MARGAUX RESOURCES LTD.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

EXPRESSED IN CANADIAN DOLLARS

(AUDITED)

Independent Auditors' Report

To the Shareholders of Margaux Resources Ltd.

We have audited the accompanying financial statements of Margaux Resources Ltd., which comprise the statements of financial position as at September 30, 2018 and September 30, 2017, the statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Margaux Resources Ltd. as at September 30, 2018 and September 30, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of material uncertainty, which may cast significant doubt about Margaux Resources Ltd.'s ability to continue as a going concern.

MNP LLP

Calgary, Alberta
January 28, 2019

Chartered Professional Accountants

MNP

MARGAUX RESOURCES LTD.
Statements of Financial Position

As at	September 30, 2018 $	September 30, 2017 $
ASSETS		
CURRENT		
Cash	**323,923**	1,024,387
GST receivable	**45,047**	24,536
Prepaids	**41,693**	50,735
Deposits	**50,300**	58,250
TOTAL CURRENT ASSETS	**460,963**	1,157,908
NON-CURRENT		
PROPERTY AND EQUIPMENT (Note 5)	**169,561**	166,415
EXPLORATION AND EVALUATION ASSETS (Note 6)	**1,886,608**	4,926,031
LONG-TERM PREPAIDS (Note 6)	**-**	200,000
TOTAL NON-CURRENT ASSETS	**2,056,169**	5,292,446
TOTAL ASSETS	**2,517,132**	6,450,354
LIABILITIES		
CURRENT		
Trade and other payables	**305,265**	305,718
Flow-through share premium liability (Note 7)	**39,133**	-
TOTAL CURRENT LIABILITIES	**344,398**	305,718
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	**15,874,073**	13,135,722
CONTRIBUTED SURPLUS	**5,996,645**	4,993,467
DEFICIT	**(19,697,984)**	(11,984,553)
TOTAL SHAREHOLDERS' EQUITY	**2,172,734**	6,144,636
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,517,132**	6,450,354

GOING CONCERN (Note 2)

COMMITMENTS (Note 11)

SUBSEQUENT EVENTS (Note 15)

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 financial statements.

MARGAUX RESOURCES LTD.

Statements of Net Loss and Comprehensive Loss

For the years ended September 30,	**2018** **$**	2017 $
Expenses		
Operating	**120,917**	156,771
General and administrative (Note 12)	**1,320,841**	2,148,560
Share-based payments (Note 7)	**374,418**	516,863
Depreciation (Note 5)	**38,426**	24,638
Foreign exchange loss	**-**	14,788
Total expenses	**1,854,602**	2,861,620
Interest income	**-**	(403)
Impairment of assets (Note 6)	**6,290,357**	-
Flow-through share premium (Note 7)	**(431,528)**	(64,946)
Net loss and comprehensive loss	**7,713,431**	2,796,271
Weighted average number of shares	**58,309,332**	42,952,356
Basic and diluted loss per share	**$ 0.13**	$ 0.07

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

MARGAUX RESOURCES LTD.
Statements Changes in Shareholders' Equity

	Note	Share Capital $	Contributed Surplus $	Deficit $	Total $
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 payable	7	100,000	-	-	100,000
Balance as at, September 30, 2017		13,135,722	4,993,467	(11,984,553)	6,144,636
Net loss and comprehensive loss		**-**	**-**	**(7,713,431)**	**(7,713,431)**
Common shares issued, net costs	**7**	**2,429,258**	**-**	-	**2,429,258**
Warrants issued	**7**	**495,419**	**-**	-	**495,419**
Warrants expired	**7**	**(638,612)**	**638,612**	-	**-**
Property option payments	**7**	**111,000**	**(19,358)**	-	**91,642**
Share-based payments	**7**	**24,329**	**350,089**	-	**374,418**
Capitalized share-based payments	**7**	**-**	**33,835**	-	**33,835**
Shares to be issued	**7**	**316,957**	**-**	-	**316,957**
Balance as at, September 30, 2018		**15,874,073**	**5,996,645**	**(19,697,984)**	**2,172,734**

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

MARGAUX RESOURCES LTD.

Statements of Cash Flows

For the years ended September 30,	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss	**(7,713,431)**	(2,796,271)
Items not affecting cash:		
Share-based payments (Note 7)	**374,418**	516,863
Depreciation (Note 5)	**38,426**	24,638
Impairement of assets (Note 6)	**6,290,357**	-
Accretion on note payable	**-**	2,964
Interest on note payable	**-**	2,879
Shares issued for services	**-**	36,000
Foreign exchange loss	**-**	14,789
Flow-through share premium (Note 7)	**(431,528)**	(64,946)
Change in non-cash working capital:		
GST receivable	**(20,511)**	1,611
Prepaids	**9,042**	(138,401)
Deposits	**(17,750)**	(31,250)
Trade and other payables	**(452)**	10,488
Net cash used in operating activities	**(1,471,429)**	(2,420,636)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share and warrant issuance, net of costs (Note 7)	**3,395,336**	5,656,682
Proceeds from note payable	**-**	51,083
Proceeds from exercised options	**-**	25,000
Deferred proceeds for shares (Note 7)	**316,957**	-
Net cash generated from financing activities	**3,712,293**	5,732,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment (Note 5)	**(41,572)**	(149,105)
Purchase of exploration and evaluation (Note 6)	**(2,899,756)**	(2,834,120)
Net cash used in investing activities	**(2,941,328)**	(2,983,225)
Effect of foreign exchange on cash	**-**	(14,788)
(DECREASE) INCREASE IN CASH FOR THE YEAR	**(700,464)**	314,116
CASH – BEGINNING OF YEAR	**1,024,387**	710,271
CASH – END OF YEAR	**323,923**	1,024,387

The accompanying notes are an integral part of these 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, Sheep Creek and Bayonne properties, on which Margaux has options.

2. GOING CONCERN

These 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.

Subsequent to the year ended September 30, 2018, the Corporation terminated the option agreement on the Jersey-Emerald property. All associated exploration and evaluation costs have been written off and impaired. Going forward, the Corporation will continue gold and zinc exploration at target identified on properties that have been amassed outside of the optioned Jersey-Emerald property.

Certain conditions exist that may cast significant doubt on the validity of the going concern assumption. The Corporation incurred a net loss of $7,713,431 for the year ended September 30, 2018 and had negative cash flows from operating activities of $1,471,429. The Corporation had a working capital deficiency of $116,565 (2017 – working capital of $852,190). These 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

(a) **Statement of compliance:** These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

These financial statements for year ended September 30, 2018 were authorized for issue in accordance with the resolution of the Board of Directors on January 28, 2019.

(b) **Basis of measurement:** These financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments which are presented at fair value.

(c) **Functional and presentation currency:** These financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

2. GOING CONCERN *(continued)*

(e) **Use of estimates and judgements:** The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the statement of financial position and the reported amounts of revenues and expenses during the year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Adjustments are recorded in the current year as they become known.

Critical accounting estimates
The Corporation conducts impairment review of exploration and evaluation expenditures and equipment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Determining whether an asset is impaired requires an estimation on the recoverable amount. During the year ended, September 30, 2018, the Board unanimously voted to suspend the Jersey Emerald option payments. As a result, the Corporation has no further interest in the Jersey Emerald property. Management concluded that there was impairment for the Jersey Emerald totaling $6,290,357. Management believes that any reasonably possible change in the assumptions used in the impairment reviews would not affect management's view on impairment at the current year end.

The factors affecting share-based payments include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Corporation's control and will depend, among other things, upon a variety of factors including the market value of Corporation shares, whether a non-trading restriction has been imposed by the Corporation, and financial objectives of the holders of the options. The Corporation has used historical data to determine volatility in accordance with Black-Scholes modeling, however future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on the share-based payments expense and hence, results of operations, there is no impact on the Corporation's financial condition or liquidity.

The discount rate applied to shares with a trading restriction is calculated using the Black-Scholes option pricing model and is based on significant estimates such as risk-free rate and volatility. The amount of the discount is determined considering such factors as the restriction period on the shares issued and the liquidity of the Corporation's shares in the market place.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Corporation operates are subject to change. As such, income taxes are subject to measurement uncertainty.

Critical accounting judgments
The Corporation is required to make significant judgements on the ongoing feasibility of mineral exploration, and whether there are indicators that the right to explore the specific area has or will expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation property costs. If any of these indicators are present, management is required to perform an assessment of the recoverable amount of exploration and evaluation properties.

For the purpose of assessing impairment of exploration and evaluation expenditures and equipment, assets are grouped at the lowest level of separately identified cash flows which make up the cash generating unit ("CGU"). Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. In assessing the recoverability of tangible and intangible assets, each CGU's carrying value is compared to the greater of its fair value less costs to sell and value in use. The Corporation has determined that it has one CGU.

Title to resource properties 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 resource properties. The Corporation has investigated title to all of its mineral properties and to the best of its knowledge, title to all of its properties are in good standing.

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Cash**: Cash is comprised of cash on hand and cash held with banks.

(b) **Financial instruments:**

The Corporation early adopted IFRS 9 with a date of initial application as of October 1, 2017. 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.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at October 1, 2017 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(c) **Exploration and evaluation expenditures**

<u>Mineral rights, property and acquisition costs</u>

Mineral property acquisition costs and exploration costs directly related to specific properties are deferred, commencing on the date that the Corporation acquires legal rights to explore a mineral property, until technical and economical feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. All other costs, including administrative overhead are expensed as incurred. Exploration and evaluation assets are not depreciated or depleted. If the properties enter the production phase, they will be reclassified from exploration and evaluation assets and depletion will commence using the units of production basis based upon proven reserves. If the properties are sold or abandoned, these expenditures will be written off.

Mineral interests are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount.

(d) **Property and equipment:** Property and equipment include computer equipment, equipment and vehicles.

Computer equipment
Computer equipment is carried at cost less accumulated depreciation. Depreciation is charged so as to write-off the cost of these assets less residual value using the declining balance method at 45% per year.

Equipment
Equipment is carried at cost less accumulated depreciation. Depreciation is charged so as to write-off the cost of these assets less residual value using the declining balance method at 20% per year.

Vehicles
Vehicles are carried at cost less accumulated depreciation. Depreciation is charged so as to write-off the cost of these assets less residual value using the declining balance method at 25% per year.

(e) **Leased assets:** Operating leases are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in the statement of net loss and comprehensive loss as the costs are incurred.

(f) **Impairment of long-lived assets:** The Corporation assesses at each reporting date whether there are indications of impairment of the CGU it has identified. If indications of impairment exist, the Corporation estimates the asset's recoverable amount, which is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value less costs of disposal represents the value for which an asset could be sold in an arms length transaction, and is presented as a function of the future cash flows of the proved and probable reserves. Value in use is estimated as the discounted present value of the future cash flows expected to arise from the continued use of the asset or CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the impairment loss is charged to the statement of net loss and comprehensive loss.

For impairment losses recognized in prior years, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. Previously recognized impairment loss reversals are limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Impairment reversals are recognized as an impairment recovery in the statement of net loss and comprehensive loss.

(g) **Long-term prepaids:** Advance royalty payments to be applied against future production are recorded as long-term prepaids. Prepaid royalties are not expected to be applied within the next twelve months.

(h) **Finance income:** Interest income is recognized as it accrues in the statement of net loss and comprehensive loss, using the effective interest rate method.

(i**) Taxes:** Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) **Loss per share:** Basic loss per share is calculated by dividing the profit or loss attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method to determine the dilutive effect of issued instruments such as options and warrants. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the year. These instruments are not included in the per share calculation if the effect of their inclusion is antidilutive.

(k) **Flow-through shares:** Expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. The proceeds from issuance are allocated between the offering of shares and the transfer of tax deductions. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference. The liability is reversed when tax benefits are renounced and a deferred tax liability is recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the liability recognized on issuance.

(l) **Share-based payment transactions:** The Corporation operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and contractors as consideration for equity instruments of the Corporation.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Corporation uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Corporation incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Upon the exercise of options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(m) **Share capital:** The Corporation records proceeds from share issuances net of share issue costs. Proceeds, and issue costs, from unit placements are allocated between shares and warrants issued according to their residual value. The fair value of the warrant is determined using the Black-Scholes option pricing model. The residual value is attributed to the value of the shares. The residual value of the share component and warrant is credited to share capital. Upon exercise of the warrant, consideration paid by the warrant holder together with the amount previously recognized is recorded as an increase to share capital.

(o) **Revenue from Contracts with Customers**

The Corporation early 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.

(p) **New standards not yet adopted** - The IASB has issued new standards to come into effect in future periods. The Corporation is currently assessing the impact of the new standards on its financial statements, but at this time does not anticipate that the adoption of the standards will have a significant impact on the Corporation’s financial statements.

The new IFRS pronouncements which have been issued but are not yet effective and may have an impact on the Corporation in the future are as follows:

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.

5. PROPERTY AND EQUIPMENT

	Computers, Equipment & Vehicles $
Cost	
Balance as at September 30, 2016	69,609
Additions	149,105
Balance as at September 30, 2017	218,714
Additions	41,572
Balance as at September 30, 2018	**260,286**
Balance as at September 30, 2016	27,661
Charge for the year	24,638
Balance as at September 30, 2017	52,299
Charge for the year	38,426
Balance as at September 30, 2018	**90,725**
Net book value	
September 30, 2017	166,415
September 30, 2018	**169,561**

6. EXPLORATION AND EVALUATION ASSETS

	Jersey-Emerald	Kootenay Arc Zinc Project	Sheep Creek Project	Tungsten Tailings Project	Total
Balance at September 30, 2016	**$2,004,835**	**$ -**	**$ -**	**$ -**	**$2,004,835**
Cash option payments	390,000	25,000	74,000	20,000	509,000
Share option payments	-	31,475	10,597	4,372	46,444
Exploration costs	2,228,579	100,627	36,546	-	2,365,752
Balance at September 30, 2017	**$4,623,414**	**$157,102**	**$121,143**	**$24,372**	**$4,926,031**
Cash option payments	600,000	45,000	80,000	10,000	735,000
Share option payments	-	44,718	35,117	11,807	91,642
Exploration costs	841,243	253,315	957,303	146,731	2,198,592
Impairment	(6,064,657)	-	-	-	(6,064,657)
Balance at September 30, 2018	**$ -**	**$500,135**	**$1,193,563**	**$192,910**	**$1,886,608**

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

Jersey Emerald Property

Under the terms of the Jersey Emerald Option Agreement dated November 8, 2013, as amended by agreements dated January 22, 2014, October 26, 2015, December 31, 2015, February 11, 2016, March 30, 2016 and February 13, 2018, the Corporation had the exclusive option to acquire a 100% working interest in the Jersey Emerald Property by making payments to Apex Resources Inc. ("Apex") in aggregate of $4 million, paid in several installments. During the year ended September 30, 2018, the Corporation paid $600,000 cash in option payments to Apex (2017 - $390,000).

The Jersey Emerald Property was subject to several additional Net Smelter Returns ("NSRs"), 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 September 30, 2018, $200,000 (2017 - $200,000) had been paid towards the advance royalty payments and was recorded in long-term prepaids on the statement of financial position.

The Corporation incurred $841,243 of E&E on the Jersey Emerald Property during the year ended September 30, 2018 (2017 - $2,228,579) relating to exploration activity.

6. EXPLORATION AND EVALUATION ASSETS *(continued)*

Subsequent to the year ended, September 30, 2018, the Corporation terminated the Jersey Emerald Option Agreement. As a result, management has impaired the full value of the Jersey Emerald asset in the amount of $6,064,657. The $200,000 in prepaid royalty and $25,700 of deposits made on the Jersey Emerald have also been impaired for an aggregate total of $6,290,357.

Kootenay Arc Zinc Project

The Kootenay Arc Zinc Project consists of the Jackpot Property, Ore Hill Property and Aspenex Property (collectively the “Kootenay Arc Zinc Project”) The Corporation incurred $257,600 (2017 - $100,627) of E&E on the Kootenay Arc Zinc Project during the year ended September 30, 2018, relating to exploration activity.

Jackpot/Oxide Property

On October 24, 2016, the Corporation entered into an option agreement with a third party for the acquisition of 100% of the Jackpot/Oxide Property, located in Salmo, British Columbia (the “Jackpot Option Agreement”).

Under the terms of the Jackpot Option Agreement, Margaux will have the exclusive option to acquire the Jackpot/Oxide Property, by making payments to the third party of an aggregate $340,000 cash and aggregate issuance of 500,000 shares, paid in several installments over 6 years.

The third party will retain a 1.5% NSR on the property. The Corporation may at any time purchase up to 50% of the NSR from the third party by payment of $1,000,000.

During the year ended September 30, 2018, the Corporation paid $30,000 (2017 - $10,000) cash in option payments and issued 50,000 shares (2017 – 50,000). The shares were valued at $42,000 less a discount of $7,268 (2017 - $15,000 less a discount of $7,113) which has been applied due a resale restriction on the shares (note 8).

The Corporation incurred $141,185 of E&E costs on the property during the year ended September 30, 2018 (2017 - $100,627) relating to exploration activity.

Ore Hill Property

On February 27, 2017, the Corporation entered into an option agreement with a third party for the acquisition of 100% of the Ore Hill property, located in Salmo, British Columbia (the “Ore Hill Option Agreement”).

Under the terms of the Ore Hill Option Agreement, the Corporation will have the exclusive option to acquire the Ore Hill Property by making payments to the third party of an aggregate of $80,000 cash and aggregate issuance of 200,000 shares, paid in several installments over four years.

The third party will retain a 2% NSR on the property. The Corporation may at any time purchase the 2% NSR from the third party by payment of $250,000.

During the year ended September 30, 2018, the Corporation paid $15,000 (2017 - $10,000) cash in option payments and issued 50,000 shares (2017 – 50,000). The shares were valued at $12,000 less a discount of $2,014 (2017 - $18,000 less a discount of $7,356) which has been applied due to a resale restriction on the shares (note 8).

The Corporation incurred $55,650 of E&E costs on the property during the year ended September 30, 2018 (2017 - $nil) relating to exploration activity.

Aspenex Property

On February 27, 2017, the Corporation entered into a purchase agreement with a third party for the acquisition of 100% of the Aspenex property, located in Salmo, British Columbia (the “Aspenex Purchase Agreement”).

6. EXPLORATION AND EVALUATION ASSETS *(continued)*

Under the terms of the Aspenex Purchase Agreement, the Corporation purchased the Aspenex Property from the third party outright, for a purchase price of $5,000 cash and the issuance of 50,000 shares.

During the year ended September 30, 2018, the Corporation paid $nil (2017 - $5,000) cash in option payments and issued no shares (2017 – 50,000). The shares were valued at $nil less a discount of $nil (2017 - $18,000 less a discount of $5,056) which has been applied due to a resale restriction on the shares (note 8).

The Corporation incurred $56,480 of E&E costs on the property during the year ended September 30, 2018 (2017 - $nil) 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

On December 23, 2016, the Corporation entered into an option agreement with Yellowstone Resources Ltd for the acquisition of 100% of the Bayonne and Sheep Creek properties, located in Salmo, British Columbia (the "Bayonne and Sheep Creek Option Agreement").

Under the terms of the Bayonne and Sheep Creek Option Agreement, the Corporation will have the exclusive option to acquire the Bayonne Property, by making payments to Yellowstone Resources Ltd. of an aggregate $194,000 cash and aggregate issuance of 550,000 shares, paid in several installments over three years.

The Corporation will have the exclusive option to acquire the Sheep Creek property by making payments to Yellowstone Resources Ltd. of an aggregate $500,000 cash and aggregate issuance of 1,050,000 shares, paid in several installments over five years.

During the year ended September 30, 2018, the Corporation paid $30,000 (2017 - $24,000) cash in option payments and issued 150,000 (2017 – 50,000) related to the Bayonne Property and paid $50,000 (2017 - $50,000) cash in option payments related to the Sheep Creek property.

The shares were valued at $42,750 less a discount of $7,633 (2017 - $20,000 less a discount of $9,403) which has been applied due to a resale restriction on the shares (note 8).

The Corporation incurred $957,303 of E&E costs on the Sheep Creek Project during the year ended September 30, 2018 (2017 - $36,546) relating to exploration activity.

Tungsten Tailings Project

On January 19, 2017, the Corporation entered into an option agreement with a third party for the acquisition of 100% of the CANEX property, located in Salmo, British Columbia (the "CANEX Option Agreement").

Under the terms of the CANEX Option Agreement, the Corporation have the exclusive option to acquire the mineral claim by making payments to the third party of an aggregate $110,000 cash and aggregate issuance of 275,000 shares.

During the year ended September 30, 2018, the Corporation paid $10,000 (2017 - $20,000) cash in option payments and issued 50,000 (2017 – 25,000) shares. The shares were valued at $14,250 less a discount of $2,443 (2017 - $8,000 less a discount of $3,628) which has been applied due to a resale restriction on the shares (note 8).

The Corporation incurred $146,731 of E&E costs on the CANEX Property during the year ended September 30, 2018 (2017 - $nil) relating to exploration activity.

7. SHARE CAPITAL, WARRANT RESERVE AND STOCK OPTIONS

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.

Common shares

	Number of common shares	Share capital
Balance at October 1, 2016	29,093,938	$6,541,166
Shares issued, net (a)(b)(c)(d)(e)(f)(g)(h)(i)(j)(k)(l)	20,749,180	3,474,733
Balance at September 30, 2017	49,843,118	$10,015,899
Shares issued (n)(r)	11,475,083	3,591,191
Share option payments (m)(o)(p)(q)	400,000	111,000
Share issue costs	-	(195,855)
Warrant Allocation	-	(495,419)
Flow through share discount	-	(470,659)
Share-based payments	-	24,329
Shares to be issued (s)	-	316,957
Balance at September 30, 2018	**61,718,201**	**$12,897,443**

Warrants

	Number of warrants	Share capital
Balance at October 1, 2016	4,775,000	$747,392
Warrants issued	10,449,829	2,372,431
Balance at September 30, 2017	15,224,829	$3,119,823
Warrants issued (n)	2,888,798	495,419
Warrants expired	(4,045,000)	(638,612)
Balance at September 30, 2018	**14,068,627**	**$2,976,630**
Total share capital at September 30, 2017		$13,135,722
Total share capital at September 30, 2018		**$15,874,073**

(a) On October 21, 2016, the Corporation closed on a non-brokered private placement of 3,976,000 units of the Corporation at a purchase price of $0.25 per unit and 548,387 common shares issued on a "CEE flow-through" basis at a purchase price of $0.31 per unit for total proceeds of $1,164,000. Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each whole warrant will be exercisable by the holder at a price of $0.30 per warrant for a period of two years from October 21, 2016.

As part of the non-flow through units issued on October 21, 2016 and November 24, 2016 (note 11(f)(g)); subscribers received one warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Corporation at a price of $0.30 for a period of 24 months from the date of closing. All warrants vest immediately. A value of $1,313,906 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 were estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

Risk-free rate	0.56%
Weighted-average life	2 years
Dividend yield	nil
Annualized Volatility	140% - 144%
Weighted-average fair value	$0.21 - $0.22
Expected Life	2 years

7. SHARE CAPITAL, WARRANT RESERVE AND STOCK OPTIONS *(continued)*

(b) On November 24, 2016, the Corporation closed on a non-brokered private placement of 2,128,000 units of the Corporation at a purchase price of $0.25 per unit and 1,122,582 common shares issued on a "CEE flow-through" basis at a purchase price of $0.31 per unit for total proceeds of $880,000. Each unit consists of one common share of the Corporation and one common share purchase warrant in the Corporation. Each whole warrant will be exercisable by the holder at a price of $0.30 per warrant for a period of two years from November 24, 2016.

(c) On January 6, 2017, upon receipt of the TSX-V approval, the Corporation issued 50,000 common shares valued at a market price of $0.30 per common share as per the Jackpot/Oxide Property option agreement signed on October 12, 2016. The shares carry a resale restriction that expired on October 6, 2017.

(d) On February 16, 2017, upon receipt of the TSX-V approval, the Corporation issued 50,000 common shares valued at a market price of $0.40 per common share as per the Bayonne and Sheep Creek Properties option agreement signed on December 23, 2016. The shares carry a resale restriction that expired on November 16, 2017.

(e) On March 9, 2017, the Corporation closed on a non-brokered private placement of 4,876,661 units of the Corporation at a purchase price of $0.30 per unit and 1,237,998 common shares issued on a "CEE flow-through" basis at a purchase price of $0.36 per unit for total proceeds of $1,908,678. 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 will be exercisable by the holder at a price of $0.40 per warrant for a period of two years from March 9, 2017.

As part of the non-flow through units issued on March 9, 2017 and March 31, 2017 (note 9(j)(m)); 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 $901,577 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 were estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

Risk-free rate	0.56%
Weighted-average life	2 years
Dividend yield	nil
Annualized Volatility	141% - 142%
Weighted-average fair value	$0.21
Expected Life	2 years

(f) On March 10, 2017, upon receipt of the TSX-V approval, the Corporation issued 25,000 common shares valued at a market price of $0.32 per common share as per the Jersey Emerald Tungsten tailings pond option agreement signed on January 19, 2017. The shares carry a resale restriction that expired on December 10, 2017.

(g) On March 14, 2017, options that were issued in August 5, 2016 were exercised at $0.25 per share in exchange for 50,000 common shares for gross proceeds of $12,250.

(h) On March 31, 2017, the Corporation closed on a non-brokered private placement of 3,814,996 units of the Corporation at a purchase price of $0.30 per unit and 2,169,556 common shares issued on a "CEE flow-through" basis at a purchase price of $0.36 per unit for total proceeds of $1,925,541. 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 will be exercisable by the holder at a price of $0.40 per warrant for a period of two years from March 31, 2017.

(i) On April 3, 2017, upon receipt of the TSX-V approval, the Corporation issued 100,000 common shares valued at a market price of $0.36 per common share as per the Ore Hill option agreement and the Aspenex purchase agreement. The shares carry a resale restriction that expired on January 3, 2018.

(j) On April 4, 2017, upon receipt of the TSX-V approval, the Corporation issued 400,000 common shares in settlement of a $100,000 promissory note amount owing to a third party (note 7).

7. SHARE CAPITAL, WARRANT RESERVE AND STOCK OPTIONS *(continued)*

(k) On May 16, 2017, options that were issued November 1, 2016 were exercised at $0.25 in exchange for 50,000 common shares for gross proceeds of $12,500.

(l) On September 13, 2017, upon receipt of the TSX-V approval, the Corporation issued 150,000 common shares at a market price of $0.24 per common share as per the Service Partnership Agreement between the Corporation and a third party. The value of the shares was recorded as a consulting expense on the statement of net loss and comprehensive loss.

(m) 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 $0.28 per common share. The shares carry a resale restriction that expired on April 1, 2018.

(n) 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 gross 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.

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 gross 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.

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 $495,419 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	1.66%
Weighted-average life	2 years
Dividend yield	nil
Annualized Volatility	137%
Weighted-average fair value	$0.17
Expected Life	2 years

(o) 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 $0.29 per common share. The shares carry a resale restriction that expired on June 7, 2018.

(p) 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 that expired on July 6, 2018.

(q) On March 29, 2018, the Corporation issued 50,000 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 that expired on July 30, 2018.

7. SHARE CAPITAL, WARRANT RESERVE AND STOCK OPTIONS *(continued)*

(r) On August 15, 2018, the Corporation closed a non-brokered private placement of 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 share for aggregate gross proceeds of $341,784.

(s) As of September 30, 2018, an aggregate $316,957 was raised on financings which closed subsequent to year end.

Flow-through shares

During the year ended September 30, 2018, the Corporation raised $1,857,912 on a CEE flow-through share basis and was required to incur a net total of $1,857,912 of qualifying expenditures to renounce the tax deductions to investors. As at September 30, 2018, $1,757,906 of qualifying expenditures were incurred. The Corporation still needs to incur an additional $100,005 to meet its flow through share commitment. A flow-through share premium liability of $39,133 was recognized as the Corporation has not met its flow-through share commitment by incurring sufficient qualifying expenditures as at September 30, 2018. The accumulated flow-through share premium of $431,528 was amortized during the year.

Stock option plan

The Corporation has adopted an incentive stock option plan in accordance with the policies of the TSX-V (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-V.

All options expire in five years and vest one-third immediately and one-third on the first and second anniversaries on the grant date respectively.

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

	Number of Options	Weighted Average Exercise Price
Outstanding at September 30, 2016	1,525,000	$0.12
Expired	(300,000)	$0.25
Exercised*	(100,000)	$0.25
Granted	3,715,000	$0.28
Exercisable as at September 30, 2017	**2,446,654**	**$0.20**
Outstanding at September 30, 2017	**4,840,000**	**$0.24**
Forfeited	(436,667)	$0.26
Granted	1,340,000	$0.25
Exercisable as at September 30, 2018	**3,784,988**	**$0.23**
Outstanding at September 30, 2018	**5,743,333**	**$0.24**

*For share options exercised during the prior year, the weighted average share price of at the date of exercise was $0.31.

At September 30, 2018, the weighted-average life of the options outstanding was 3.3 years (2017 – 3.8 years).

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

7. SHARE CAPITAL, WARRANT RESERVE AND STOCK OPTIONS *(continued)*

	2018	2017
Risk-free interest rate	**2.14%**	0.7% - 1.47%
Expected stock price volatility*	**147%**	132% - 139%
Expected life	**5 years**	5 years
Expected dividend yield	**-**	-
Fair value per option granted	**$0.19**	$0.23 – $0.29
Forfeiture rate	**0%**	0%

*Volatility is calculated using historical share price data.

Share-based payments expense of $374,418 for the year ended September 30, 2018 (September 30, 2017 – $516,863) was recognized based on the estimated fair value of the options on the grant date in accordance with the fair value method of accounting for share-based payments and recorded over the vesting period of the options. Share-based payments of $33,835 (2017 - $40,632) were capitalized to E&E.

8. CAPITAL DISCLOSURES

The Corporation considers its capital to include shareholders' equity. The objectives of the Corporation are to attain a strong financial position from which the Corporation will be able to exhibit continued growth and obtain access to capital. The Corporation has no externally imposed restrictions.

The Corporation manages its capital structure and adjusts in light of changes in economic conditions and risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Corporation may from time to time, issue shares, obtain debt financing, or adjust capital spending.

9. FAIR VALUE

IFRS 13, Fair Value Measurement, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the shares issued pursuant to option agreements (note 6) are measured using level 1 inputs. The value of the discount applied to the shares due to the resale restriction is measured using level 2 inputs. The discount is calculated using the Black-Scholes option pricing model with the following significant inputs:

- Risk-free rate: 1.50% - 1.79%
- Volatility: 82% - 93%

The carrying values of cash, GST receivable, and trade and other payables approximate their fair values due to their short terms to maturity.

Fair values of financial instruments are determined by reference to quoted bid or asking price, as appropriate, in active market at period-end dates. In the absence of an active market, the Corporation determines fair value by using valuation techniques that refer to observable market data or estimated market prices. Fair values determined using valuation models require the use of assumptions about the amount and timing of estimated future cash flows and discount rates. Fair value estimates are made at a specific point in time, based on the relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. It is possible that the assumptions in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

10. FINANCIAL INSTRUMENTS

The Corporation is exposed to a number of different financial risks from normal course business exposures, as well as from the Corporation's use of financial instruments. These risk factors include market risk, liquidity risk, and credit risk.

(a) **Market risk**
Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include commodity price risk, interest rate risk and foreign exchange risk.

(i) Commodity price risk
The Corporation may employ the use of various financial instruments in the future to manage price exposure; the Corporation is not currently using any such instruments. The Corporation currently has not obtained any hedging instruments.

(ii) Interest rate risk
Interest rate risk is the risk of exposure to changes in market interest rates affecting future cash flows. The Corporation is not exposed to significant interest rate risk as it does not have significant interest-bearing financial instruments.

(iii) Foreign exchange risk
Foreign currency risk arises from fluctuations in foreign exchanges rates and the degree of volatility of these rates relative to the Canadian dollar. The Corporation is not exposed to significant foreign exchange risk given it has no financial instruments denominated in a foreign currency.

(b) **Liquidity risk**
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through potential external equity sources to meet projected expenditures. (note 2).

(c) **Credit risk**
Credit risk is the risk that a customer or counter party will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Corporation's credit risk is primarily attributable to cash and GST receivable and are subject to normal credit risks. Credit risk associated with cash is minimal as the Corporation deposits its cash with a large Canadian financial institution that has been accorded a strong investment grade rating by a primary rating agency.

The Corporation's maximum exposure for the year ended September 30, 2018 relates to $323,923 (2017 – $1,024,387) of cash and $45,047 (2017 - $24,536) of trade receivables for the year ended September 30, 2018.

11. COMMITMENTS

(a) Vehicle Operating Leases

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

2019 - $10,187
2020 - $849

(b) Office Lease

The Corporation has a lease for office space which expires November 2019. The following is a schedule, by year, of the future minimum lease payments under the lease agreements:

2019 - $21,000
2020 - $3,500

12. GENERAL AND ADMINISTRATIVE

General and administrative details for the year ended September 30:

		2018		**2017**
Consulting	$	582,430	$	697,410
Travel & Meals		105,685		260,827
Office & Administrative		62,624		211,914
Marketing		387,402		753,517
Professional Fees		182,700		224,892
Total	**$**	**1,320,841**	**$**	**2,148,560**

13. RELATED PARTY TRANSACTIONS

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

As at September 30, 2018, the Corporation had an amount of $40,582 (2017 - $21,206) due to directors and officers included in trade and other payables.

During the year ended September 30, 2018, the Corporation was provided geological consulting services in the amount of $nil (2017 - $14,205) 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 $157,149 (2017 - $96,150) 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 - $70,838) provided by a company controlled by a director of the Corporation. These fees have been reflected in general and administrative expenses.

The Corporation purchased vehicles in the amount of $30,250 (2017 - $nil) from a director and officer of the Corporation. These amounts have been capitalized to Property and Equipment on the statement of financial position.

An aggregate of $103,250 (2017 - $61,662) in consulting fees was paid to a company owned by an officer of the Corporation for compensation as CFO.

An aggregate of $250,000 (2017 - $240,500) in consulting fees were paid to a company owned by a director and officer of the Corporation for compensation as CEO of the Corporation. Costs associated with various administrative support costs of $14,065 (2017 - $78,056) was also reimbursed to a director and officer of the Corporation and was recorded in general and administrative expenses on the net loss and comprehensive loss. Costs associated with exploration costs of $12,000 (2017- $nil) was paid to a director and officer of the Corporation as was capitalized as exploration costs.

Compensation of key management personnel

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

	September 30, 2018 **$**	September 30, 2017 $
Short-term compensation	**510,399**	398,312
Short-term employee salary and benefits	**-**	1,313
Share-based payments	**374,418**	516,863
Capitalized share-based payments	**33,835**	40,632
Total	**918,652**	957,120

14. INCOME TAXES

The actual income tax provision for 2018 and 2017 differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates of 27% (2016 – 27%) to the loss before income taxes as show below.

	September 30,	
	2018	2017
Computed "expected" tax	**(2,082,626)**	(757,515)
Increase (decrease) resulting from:		
Share-based payments	**101,093**	141,330
Non-deductible expenses	**134,909**	39,603
Flow-through share renunciation	**331,214**	352,640
Other		329
Share issuance costs	**(52,881)**	(102,069)
Change in deferred tax asset not being recognized	**1,568,291**	325,682
	$ -	$ -

Details of the unrecognized deductible temporary differences are as follows:

	September 30,	
	2018	2017
Deferred tax assets (liabilities):		
Exploration and evaluation assets	**1,740,306**	**457,501**
Share issue costs	**117,781**	**103,720**
Non-capital losses	**2,494,656**	**2,221,454**
Unrecognized deductible temporary differences	**$ 4,352,743**	**$ 2,782,675**

At this stage of the Corporation's development, it cannot be reasonably estimated that there will be future taxable profits, accordingly there were no deferred income tax assets recognized.

As at September 30, 2018, the Corporation has Canadian federal and provincial non-capital losses carried forward of $9,239,468 (2017 - $8,227,601). These Canadian losses expire between 2031 and 2039:

2031	$7,723
2032	$504,260
2033	$1,320,335
2034	$727,704
2035	$949,445
2036	$858,210
2037	$1,220,464
2038	$2,646,046
2039	$1,005,281

15. SUBSEQUENT EVENTS

On October 16, 2018, the Corporation closed the first tranche of its non-brokered private placement (the "Offering") by issuing:

- 7,033,100 units ("Units") of the Corporation at a price of $0.08; and
- 2,279,566 common shares of the Corporation issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) at a price of $0.10 per Flow-Through Share, for aggregate gross proceeds of $800,605.

On December 5, 2018, the Corporation increased and closed the second tranche of its non-brokered private placement (the "Offering") by issuing:

- 3,550,000 units ("Units") of the Corporation at a price of $0.08; and
- 250,000 common shares of the Corporation issued on a "CEE flow-through" basis pursuant to the Income tax Act (Canada) ("Flow-Through Shares") at a price of $0.10 per Flow-Through Share, for aggregate gross proceeds of $309,000.

Gross proceeds raised under the first and second tranche of the Offering were $1.11 million.

Each Unit consists of one Common Share and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one Common Share (each a "Warrant Shares") at an exercise price of $0.15 per Warrant Share until 4:30 pm (Mountain Standard 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 $0.20 per share.

The securities issued pursuant to the Offering are subject to a four month hold period under applicable securities laws. In connection with the Offering, certain finders may receive a cash fee and/or non-transferable finder Warrant.

On January 15, 2019, the Corporation announced it had entered into an option agreement ("Option Agreement") with a third party to option the Old Timer gold property (the "Property"), near Salmo in southern British Columbia. Terms of the Option Agreement include staged payments totalling $50,000 and 500,000 common shares ("Shares") of the Corporation over a 4 year period, for the Corporation to acquire a 100% interest in the Property. The Option Agreement and the issuance of Shares is subject to TSX Venture Exchange approval.

On January 21, 2019, the Corporation announced it had entered into a non-binding Letter of Intent ("LOI") with Wildsky Resources Inc. ("Wildsky") for an option to acquire the Cassiar Gold Project in northern British Columbia by way of an all-share agreement. Under the terms of the LOI, the Corporation will issue 58,200,000 Common Shares in the capital of the Corporation at a deemed price of $0.08 per Share, to Wildsky to acquire all the common shares in the capital of Wildsky's wholly-owned subsidiary, Cassiar Gold Corp.