PACIFIC EMPIRE
MINERALS CORP.

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED DECEMBER 31, 2018**

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**Pacific Empire Minerals Corp.**
**211 - 850 West Hastings Street**
**Vancouver, BC, V6C 1E1**

February 21, 2019

To the Shareholders of
Pacific Empire Minerals Corp.

The accompanying unaudited condensed interim financial statements of Pacific Empire Minerals Corp. (the “Company”) for the nine months ended December 31, 2018 and 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company’s external auditors.

Yours truly,

“Brad Peters”

President and Chief Executive Officer

# PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Statements of Financial Position
Unaudited – Prepared by Management

| ASSETS | | December 31, 2018 | | March 31, 2018 |
|---|---|---|---|---|
| **Current** | | | | |
| Cash | $ | 408,548 | $ | 1,493,234 |
| Receivables (Note 3) | | 122,548 | | 62,174 |
| Prepaid expenditures | | 13,114 | | 14,531 |
| Field Supplies | | 80,151 | | - |
| Marketable securities (Note 4) | | 10,400 | | 1,711 |
| Total current assets | | 634,761 | | 1,571,650 |
| **Non-current** | | | | |
| Restricted cash (Note 5) | | 23,000 | | 23,000 |
| Equipment (Note 6) | | 344,135 | | 166,558 |
| Reclamation deposits (Note 7) | | 53,500 | | 40,000 |
| Exploration and evaluation assets (Note 8) | | 85,011 | | 61,136 |
| Total non-current assets | | 505,646 | | 290,694 |
| **TOTAL ASSETS** | $ | 1,140,407 | $ | 1,862,344 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | $ | 32,066 | $ | 119,175 |
| Due to related parties (Note 12) | | 15,960 | | 22,236 |
| Total current liabilities | | 48,026 | | 141,411 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share Capital (Note 10) | | 3,488,407 | | 3,276,122 |
| Reserves | | 323,416 | | 292,440 |
| Deficit | | (2,719,442) | | (1,847,629) |
| **TOTAL SHAREHOLDERS' EQUITY** | | 1,092,381 | | 1,720,933 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ | 1,140,407 | $ | 1,862,344 |

**Nature of Operations and Ability to Continue as a Going Concern** (Note 1)

These condensed interim financial statements were authorized for issuance by the Board of Directors on February 21, 2019.

**Approved on behalf of the Board of Directors**

*"Brad Peters"* , Director *"Larry Donaldson"* , Director

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

# PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Condensed Interim Statements of Changes in Shareholders' Equity
Unaudited – Prepared by Management

| | Number of common shares | | Share capital | | Reserves | | Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at March 31, 2017** | 19,028,850 | $ | 1,750,366 | $ | 20,126 | $ | (1,193,550) | $ | 576,942 |
| Shares issued for cash | 765,000 | | 76,500 | | - | | - | | 76,500 |
| Share issuance costs - cash | - | | (413) | | - | | - | | (413) |
| Share - based compensation | - | | - | | 155,067 | | - | | 155,067 |
| Loss for the period | - | | - | | - | | (491,773) | | (491,773) |
| **Balance as at December 31, 2017** | 19,793,850 | $ | 1,826,453 | $ | 175,193 | $ | (1,685,323) | $ | 316,323 |
| **Balance as at March 31, 2018** | 29,793,850 | $ | 3,276,122 | $ | 292,440 | $ | (1,847,629) | $ | 1,720,933 |
| Shares issued for mineral properties | 200,000 | | 32,000 | | - | | - | | 32,000 |
| Share issued for cash | 1,000,000 | | 200,000 | | - | | - | | 200,000 |
| Share issue costs - cash | | | (14,493) | | - | | - | | (14,493) |
| Share issue costs - warrants | - | | (5,222) | | 5,222 | | - | | - |
| Share - based compensation | - | | - | | 25,754 | | - | | 25,754 |
| Loss for the period | - | | - | | - | | (871,813) | | (871,813) |
| **Balance as at December 31, 2018** | 30,993,850 | $ | 3,488,407 | $ | 323,416 | $ | (2,719,442) | $ | 1,092,381 |

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

# PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Condensed Interim Statements of Loss and Comprehensive Loss
Unaudited – Prepared by Management

| | Three Months Ended December 31, 2018 | Three Months Ended December 31, 2017 | Nine Months Ended December 31, 2018 | Nine Months Ended December 31, 2017 |
|---|---|---|---|---|
| **EXPLORATION EXPENDITURES (Note 9)** | $ 84,277 | $ 18,303 | $ 428,181 | $ 200,890 |
| Less: Recoveries (Note 9) | (36,661) | (7,915) | (125,075) | (54,154) |
| Net exploration expenditures | 47,616 | 10,388 | 303,106 | 146,736 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | | |
| Administrative and office | 29,226 | 10,139 | 83,554 | 31,403 |
| Amortization (Note 6) | 585 | 770 | 9,688 | 2,310 |
| Investor relations and shareholder communication | 114,501 | 12,014 | 176,123 | 30,036 |
| Management fees (Note 12) | 30,000 | 8,700 | 90,000 | 26,100 |
| Professional fees | 11,348 | 10,000 | 32,770 | 27,330 |
| Consulting fees (Note 12) | 31,200 | 27,900 | 97,800 | 68,400 |
| Share - based compensation (Note 10 & 12) | 6,241 | 53,383 | 25,754 | 155,067 |
| Travel | 26 | 254 | 620 | 3,609 |
| Total general and administrative expenses | 223,127 | 123,160 | 516,309 | 344,255 |
| **Loss from operations** | (270,743) | (133,548) | (819,415) | (490,991) |
| Option revenue (Note 8) | - | - | 4,000 | - |
| Impairment of exploration and evaluation assets (Note 8) | (33,560) | - | (33,560) | - |
| Foreign exchange gain (loss) | 308 | 44 | (1,079) | (737) |
| Interest income | - | - | 552 | 421 |
| Fair value adjustments on marketable securities | (8,681) | (700) | (22,311) | (466) |
| **Loss and comprehensive loss for the period** | $ (312,676) | $ (134,204) | $ (871,813) | $ (491,773) |
| **Basic and diluted loss per common share** | $ (0.01) | $ (0.01) | $ (0.03) | $ (0.02) |
| **Weighted average number of common shares outstanding** | 30,993,850 | 19,793,850 | 30,899,305 | 19,721,204 |

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

## PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Condensed Interim Statements of Cash Flows
Unaudited – Prepared by Management

| Nine Months Ended | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | $ (871,813) | $ (491,773) |
| Item not affecting operating activities: | | |
| Interest income received | (552) | - |
| Items not affecting cash: | | |
| Amortization | 40,201 | 2,310 |
| Fair value adjustments on marketable securities | 22,311 | 466 |
| Option revenue | (4,000) | - |
| Share - based compensation | 25,754 | 155,067 |
| Impairment of exploratio and evaluation assets | 33,560 | - |
| Accrual for exploration tax credits | (70,579) | - |
| Changes in non-cash working capital items: | | |
| Receivables | 10,205 | (35,228) |
| Prepaid expenses | 1,417 | (3,139) |
| Accounts payable and accrued liabilities | (87,852) | 27,896 |
| Due to related parties | (6,276) | (1,170) |
| Field Supplies | (80,151) | - |
| **Total cash used in operating activities** | (987,775) | (345,571) |
| **Cash flows from investing activities** | | |
| Acquisition of exploration and evaluation assets | (52,435) | - |
| Interest received on cash and cash equivalents | 552 | - |
| Purchase of equipment | (217,778) | (1,454) |
| Deposits paid on equipment | - | (1,000) |
| Purchase of reclamation deposits | (13,500) | (13,000) |
| **Total cash used in investing activities** | (283,161) | (15,454) |
| **Cash flows from financing activities** | | |
| Proceeds from the sale of common shares | 200,000 | 76,500 |
| Share issuance costs | (13,750) | (413) |
| Deferred financing costs | - | (99,294) |
| **Total cash provided by (used) financing activities** | 186,250 | (23,207) |
| **Change in cash** | (1,084,686) | (384,232) |
| **Cash, beginning of the period** | 1,493,234 | 425,478 |
| **Cash, end of the period** | $ 408,548 | $ 41,246 |

**Supplemental disclosure with respect to cash flows** (Note 16)

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

## 1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Pacific Empire Minerals Corp. (the "Company" or "Pacific Empire"), was incorporated on July 13, 2012 under the Business Corporations Act (British Columbia). The Company's principal business activities are the acquisition and exploration of mineral properties in Canada. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "PEMC" and the OTCQB Venture Market Exchange under the symbol "PEMSF". The Company's head office address is at Suite 211, 850 West Hastings Street, Vancouver, British Columbia V6C 1E1, Canada and its registered and records office is located at Suite 1700, 1055 West Hastings Street, Vancouver, British Columbia V6E 2E9, Canada.

These condensed interim financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets, discharge its liabilities and continue in operation for the following twelve months.

These financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company's continuing operations and the ability of the Company to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and to find joint venture partners. At the date of these financial statements, the Company has not identified whether any of its properties contain ore reserves that are economically recoverable. At December 31, 2018, the Company has not achieved profitable operations and has accumulated losses since inception.

With its current plans for the next 12 months, management believes it will have sufficient working capital to meet its general and administrative expenses. For the budgets related to the acquisition and exploration of mineral properties, management believes that the Company will need additional working capital to fund these activities for the ensuing twelve months.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

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

### Basis of Measurement and Presentation

These financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars ("CAD"), which is also the Company's functional currency.

### Significant Accounting Policies

The accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied in its annual audited financial statements and related note disclosures as at and for the year ended

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

March 31, 2018, and do not include all the information required for full annual audited financial statements in accordance with IFRS.

It is suggested that these condensed interim financial statements be read in conjunction with the annual audited financial statements.

**Accounting Standards Adopted During the Period**

*Financial instruments*

Effective April 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company's existing financial instruments on the transition date.

IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available-for-sale.

Under IFRS 9, on initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated, and instead the hybrid financial instrument as a whole is assessed for classification. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (loss). This election is made on an investment-by-investment basis.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to initial recognition and how changes in value are recorded. The following accounting policies apply to the subsequent measurement of financial assets.

a) Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

b) Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

c) Financial assets at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of the equity investment are recognized in other comprehensive income (loss) and are never reclassified to profit or loss.

Financial liabilities are designated as either fair value through profit or loss, or other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Other financial liabilities are carried on the consolidated statement of financial position at amortized cost.

The Company completed an assessment of its financial instruments as at April 1, 2018. The following table shows the new classification under IFRS 9 and the original classification under IAS 39:

| | NEW (IFRS 9) | Original ( IAS 39) |
|---|---|---|
| **Financial Assets** | | |
| Cash | Amortized cost | FVTPL |
| Restricted Cash | Amortized cost | FVTPL |
| Receivables | Amortized cost | Loans and receivables |
| Marketable securities | FVTPL | FVTPL |
| Reclamation Deposits | Amortized cost | Amortized cost |
| **Financial Liabilities** | | |
| Accounts payable and accrued liabilities | Amortized cost | Other financial liabilites |
| Due to related parties | Amortized cost | Other financial liabilites |

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk. There was no adjustment relating to the implementation of the expected credit loss model for the Company's trade receivables.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Accounting Pronouncements not yet Effective

IFRS 16 Leases was issued by the IASB in January 2016 (effective January 1, 2019) and has not yet been adopted by the Company. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Company is currently evaluating the impact the new and amended standard is expected to have on its financial statements. The Company does lease office space, and if the limited exception criteria are not met, rent expense is to be removed and replaced by amortization and finance expense related to the leased office space and respective lease liability.

## 3. RECEIVABLES

As at December 31, 2018 and March 31, 2018, receivables consist of the following:

| | December 30, 2018 | March 31, 2018 |
|---|---|---|
| Goods and services tax receivable | $ 10,208 | $ 22,824 |
| Mineral exploration tax credits | 112,340 | 39,350 |
| | $ 122,548 | $ 62,174 |

During the nine months ended December 31, 2018, the Company has received $52,084 related to the mineral exploration tax credit including any refund interest, and $62,056 from GST refunds.

## 4. MARKETABLE SECURITIES

As at December 31, 2018 and March 31, 2018, the Company had the following investments:

| | December 30, 2018 | March 31, 2018 |
|---|---|---|
| **Fair value through profit or loss** | | |
| Cost | $ 27,200 | $ 18,200 |
| Accumulated unrealized loss | (16,800) | (16,489) |
| **Fair value** | $ 10,400 | $ 1,711 |

## 5. RESTRICED CASH

At December 31, 2018, the Company classified $23,000 (March 31, 2018 - $23,000) as restricted cash. This amount is comprised of a GIC held as a deposit for its corporate credit cards.

## 6. EQUIPMENT

During the nine months ended December 31, 2018, amortization of $30,513 (2017 - $Nil) has been included in exploration expenditures.

| | Computer equipment and software | Field equipment | Vehicles and related equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| As at March 31, 2018 | $ 16,862 | $ 132,918 | $ 26,959 | $ 176,739 |
| Additions | 3,609 | 210,049 | 4,120 | 217,778 |
| As at December 31, 2018 | 20,471 | 342,967 | 31,079 | 394,517 |
| **Accumulated amortization** | | | | |
| As at March 31, 2018 | 10,181 | - | - | 10,181 |
| Additions | 1,694 | 34,051 | 4,456 | 40,201 |
| As at December 31, 2018 | $ 11,875 | $ 34,051 | $ 4,456 | $ 50,382 |
| **Net book value** | | | | |
| **As at March 31, 2018** | $ 6,681 | $ 132,918 | $ 26,959 | $ 166,558 |
| **As at December 31, 2018** | $ 8,596 | $ 308,916 | $ 26,623 | $ 344,135 |

## 7. RECLAMATION DEPOSITS

Reclamation deposits are held as security towards future exploration work and the related future potential cost of reclamation of the Company's land and unproven mineral interests. Once reclamation of the properties is complete, the deposits will be returned to the Company. As at December 31, 2018, $53,500 (March 31, 2018 - $40,000) is being held as security on the Company's claims.

## 8. EXPLORATION AND EVALUATION ASSETS

| Properties | December 31, 2018 | Impairment | Option payments received | Mineral titles and Option payments | March 31, 2018 |
|---|---|---|---|---|---|
| Bull's Eye | $ 1,438 | $ - | $ - | $ 1,438 | $ - |
| Bulkley | 4,192 | - | - | 4,192 | - |
| Moffat | 7,157 | - | - | 7,157 | - |
| Paragon | 21,041 | - | - | 21,041 | - |
| NWT | 8,776 | - | - | 8,776 | - |
| Sat | 6,366 | - | - | 6,366 | - |
| Plateau | 3,465 | - | - | 3,465 | - |
| Wildcat | - | (33,560) | - | 32,000 | 1,560 |
| Hogem | 1,635 | - | - | - | 1,635 |
| Tak | 1,914 | - | - | - | 1,914 |
| Red | 2,300 | - | - | - | 2,300 |
| Nub East | 2,492 | - | - | - | 2,492 |
| Stars | - | - | (5,000) | - | 5,000 |
| Copper King | 6,473 | - | - | - | 6,473 |
| Kitimat | 8,339 | - | - | - | 8,339 |
| Pinnacle Reef | 9,423 | - | (22,000) | - | 31,423 |
| | $ 85,011 | $ (33,560) | $ (27,000) | $ 84,435 | $ 61,136 |

**8. EXPLORATION AND EVALUATION ASSETS** (continued)

Changes during the nine months ended December 31, 2018 include:

- Pursuant to an option agreement entered into in February 2017 with a private title holder to acquire a 100% interest in the Wildcat property, the Company issued 200,000 common shares valued at $32,000;
- Pursuant to an option agreement on the Stars property entered into in November 2017 with ML Gold Corp. ("ML Gold"), the Company received 100,000 common shares of ML Gold valued at $9,000, of which $4,000 was allocated to option revenue;
- Pursuant to an option agreement entered into in July 2016 with ML Gold on the Pinnacle Reef property, the Company received 200,000 common shares of ML Gold valued at $22,000;
- The Company acquired a 100% interest by staking the Bull's Eye, Bulkley, and Wasp claims in the Skeena Mining Division of British Columbia;
- The Company acquired a 100% interest by staking the Moffat and Plateau claims in the Cariboo Mining Division of British Columbia;
- The Company acquired a 100% interest by staking the NWT claims in the Omineca Mining Division of British Columbia;
- The Company entered into an option agreement to acquire a 100% interest in the Nilkitkwa Property ("Nilkitkwa") and subsequently combined the company's Wasp property and certain additional contiguous claims staked in the period with the newly optioned Nilkitkwa. The consolidated properties now make up the Paragon Project;
- The Company entered into an option agreement to acquire a 100% interest in the Sat Property located in central British Columbia and subsequently staked 3 contiguous claims which fall under the AOI terms of the Sat option agreement.

*STARS*

During the year ended March 31, 2018, the Company signed an option agreement with ML Gold for the Stars Project. ML Gold can earn up to a 30% interest in the 50% interest held by the Company. As consideration for the option, ML Gold will make aggregate cash payments in the amount of $80,000 and issue a total of 600,000 common shares to the Company over a two-year period and will incur a minimum of $4,500,000 in exploration expenditures on the Project over a three-year period as follows:

- Making an initial cash payment of $10,000 (received) upon signing of the agreement and issuing to the Company 100,000 (received) common shares of ML Gold within 10 days of receiving TSX-V approval (June 5, 2018);
- Making a cash payment of $20,000, incurring $500,000 (completed) in expenditures, and issuing to the Company 200,000 common shares by June 5, 2019;
- Making a cash payment of $50,000, incurring $1,000,000 in expenditures ($1,500,000 cumulative), and issuing to the Company 300,000 common shares by June 5, 2020; and
- Incurring $3,000,000 in expenditures ($4,500,000 cumulative) by June 5, 2021.

The Company will have a carried interest in the Stars project until completion of a Pre-Feasibility Study, after which point a joint venture will commence.

## 8. EXPLORATION AND EVALUATION ASSETS (continued)

*PINNACLE REEF*

During the year ended March 31, 2017, the Company entered into an agreement with ML Gold, whereby the Company granted ML Gold the option to acquire up to a 70% interest in the Pinnacle Reef property. Pursuant to the agreement, ML Gold can earn an initial 51% interest in the property over a 4-year option term from the TSX-V approval date (July 28, 2016) by completing $2,000,000 in exploration expenditures on the property and issuing to the Company 1,000,000 common shares of ML Gold as follows:

- Incurring $150,000 (incurred) in expenditures by July 28, 2017;
- Incurring $250,000 (incurred) in expenditures and issuing to the Company 200,000 common shares (received August 1, 2018) by July 28, 2018;
- Incurring $600,000 in expenditures and issuing to the Company 300,000 common shares by July 28, 2019; and
- Incurring $1,000,000 in expenditures and issuing to the Company 500,000 common shares by July 28, 2020.

Upon completion of the 51% earn-in, ML Gold can earn an additional 19% interest in the property by issuing an additional 500,000 common shares to the Company and incurring a further $3,000,000 in property expenditures within 2 years of the exercise of the option.

*WILDCAT*

The Company entered into an option agreement dated February 27, 2017 ("effective date") with a private title holder (the "Wildcat Optionor") to acquire a 100% interest in the Wildcat property. To earn its 100% interest, the Company must carry out certain exploration and issue 2,000,000 common shares to the Wildcat Optionor on or before the fourth anniversary of the effective date as follows:

- Issue 200,000 common shares (issued) and carry out a minimum 10 km-line induced polarization survey (completed) on or before February 27, 2018;
- Issue 400,000 common shares and drill 1 reverse circulation or diamond drill hole on or before February 27, 2019;
- Issue 600,000 common shares on or before February 27, 2020; and
- Issue 800,000 common shares on or before February 27, 2021.

Upon exercise of the option, the Company will grant to the Wildcat Optionor a 2% NSR royalty subject to the Company's right to purchase one half of the royalty from the Optionor for a period of 15 years following the completion of a mineral resource estimate prepared in accordance with NI 43-101 for a purchase price equal to:

- Purchase price = 0.0007 x Gold price per ounce x gold ounce-equivalent resource

Subsequent to the 9 months ended December 31, 2018, the Company decided to terminate the Wildcat option agreement and has written-off all costs related to the project as at December 31, 2018.

**8. EXPLORATION AND EVALUATION ASSETS** (continued)

*SAT*

The Company entered into an option agreement dated December 13, 2018 with two private title holders (the "Sat Optionor") to acquire a 100% interest in the Sat property. To earn its 100% interest, the Company must make cash payments totaling $65,000 and issue 500,000 common shares to the Sat Optionor on or before the fourth anniversary of the TSX approval date (December 27, 2018) as follows:

- Pay $5,000 cash upon signing of the agreement (paid);
- Pay $5,000 cash and issue 50,000 common shares of the Company on or before December 27, 2019;
- Pay $10,000 cash and issue 100,000 common shares of the Company on or before December 27, 2020;
- Pay $20,000 cash and issue 150,000 common shares of the Company on or before December 27, 2021; and
- Pay $25,000 cash and issue 200,000 common shares of the Company on or before December 27, 2022.

Upon exercise of the option, the Company shall grant the Sat Optionors a 1% NSR royalty which the Company may purchase one half (0.5%) of the NSR royalty at any time from the vendors for $500,000.

*PARAGON (NILKITKWA OPTION)*

The Company entered into an option agreement dated December 17, 2018 with three private title holders (the "Nilkitkwa Optionor") to acquire a 100% interest in the Nilkitkwa property. To earn its 100% interest, the Company must make cash payments totaling $65,000 and issue 500,000 common shares to the Nilkitkwa Optionor on or before the fourth anniversary of the TSX Approval date (December 27, 2018) as follows:

- Pay $5,000 cash upon signing of the agreement (paid);
- Pay $5,000 cash and issue 50,000 common shares of the Company on or before December 27, 2019;
- Pay $10,000 cash and issue 100,000 common shares of the Company on or before December 27, 2020;
- Pay $20,000 cash and issue 150,000 common shares of the Company on or before December 27, 2021; and
- Pay $25,000 cash and issue 200,000 common shares of the Company on or before December 27, 2022.

Upon exercise of the option, the Company shall grant the Sat Optionors a 1% NSR royalty which the Company may purchase one half (1%) of the NSR royalty at any time from the vendors for $1,500,000.

The Company has combined the Nilkitkwa, Wasp, and additional contiguous claims to comprise the Paragon project.

## 9. EXPLORATION EXPENDITURES

During the nine months ended December 31, 2018, the Company incurred the following exploration expenditures, which were expensed as incurred:

| | Kitimat | Copper King | Moffat | Wildcat | Other* | Total |
|---|---|---|---|---|---|---|
| Administration Cost | $ 462 | $ 83 | $ - | $ 890 | $ 6,319 | $ 7,754 |
| Amortization | 7,875 | 6,062 | 2,976 | 7,437 | 6,163 | 30,513 |
| Geophysics | 5,872 | 5,873 | 9,100 | - | 341 | 21,186 |
| Logistics | 29,075 | 36,438 | 9,311 | 24,509 | 27,442 | 126,775 |
| Personnel | 41,756 | 27,216 | 21,999 | 53,052 | 43,520 | 187,543 |
| Travel | 17,881 | 7,286 | 6,840 | 8,670 | 13,733 | 54,410 |
| Total Expenditures | 102,921 | 82,958 | 50,226 | 94,558 | 97,518 | 428,181 |
| Exploration tax credits** | (34,149) | (27,560) | (14,968) | (31,484) | (16,914) | (125,075) |
| Total Recoveries | (34,149) | (27,560) | (14,968) | (31,484) | (16,914) | (125,075) |
| Net Expenditures | $ 68,772 | $ 55,398 | $ 35,258 | $ 63,074 | $ 80,604 | $ 303,106 |

* Components of “Other” exploration expenditures for the nine months ended December 31, 2018 were Bulkley - $7,029; Bull’s Eye - $2,223; Nub East - $828; Pinnacle Reef - $866; Red property - $41,055; Stars - $1,545; Paragon - $4,627; Sat - $3,974; and Target Generation - $29,342.

During the nine months ended December 31, 2017, the Company incurred the following exploration expenditures, which were expensed as incurred:

| | Copper Star | Copper King | Hogem | Wildcat | Other* | Total |
|---|---|---|---|---|---|---|
| Administration Cost | $ - | $ - | $ - | $ 28 | $ 2,716 | $ 2,744 |
| Assays | - | - | - | 495 | | 924 |
| Geophysics | - | 9,112 | 7,266 | 115,094 | 2,915 | 134,387 |
| Logistics | 962 | 2,500 | 4,077 | 2,371 | 2,513 | 12,423 |
| Personnel | 7,250 | 2,700 | 6,200 | 8,813 | 14,549 | 39,513 |
| Travel | 3,219 | - | 1,813 | 1,233 | 4,636 | 10,901 |
| Total Expenditures | 11,432 | 14,312 | 19,355 | 128,034 | 27,328 | 200,890 |
| Expendiuture recoveries | - | - | - | - | (5,840) | (5,840) |
| Exploration tax credits** | (1,183) | (2,182) | (3,051) | (24,384) | (17,514) | (48,314) |
| Total Recoveries | (1,183) | (2,182) | (3,051) | (24,384) | (23,354) | (54,154) |
| Net Expenditures | $ 10,249 | $ 12,130 | $ 16,304 | $ 103,650 | $ 3,974 | $ 146,736 |

* Components of “Other” exploration expenditures for the nine months ended December 31, 2017 were Kitimat - $8,070; Tak - $2,267; Pinnacle Reef - $8,904; Red Property - $ 5,144; Nub East- $827; and Target Generation - $3,043.

** All of the Company’s exploration activities are located in British Columbia, Canada. As such, the Company is eligible for the Mining Exploration Tax Credit on qualifying expenditures. The credit is 20% of the qualifying expenditures, and an enhanced 30% credit is available for expenditures incurred in Mountain Pine Beetle affected areas. Except for the Kitimat property, all the Company’s projects are located in areas qualifying for the 30% enhanced credit. The Company has accrued a credit at the 30% qualifying rate on expected qualifying expenditures except for Kitimat which is accrued at 20%. Actual credits and refunds may differ from reported above.

**10. EQUITY**

**Authorized**

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

**Share Capital**

No preferred shares have been issued from incorporation to December 31, 2018.

***During the nine months ended December 31, 2018:***

The Company completed a non-brokered private placement of 1,000,000 units of the Company at a price of $0.20 per unit with each unit comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.30 per share for a period of 36 months until April 24, 2021. In consideration for arranging the private placement, the Company paid finder's fees of $12,000 in cash and through the issuance of 60,000 finder's warrants valued at $5,222. Each finder's warrant entitles the holder to purchase one common share in the capital of the Company at an exercise price of $0.30 per share until April 24, 2021. The fair value of the finder's warrants issued as part of the private placement were estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 2.02%, dividend yield of 0%, volatility of 100% and an expected life of 3 years. The Company paid an additional $2,493 in legal and regulatory costs related to the private placement.

Pursuant to an option agreement entered into in February 2017 with a private title holder to acquire a 100% interest in the Wildcat property, the Company issued 200,000 common shares valued at $32,000 or $0.16 per share. The common shares were value using the available market price on the issuance day (Note 8).

***During the nine months ended December 31, 2017:***

The Company completed private placements of $76,500 through the issuance of 765,000 common shares at a price of $0.10 per common share with two directors of the Company and one employee of Seabord Services Corp., a consultant to the Company. The Company paid $413 in share issue costs for filing fees and legal expenses in connection with the financings.

The Company signed an engagement letter and agency agreement with Haywood Securities in connection with the proposed IPO of securities of the Company and concurrent listing of the common shares of the Company on the TSX-V. On October 23, 2017, the Company filed and received a receipt for, a final long form prospectus with the securities commissions of each of British Columbia, Alberta, and Ontario. The IPO was for the aggregate gross proceeds of a minimum of $1,500,000 through the sale of 7,500,000 units at $0.20 per unit, and up to a maximum of $2,000,000 through the sale of 10,000,000 units at $0.20 per unit. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the purchase, subject to adjustment in certain circumstances, of one common share of the Company at a price of $0.30 per share until the second anniversary of the completion of the IPO. As at December 31, 2017, the Company prepaid $20,000 to Haywood and $15,000 to the TSX Venture Exchange as an advance against the corporate finance fees; and paid or accrued $148,794 for legal and other professional services and anticipated legal and professional expenses.

**10. EQUITY** (continued)

**Stock Option Plan**

As at December 31, 2018, the Company had a stock option plan that allows the Board of Directors to grant incentive stock options to the Company's officers, directors, related company employees and consultants to purchase up to that number of common shares equal to 10% of its outstanding shares for a term of up to ten years. The exercise price of each option is to be not less than the fair market value of the Company's stock as determined by the Plan administrator. The vesting terms are determined at the time of the option grant.

During the nine months ended December 31, 2018, the Company granted 225,000 incentive stock options to consultants of the Company pursuant to the Company's stock option plan. These options are exercisable at $0.20 per share for a period of 3 years expiring on July 24, 2021.

During the nine months ended December 31, 2017, the Company granted 1,250,000 incentive stock options to management, directors and consultants of the Company pursuant to the Company's stock option plan. These options are exercisable at $0.20 per share for a period of 5 years expiring on June 23, 2022 and July 4, 2022.

The changes in stock options outstanding are as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance as at March 31, 2018 | 2,355,000 | $ 0.20 |
| Granted | 225,000 | 0.20 |
| Expired | (10,000) | (0.20) |
| Balance, December 31, 2018 | 2,570,000 | 0.20 |
| Number of options exercisable as at December 31, 2018 | 2,275,000 | $ 0.20 |

The following table summarizes the stock options outstanding and exercisable at December 31, 2018:

| Date Granted | Number of Options | Exercisable | Exercise Price | Expiry Date |
|---|---|---|---|---|
| May 27, 2015* | 65,000 | 48,750 | $ 0.15 | May 27, 2020 |
| May 27, 2015* | 240,000 | 180,000 | 0.20 | May 27, 2020 |
| June 7, 2016** | 100,000 | 50,000 | 0.15 | June 7, 2021 |
| June 23, 2017*** | 1,090,000 | 1,090,000 | 0.20 | June 23, 2022 |
| July 4, 2017*** | 150,000 | 150,000 | 0.20 | July 4, 2022 |
| March 20, 2018 - Broker's Options**** | 700,000 | 700,000 | 0.20 | March 20, 2021 |
| July 24, 2018*** | 225,000 | 56,250 | 0.20 | July 24, 2021 |
| | 2,570,000 | 2,275,000 | | |

* stock options vest 25% every year beginning one year after the date of grant.
** stock options vest 25% every year beginning one year after the date of grant.
*** stock options vest 25% every quarter starting 3 months from date of grant.
**** Broker's options are exercisable into a unit, consisting of one common share and one common share purchase warrant.

The weighted average remaining life of the stock options exercisable is 2.84 years (March 31, 2018 – 3.60 years).

**10. EQUITY** (continued)

**Share-based Payments**

For the nine months ended December 31, 2018, the Company recorded share-based payment expense of $25,754 (2017 - $155,067), which represents the fair value of options vested during the period with the offsetting amount credited to reserves.

The weighted average fair value of the stock options granted during the nine months ended December 31, 2018 was $0.06 per stock option (2017 - $0.14 per stock option). The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows: risk-free interest rate of 2.13% (2017 – 1.21%), dividend yield of 0% (2017 – 0%), volatility of 100% (2017 - 100%), forfeiture rate of 0% (2017 – 0%) and an expected life of 3 years (2017 – 5 years).

**Warrants**

The changes in warrants outstanding are as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, March 31, 2018 | 10,000,000 | $ | 0.30 |
| Granted | 1,060,000 | | 0.30 |
| Balance, December 31, 2018 | 11,060,000 | $ | 0.30 |

The following table summarizes the warrants outstanding and exercisable at December 31, 2018:

| Date Granted | Number of Warrants | | Exercise Price | Expiry Date |
|---|---|---|---|---|
| March 20, 2018 - IPO Warrants | 10,000,000 | $ | 0.30 | March 20, 2021 |
| April 24 , 2018 Private Placement | 1,000,000 | $ | 0.30 | April 24, 2021 |
| April 24 , 2018 Finders' Warrants | 60,000 | $ | 0.30 | April 24, 2021 |

**11. SEGMENTED INFORMATION**

The Company operates in a single reportable operating segment, being the acquisition and exploration of mineral properties. As such, all of the Company's equipment and exploration and evaluation assets are located in Canada.

## 12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into certain transactions with key management personnel, which the Company has defined as Officers and Directors of the Company. The aggregate value of these transactions and outstanding balances are as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **December 31, 2018** | **December 31, 2017** | **December 31, 2018** | **December 31, 2017** |
| Exploration expenditures | | | | |
| President* | $ - | $ 1,200 | $ 2,400 | $ 5,100 |
| Vice President, Exploration* | 21,600 | 7,500 | 70,200 | 27,300 |
| General and Administrative expenditures | | | | |
| President* | 27,200 | 16,800 | 82,400 | 50,100 |
| Vice President, Exploration* | 4,000 | 11,100 | 15,400 | 18,300 |
| Seabord Services Corp.** | 30,000 | 8,700 | 90,000 | 26,100 |
| Share - based compensation | | | | |
| Management and directors | 958 | 34,140 | 10,952 | 99,700 |
| Seabord Services Corp.** | 192 | 6,827 | 2,190 | 19,940 |
| | $ 83,950 | $ 86,267 | $ 273,542 | $ 246,540 |

Amounts due to related parties as of December 31, 2018 and March 31, 2018 are as follows:

| Related party liabilities | Items or services | **December 31, 2018** | **March 31, 2018** |
|---|---|---|---|
| President | Management fees and reimbursable expenses | $ 7,980 | $ 9,240 |
| Vice President, Exploration | Management fees and reimbursable expenses | 7,980 | 12,996 |
| | | $ 15,960 | $ 22,236 |

*BJP Consulting and Rory Ritchie Geological Consulting are controlled by Brad Peters, President and Chief Executive Officer, and Rory Ritchie, Vice-President, Exploration respectively.

** Seabord Services Corp. ("Seabord") provides the following services: a Chief Financial Officer ("CFO"), a Corporate Secretary, accounting and administration staff, and office space to the Company. The CFO and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

There were no changes to the Company's Board of Directors or management during the nine months ended December 31, 2018.

## 13. FINANCIAL AND CAPITAL RISK MANAGEMENT

### Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk, interest rate risk, and market risk.

**13. FINANCIAL AND CAPITAL RISK MANAGEMENT** (continued)

**Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Although the Company operates only in Canada and all expenditures are incurred in Canadian dollars, U.S. dollars are sometimes held by the Company. As at December 31, 2018, the Company did not hold a significant balance of U.S. dollars. Therefore, a change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar would have an immaterial effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

**Credit Risk**

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no concentration of credit risk other than on cash deposits and receivables. The Company's cash deposits are primarily held with a Canadian chartered bank. Further, receivables comprise amounts due from the federal government. Therefore, credit risk is considered low.

**Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to pay obligations as they fall due. Financial liabilities, at December 31, 2018, included $32,066 of accounts payable and accrued liabilities, and $15,960 in amounts due to related parties. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**Interest Rate Risk**

When the Company has sufficient cash, it will invest in term deposits which can be reinvested without penalty after thirty days should interest rates rise. As at December 31, 2018 and March 31, 2018, the Company did not have any interest-bearing loans. Accordingly, the Company does not have significant interest rate risk.

**Market risk**

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the December 31, 2018 value of marketable securities every 10% increase or decrease in the share prices of these companies would have an immaterial impact on income (loss) for the period before income taxes.

**Management of Capital**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering into joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company prepares annual estimates of exploration and administrative expenditures and monitors actual expenditures compared to the estimates. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after

## 13. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

thirty days without interest penalty. There has been no change in approach to managing capital during the period ended December 31, 2018 and the Company believes with its current plans in place, it will have sufficient capital to fund its general and administrative functions but will need additional capital to meet its planned exploration expenditures for the next twelve months. The Company is not subject to externally imposed capital requirements.

## 14. FINANCIAL INSTRUMENTS BY CATEGORY

The Company classified its financial instruments as follows:

| | December 31, 2018 | March 31, 2018 |
|---|---|---|
| **Financial assets** | | |
| Amortized cost: | | |
| Cash | $ 408,548 | $ 1,493,234 |
| Restricted Cash | 23,000 | 23,000 |
| Receivables | 122,548 | 62,174 |
| Reclamation Deposits | 53,500 | 40,000 |
| Fair value through profit or loss: | | |
| Marketable securities | 10,400 | 1,711 |
| | $ 617,996 | $ 1,620,119 |
| **Financial liabilities** | | |
| Amortized cost: | | |
| Accounts payable and accrued liabilities | 32,066 | 119,175 |
| Due to related parties | 15,960 | 22,236 |
| | $ 48,026 | $ 141,411 |

### Fair Values

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments which are measured using the fair value hierarchy include marketable securities which are categorized as level 1.

The carrying values of cash, restricted cash, receivables, reclamation deposits, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

## 15. COMMITMENT

In April 2018, the Company renewed a lease agreement with LRG Investments Ltd for office space in Vancouver, Canada. The original lease commenced on January 1, 2013 for six years. The renewed lease has a three - year term and commenced in January 1, 2019 with expected annual commitments of $16,800 (year 1), $17,800 (year 2), and $18,800 (year 3).

### 16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions during the nine months ended December 31, 2018 included:

- Reduced mineral properties by $5,000, and recorded option revenue of $4,000 related to 100,000 common shares of ML Gold received pursuant to the Stars property agreement (Note 8);
- Reduced mineral properties by $22,000 related to 200,000 common shares of ML Gold received pursuant to the Pinnacle Reef property agreement (Note 8);
- Recorded the issuance of 200,000 common shares valued at $32,000 pursuant to the Wildcat property agreement (Note 8);
- Reclass of $743 in share issue costs included in accounts payable and accrued liabilities as at March 31, 2018; and
- The recording of $5,222 in capital stock and reserves related to the fair value of brokers warrants (Note 10).

Significant non-cash investing and financing transactions during the nine months ended December 31, 2017 included the accrual of $64,500 in deferred share issue costs related to the Company's IPO.

There was no interest or tax paid during the nine months ended December 31, 2018 and 2017.