996 |
| Balance as at June 30, 2018 | **6,902,197** |

E&E assets consist of costs expended on the Corporation's projects which are pending determination of technical feasibility and commercial viability.

Management assessed the E&E assets at June 30, 2018 and determined that no indicators of impairment existed.

During the three and nine months ended June 30, 2018, the Corporation primarily focused its activities to mining on its Sheep Creek Project, Kootenay Arc Zinc and Tungsten Tailings Project, located in Salmo, British Columbia.

**Kootenay Arc Zinc Project**

The Kootenay Arc Zinc Project consists of the Jersey Emerald Property, Jackpot Property, Ore Hill Property and Aspenex Property (collectively the "Kootenay Arc Zinc Project") The Corporation incurred $1,512,663 of E&E on the Kootenay Arc Zinc Project during the three and nine months ended June 30, 2018, relating to exploration activity.

Jersey Emerald Property

The Corporation made $450,000 in option payments to Apex Resources Inc. ("Apex") as part of the Jersey Emerald Option Agreement during the three and nine months ended June 30, 2018.

The Jersey Emerald Property is also subject to several additional net smelter returns ("NSR"), ranging from 1%-3% on various areas of the Jersey Emerald Property and these additional NSRs require advance royalty payments totalling $50,000 per year. As at June 30, 2018, $200,000 (2017 - $150,000) has been paid towards the advance royalty payments and are recorded in long-term prepaids on the statement of financial position.

Jackpot/Oxide Property

During the three and nine months ended June 30, 2018, the Corporation paid $30,000 cash in option payments and issued 50,000 shares.

The shares were valued at $43,500 less a discount of $9,489 which has been applied due to a resale restriction on the shares (note 7).

Ore Hill Property

The Corporation incurred $34,593 of E&E costs on the Ore Hill Property during the three and nine months ended June 30, 2018, relating to exploration activity.

**Sheep Creek Project**

The Sheep Creek Project consists of the Bayonne and Sheep Creek Properties(collectively the "Sheep Creek Project")

Bayonne & Sheep Creek Properties

The Corporation incurred $413,507 of E&E costs on the Sheep Creek Project during the three and nine months ended June 30, 2018, relating to exploration activity.

**Tungsten Tailings Project**

The Tungsten Tailings Project consists of the Canex Property ("Tungsten Tailings Project")

Canex Property

The Corporation incurred $49,996 of E&E costs on the Tungsten Tailings Project during the three and nine months ended June 30, 2018, relating to exploration activity.

## 7. SHARE CAPITAL, WARRANT RESERVE AND CONTRIBUTED SURPLUS

**Authorized**
Unlimited number of common shares

The common shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. No preferred shares have been issued by the Corporation.

| | **June 30, 2018** | | September 30, 2017 | |
|---|---|---|---|---|
| **Issued** | **Common Shares** | **Amount** | Common Shares | Amount |
| Opening balance | **49,843,118** | **$10,015,899** | 29,093,938 | $6,541,166 |
| Shares issued, net (a)(b)(c)(e)(f)(g) | **10,439,063** | **2,587,997** | 20,749,180 | 3,474,733 |
| **Closing Balance** | **60,282,181** | **$12,603,896** | 49,843,118 | $10,015,899 |
| | | | | |
| **Warrants** | | | | |
| Opening balance | **15,224,823** | **3,119,823** | 4,775,000 | 747,392 |
| Warrant Issuance (d) | **2,888,798** | **357,433** | 10,449,823 | 2,372,431 |
| Warrant Expiry | **(2,630,000)** | **(423,248)** | | |
| **Closing balance** | **15,483,621** | **3,054,008** | 15,224,823 | 3,119,823 |
| Note payable – equity component | **-** | **-** | - | (2,746) |
| **Total Share Capital** | | **$15,657,904** | | $13,135,722 |

(a) On December 1, 2017, the Corporation issued 150,000 common shares as per the Jackpot/Oxide Property option agreement signed on October 12, 2016 and as per TSV-V approval received on December 1, 2016. The common shares were valued at a market price of $0.29 per common share. The shares carry a resale restriction the expire on April 1, 2018.

(b) On December 6, 2017, the Corporation closed a non-brokered private placement of 4,399,999 units of the Corporation at a purchase price of $0.30 per unit and 1,134,943 common shares of the Corporation issued on a “CEE flow-through” basis pursuant to the Income Tax Act (Canada) at a price of $0.36 per Flow-Through share for aggregate proceeds of $1,728,579 Each unit consists of one common share of the Corporation and one half of one common share purchase warrant in the Corporation. Each whole warrant is exercisable by the holder at a price of $0.40 per warrant for a period of two years from December 6, 2017, subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Share of the TSX-V exceeds $0.50 per share.

(c) On December 22, 2017, the Corporation closed a non-brokered private placement of 1,377,600 units of the Corporation at a purchase price of $0.30 per unit and 3,076,521 common shares of the Corporation issued on a “CEE flow-through” basis pursuant to the Income Tax Act (Canada) at a price of $0.36 per Flow-Through share for aggregate proceeds of $1,520,828. Each unit consists of one common share of the Corporation and one half of one common share purchase warrant in the Corporation. Each whole warrant is exercisable by the holder at a price of $0.40 per warrant for a period of two years from December 22, 2017, subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Share of the TSX-V exceeds $0.50 per share.

**7. SHARE CAPITAL, WARRANT RESERVE AND CONTRIBUTED SURPLUS (continued)**

(d) As part of the non-flow through units issued on December 6, 2017 and December 22, 2017 (note 7(a)(b)); subscribers received one-half warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of $0.40 for a period of 24 months from the date of closing. All warrants vest immediately. A value of $476,578 has been attributed to the warrants issued based on the Black-Scholes pricing model and has been credited to warrants within shareholders' equity. The fair value of these warrants was estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

| | |
|---|---|
| Risk-free rate | 1.05% - 1.16% |
| Weighted-average life | 2 years |
| Dividend yield | nil |
| Annualized Volatility | 127% |
| Weighted-average fair value | $0.16 |
| Expected Life | 2 years |

(e) On February 6, 2018, the Corporation issued 150,000 common shares as per the Bayonne and Sheep Creek Property option agreement signed on December 23, 2016 and as per TSV-V approval received on February 6, 2017. The common shares were valued at a market price of $0.30 per common share. The shares carry a resale restriction the expire on June 7, 2018.

(f) On March 5, 2018, the Corporation issued 50,000 common shares as per the Canex Property option agreement signed on January 19, 2017 and as per TSV-V approval received on March 3, 2017. The common shares were valued at a market price of $0.29 per common share. The shares carry a resale restriction the expire on July 6, 2018.

(g) On March 29, 2018, the Corporation issued 100,000 common shares as per the Ore Hill Property option agreement signed on December 23, 2016 and as per TSV-V approval received on February 6, 2017. The common shares were valued at a market price of $0.24 per common share. The shares carry a resale restriction the expire on July 30, 2018.

**Flow-through shares**

During the three and nine months ended June 30, 2018, the Corporation raised $1,516,127 on a CEE flow-through share basis and was required to incur a net total of $1,516,127 of qualifying expenditures to renounce the tax deductions to investors. As at June 30, 2018, $1,294,090 of qualifying expenditures were incurred which requires the Corporation to expend a further $222,037 to meet its minimum flow-through share expenditure commitment. The total flow-through share premium recorded $246,122 on the issuance of the flow-through share expenditure has been amortized in the amount of $196,781 to reflect the proportion of expenditures incurred to June 30, 2018. The amortization is reflected as flow-through premium in the statement of net loss and comprehensive loss. The Corporation expects to expend the remaining amount during the fiscal year 2018.

**Stock option plan**

The Corporation has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Corporation may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares exercisable for the period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture.

**7. SHARE CAPITAL, WARRANT RESERVE AND CONTRIBUTED SURPLUS (continued)**

A summary of the Corporation's stock option plan activity is as follows:

| | Number of Options | Weighted-average Exercise Price | Weighted-average Life (years) |
|---|---|---|---|
| Exercisable as at September 30, 2017 | 2,446,654 | $0.20 | 3.4 |
| Outstanding at September 30, 2017 | 4,840,000 | $0.24 | 3.8 |
| | | | |
| **Exercisable as at June 30, 2018** | **3,248,321** | **$0.22** | **3.7** |
| **Issued** | **1,340,000** | | |
| **Forfeited** | **320,000** | | |
| **Outstanding at June 30, 2018** | **5,860,000** | **$0.24** | **3.7** |

At June 30, 2018, the weighted-average life of the options outstanding was 3.7 years (2017 – 3.8 years).

On June 12, 2018, the Corporation issued 1,340,000 stock options to Directors, officers, advisory committee members and consultant's with the Corporation in accordance with the Corporation's shareholder approved stock option plan. The options are exercisable at $0.25 per share, expire in five years and vest as to one-third immediately and one-third on the first and second anniversaries of the grant date.

The fair value of these options were estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

| | |
|---|---|
| Risk-free rate | 2.14% |
| Weighted-average life | 5 years |
| Dividend yield | nil |
| Annualized volatility | 147% |
| Weighted-average fair value per option | $0.18 |
| Expected option life | 5 years |
| Forfeiture rate | 0% |

**Contributed Surplus**

| **Description** | **June 30, 2018** | September 30, 2017 |
|---|---|---|
| Opening balance | **$ 4,993,467** | $ 4,464,557 |
| Share-based payments | **174,137** | 516,863 |
| Capitalized share-based payments | **19,032** | 40,632 |
| Discount due to resale restriction (Note 7) | **(25,955)** | (32,556) |
| Equity component of note payable | **-** | 3,971 |
| Expired Warrants | **94,708** | - |
| **Closing balance** | **$ 5,255,389** | $ 4,993,467 |

**8. COMMITMENTS**

(a) Rental Payments

The Corporation has leases for office space in Calgary, Alberta which expire in October 2018. For the three and nine months ended June 30, 2018, the total minimum rental payments under the office space lease is $9,333.

(b) Vehicle Operating Leases

The Corporation has leases for company vehicles October 2019. The following is a schedule, by year, of the future minimum lease payments under the operating lease agreements:

2018 - $3,396
2019 - $10,187
2020 - $849

## 9. GENERAL AND ADMINISTRATIVE

General and administrative details for the three and nine months ended June 30:

| | 3 Months | | 9 Months | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Consulting | $ 149,097 | $ 148,418 | $ 424,225 | $ 556,668 |
| Travel & Meals | 17,027 | 42,025 | 84,773 | 198,306 |
| Office & Administrative | 11,800 | 36,266 | 48,322 | 91,438 |
| Marketing | 48,836 | 136,956 | 358,204 | 617,007 |
| Professional Fees | 16,913 | 103,385 | 113,494 | 273,700 |
| **Total** | **$ 243,673** | **$ 467,050** | **$ 1,029,018** | **$ 1,737,119** |

## 10. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere, all related party transactions are in the normal course of operations.

As at June 30, 2018, the Corporation had an amount of $28,485 (2017 - $11,300) due to directors and officers included in trade and other payables.

During the period ended June 30, 2018, the Corporation was provided geological consulting services in the amount of $nil (2017 - $1,164) from a Company controlled by a director of the Corporation. The total amount had been capitalized to the mineral property as exploration costs. The Corporation paid $103,500 (2017 - $50,000) to an officer for compensation as Vice President Exploration of the Corporation. The total amounts have been capitalized to the mineral property as exploration cost.

The Corporation also incurred professional services in the amount of $25,000 (2017 - $52,088) provided by a Company controlled by a director of the Corporation. These fees have been reflected in general and administrative expenses.

An aggregate of $71,812 (2017 - $54,162) in consulting fees was paid to a corporation owned by an officer of the Corporation for compensation as CFO.

An aggregate of $182,500 (2017 - $188,000) in consulting fees were paid to a corporation owned by a director and officer of the Corporation for compensation as CEO of the Corporation. Costs associated with various administrative support costs of $14,075 (2017 - $74,722) and equipment rental fees of $nil (2017 - $13,500) were also reimbursed to a director and officer of the Corporation recorded in general and administrative expenses on the statement of net loss and comprehensive loss. Costs associated with property and equipment of $30,250 (2017 - $nil) was reimbursed to a director and officer of the Corporation recorded in property and equipment on the statement of financial position.

**Compensation of key management personnel**
The remuneration of directors and other members of key management personnel during the year were as follows:

| | **June 30, 2018** | June 30, 2017 |
|---|---|---|
| | **$** | $ |
| Share-based payment | **174,137** | 322,326 |
| Capitalized - Share-based payments | **19,032** | - |
| Total | **193,169** | 322,326 |

**11. SUBSEQUENT EVENT**

On July 11, 2018, the Corporation appointed Mr. Chris Stewart as an Independent Director. He originally joined the Company's advisory committee in November 2016. Mr. Stewart brings over 26 years of diversified experience in the mining industry, 15 years working with mining contractors and 11 years working with mining companies. He is currently the President and COO of McEwen Mining Inc.

Mr. Stewart replaced Mr. Edward Lawrence, who stepped down from the Board after four years as a Director with the Company and many decades of involvement with the Company assets.

On July 23, 2018, the Corporation announced a non-brokered private placement, up to:

- 833,333 units (“Units”) of the Corporation at a price of $0.18 per Unit; and
- 3,260,869 common shares (“Common Shares”) of the Corporation issued on a “CEE flow-through” basis pursuant to the Income Tax Act (Canada) (“Flow-Through Shares) at price of $0.23 per Flow-Through share, for aggregate proceeds of up to $900,000 (the “Offering”)

Each Unit will consist of one Common Share and one Common Share purchase warrant (“Warrant”). Each Warrant will entitle the holder to acquire one Common Share (each a "Warrant Share") at an exercise price of $0.30 per Warrant Share until 4:30 p.m. (Calgary time) on that date that is 24 months from the issuance closing date, (the "Expiry Time") subject to accelerated expiry, if the 20-day Volume Weighted Average Price of the Common Shares on the TSX Venture Exchange exceeds $0.40 per share.

Pursuant to the Offering, the Corporation will also issue Flow-Through Shares for gross proceeds of up to $750,000. Closing of the Offering is expected to occur on or before September 6, 2018.

On August 15, 2018, the Corporation closed the first tranche on its previously non-brokered private placement by issuing 1,486,020 common shares of the Corporation issued on a “CEE flow-through” basis pursuant to the Income Tax Act (Canada) at a price of $0.23 per Flow-Through Shares, for gross proceeds of $341,784.