

CARIBOO ROSE RESOURCES LTD.

Condensed Interim Financial Statements

For the three and six months ended August 31, 2018 and 2017

Unaudited

(Expressed in Canadian dollars)

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NOTICE TO READER:

These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management.

Cariboo Rose Resources Ltd.
Condensed Interim Statements of Financial Position

(Unaudited - Expressed in Canadian dollars)

	August 31, 2018	February 28, 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 45,316	\$ 33,633
Accounts receivable	143	2,616
Investments (Note 3)	87,995	164,738
	133,454	200,987
Receivable from Lorraine Copper Corp. (Note 6)	12,000	12,000
Project deposits	10,500	10,500
Exploration and evaluation assets (Note 4)	1,671,812	1,673,326
Equipment	1,574	1,574
	\$ 1,829,340	\$ 1,898,387
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 30,688	\$ 31,025
Payable to related parties (Note 6)	6,372	11,708
	37,060	42,733
SHAREHOLDERS' EQUITY		
Share capital	2,402,379	2,402,379
Warrant reserve	510,937	510,937
Options reserve	330,172	330,172
Accumulated other comprehensive (loss)	(50,332)	(31,090)
Deficit	(1,400,876)	(1,356,744)
	1,792,280	1,855,654
	\$ 1,829,340	\$ 1,898,387

Nature and continuance of operations (Note 1)

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

Cariboo Rose Resources Ltd.
Condensed Interim Statements of Loss and Comprehensive Loss
For the Three and Six Months Ended August 31, 2018 and 2017
(Unaudited - Expressed in Canadian dollars)

	Three Months Ending		Six Months Ending	
	August 31,	August 31,	August 31,	August 31,
	2018	2017	2018	2017
Expenses				
Consulting	\$ 3,000	\$ 2,596	\$ 4,700	\$ 6,605
Interest and bank charges	155	162	180	302
Investor relations	5,967	11,854	10,970	25,157
Legal and audit	-	5,000	-	10,000
Office	805	968	2,205	1,888
Rent	6,728	6,513	13,812	13,005
Salaries and benefits	4,464	4,244	8,735	8,498
Telephone	467	453	941	885
Transfer and filing fees	2,756	4,075	3,733	5,056
Loss before the following	24,342	35,865	45,276	71,396
Other (income)/expense				
Interest (income)	(65)	(2,592)	(65)	(2,682)
(Gain) on sale on investments	-	(69,371)	(1,079)	(69,371)
NET LOSS (GAIN)	24,277	(36,098)	44,132	(657)
OTHER COMPREHENSIVE LOSS (INCOME)				
Change in unrealized (gain)/loss on investments	37,742	(9,651)	22,742	305,847
Reclassification of realized (gain) on disposal on investments	-	-	(3,500)	-
COMPREHENSIVE LOSS	\$ 62,019	\$ (45,749)	\$ 63,374	\$ 305,190
BASIC AND DILUTED LOSS PER SHARE	\$ 0.000	\$ 0.001	\$ 0.000	\$ 0.007
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	45,796,888	44,743,488	45,796,888	44,743,488

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

Cariboo Rose Resources Ltd.
Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian dollars)

	Number of Common Shares	Share Capital (Note 6)	Warrant Reserve (Note 6)	Options Reserve (Note 6)	Accumulated Other Comprehensive (Loss)/Income	Deficit	Total Equity
Balance, February 28, 2017	44,743,488	\$ 2,324,534	\$ 485,637	\$ 283,278	\$ 370,157	\$ (1,277,159)	\$ 2,186,447
Private placement, net of issue costs	-	-	-	-	-	-	-
Sale of flow through tax benefits	-	-	-	-	-	-	-
Exercise of share purchase warrants	-	-	-	-	-	-	-
Change in unrealized gain/loss on investments	-	-	-	-	(305,847)	-	(305,847)
Reclassification of realized gain on disposal of investments	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(657)	(657)
Balance, August 31, 2017	44,743,488	2,324,534	485,637	283,278	64,310	(1,277,816)	1,879,943
Private placement, net of issue costs	1,053,400	80,500	25,300	-	-	-	105,800
Share-based compensation	-	-	-	46,894	-	-	46,894
Sale of flow through tax benefits	-	(2,655)	-	-	-	-	(2,655)
Change in unrealized gain/loss on investments	-	-	-	-	10,702	-	10,702
Reclassification of realized gain on disposal of investments	-	-	-	-	(106,102)	-	(106,102)
Net loss for the period	-	-	-	-	-	(78,928)	(78,928)
Balance, February 28, 2018	45,796,888	2,402,379	510,937	330,172	(31,090)	(1,356,744)	1,855,654
Change in unrealized (loss) on investments	-	-	-	-	(22,742)	-	(22,742)
Reclassification of realized loss on disposal of investments	-	-	-	-	3,500	-	3,500
Net (loss) for the period	-	-	-	-	-	(44,132)	(44,132)
Balance, August 31, 2018	45,796,888	\$ 2,402,379	\$ 510,937	\$ 330,172	\$ (50,332)	\$ (1,400,876)	\$ 1,792,280

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

Cariboo Rose Resources Ltd.
Condensed Interim Statements of Cash Flows
For the Six Months Ended August 31, 2018 and 2017
(Unaudited - Expressed in Canadian dollars)

	2018	2017
Cash provided by (used in)		
Operating activities		
Net (loss)	\$ (44,132)	\$ (75,510)
Adjustments to reconcile net loss from operating activities:		
(Gain) on sale on investment	(1,079)	-
	(45,211)	(75,510)
Changes in non-cash working capital components		
Accounts receivable	2,473	(11,215)
Accounts payable and accrued liabilities	(337)	51,023
Investments – short term		1,300
Payable to related parties	(5,336)	-
	(48,411)	(34,402)
Investing activities		
Property Option Proceeds	20,000	-
Mineral property exploration expenditures	(18,486)	(289,989)
Proceeds from sale of investment	58,580	-
	60,094	(289,989)
Financing activities		
Shares and warrants issued for cash, net of issue costs	-	294,800
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,683	(29,591)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	33,633	302,956
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 45,316	\$ 273,365

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

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three and Six Months Ended August 31, 2018 and 2017
(Unaudited - Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Cariboo Rose Resources Ltd. (the “Company”) is incorporated in the Province of British Columbia. Its principal business activities are the acquisition and exploration of gold, copper and other precious and base metal properties in Canada. The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flows.

The Company’s shares are listed for trading on the TSX-Venture Exchange (the “Exchange”) under the symbol CRB. Its registered office is located at 110-325 Howe Street, Vancouver, British Columbia V6C 1Z7.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations. Such adjustments and reclassifications could be material.

2. BASIS OF PREPARATION

Summary of Significant Accounting Policies

The Company prepares its interim financial statements in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended February 28, 2018.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended February 28, 2019, as issued and outstanding on October 29, 2018, the date the Board of Directors approved these financial statements.

Accounting estimates and judgments

The preparation of these interim financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. Estimates and the underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these consolidated financial statements include, among others, the recoverability of accounts receivable, the impairment of carrying values of equipment and mineral property interests, the determination of realizable amounts of deferred tax assets and liabilities, and the measurement of equity instruments and share-based compensation.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from equipment.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three and Six Months Ended August 31, 2018 and 2017
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3. INVESTMENTS

The Company has the following financial instruments carried at fair value using Level 1 valuation techniques:

	August 31, 2018			February 28, 2018		
	Number of Shares	Cost	Fair Value	Number of Shares	Cost	Fair Value
Consolidated Woodjam Copper Corp.	49,772	\$ 19,478	\$ 995	49,772	\$ 19,478	\$ 2,738
Western Copper and Gold Corp	100,000	115,000	87,000	150,000	172,500	162,000
		\$ 134,478	\$ 87,995		\$ 191,978	\$ 164,738

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value using one of the following valuation techniques:

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. EXPLORATION AND EVALUATION ASSETS

Acquisition and exploration expenditures incurred on mineral properties for the six months ended August 31, 2018 are as follows:

	<u>Carruthers Pass</u>	<u>Canadian Creek</u>	<u>Other*</u>	<u>Total</u>
ACQUISITION COSTS				
Balance, beginning of the period	\$ 100,742	\$ 46,348	\$ 31,115	\$ 178,205
Incurred during the period	-	-	1,019	1,019
Balance, end of the period	100,742	46,348	32,134	179,224
EXPLORATION EXPENDITURES				
Expenditures for the period:				
Professional fees and field crews	800	5,200	1,600	7,600
Fees, permits and assessments	-	6,726	-	6,726
Geological	-	540	-	540
Rental of vehicles and equipment	-	2,309	-	2,309
Communications	-	140	-	140
Other	-	115	37	152
	800	15,030	1,637	17,467
Balance, beginning of the period	76,131	1,797,784	381,026	2,254,941
Balance, end of the period	76,931	1,812,814	382,663	2,272,408
OPTION PROCEEDS				
Balance, beginning of period	(82,274)	(576,132)	(101,414)	(759,820)
Received during the period	-	-	(20,000)	(20,000)
Balance, end of period	(82,274)	(576,132)	(121,414)	(779,820)
	\$ 95,399	\$ 1,283,030	\$ 293,383	\$ 1,671,812

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
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(Unaudited - Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition and exploration expenditures incurred on mineral properties for the six months ended August 31, 2017 are as follows:

	<u>Carruthers Pass</u>	<u>Canadian Creek</u>	<u>Other</u>	<u>Total</u>
ACQUISITION COSTS				
Balance, beginning of the period	\$ 99,990	\$ 46,348	\$ 30,583	\$ 176,921
Incurred during the period	-	-	-	-
Balance, end of the period	99,990	46,348	30,583	176,921
EXPLORATION EXPENDITURES				
Professional fees, field crews	5,600	366,020	4,800	376,420
Geophysical	-	24,389	-	24,389
Fees, permits & assessments	-	1,733	-	1,733
Geological	-	309	-	309
Drilling	-	191,648	-	191,648
Transportation & Fuel	-	293,127	-	293,127
Field Equipment	-	14,192	-	14,192
Rental of Vehicles & Equipment	-	64,815	-	64,815
Communications	-	9,989	-	9,989
Food and Accommodation	-	29,632	-	29,632
Freight	-	50,540	-	50,540
Project Admin.	-	10,875	-	10,875
Assaying	-	37,840	-	37,840
Other	-	18,621	-	18,621
	5,600	1,113,730	4,800	1,124,130
Balance, beginning of the period	66,095	529,784	359,620	955,499
Mineral exploration tax credits	-	-	-	-
Balance, end of the period	71,695	1,643,514	364,420	2,079,629
OPTION PROCEEDS				
Balance, beginning of period	(82,275)	(576,132)	(101,413)	(759,820)
Proceeds from sale of claims	-	-	-	-
Balance, end of period	(82,275)	(576,132)	(101,413)	(759,820)
	\$ 89,410	\$ 1,113,730	\$ 293,588	\$ 1,496,730

Cowtrail Property, Cariboo Mining Division, British Columbia
(32 claims covering 4,600 hectares)

In 2011 Dajin Resources Corp. (“Dajin”) earned a 65% interest in the Cowtrail property by completing \$1,000,000 in exploration expenditures, issuing 50,000 shares and paying \$110,000 in cash to the Company. In March 2018 Dajin transferred its interest in the Cowtrail property to Cariboo Rose subject to a requirement to share any third party option proceeds with Dajin on a 50%-50% basis for a period of three years. Other than this requirement Cariboo Rose now owns a 100% interest in the project.

Canadian Creek Project, Whitehorse Mining District, Yukon
(311 claims covering 6,180 hectares)

The Company holds a 100% interest in the Ana, Aztec, Koffee, Nice, Kana, Berg and Maya claims in the Whitehorse Mining District, subject to a requirement to pay 10% of all option payments and monetary benefits received from the Ana and Koffee claims to an underlying purchaser and a 5.0% net profits interest in the Ana claims to Casino Mining Corp.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
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4. EXPLORATION AND EVALUATION ASSETS (continued)

On November 2, 2016, the Company received title to the 55 Casino B claims and then sold 9 of those claims to Western Copper and Gold Corporation (“Western Copper”) in consideration for 500,000 Western Copper common shares. Approximately \$1,268,000 was spent on exploration at Canadian Creek in 2017. Assessment work has been filed to the extent that all claims are covered for dates varying between June 2022 and March 2027.

Carruthers Pass, Omineca Mining Division, British Columbia
(10 claims covering 3,250 hectares)

The Company acquired a 100% interest in the 3,250-hectare Carruthers Pass property from Freeport McMoran Explorations (“Freeport”) by completing \$750,000 in exploration expenditures and issuing \$120,000 in shares and cash. Freeport retains a 2.5% net smelter royalty interest, which may be reduced to 1% with a cash payment by the Company of \$1,500,000. Freeport retains certain royalty privileges with respect to the property. In February the company expanded the claim group to 3,680 hectares to protect anomalous soil cobalt values occurring close to the historic claim boundary.

Pat Claims, Cariboo Mining Division, British Columbia
(2 claims covering 1,330 hectares)

The Company owns an undivided 100% interest in the Pat claims and is seeking an option partner to continue exploration.

Others

On September 21, 2016, subsequently amended on March 30, 2017, the Company entered into an option agreement with JM Capital II Corp. (“JM Capital”) whereby JM Capital can earn a 60% interest in the Carbonate Hosted Gold property by making payments totaling \$15,000, issuing 750,000 common shares and completing \$2.85 million in exploration work before January 31, 2020. The exploration work requirement will be paid to the Company in cash and will be applied by the Company to expenditures on the Carbonate Hosted Gold property. During the year this option agreement was terminated and the Company entered into an option agreement with a ZP Mining Inc. (“ZP Mining”) on November 21, 2017, whereby ZP Mining can earn a 60% interest in the Carbonate Hosted Gold property by completing \$1.5 million in exploration work and making \$300,000 in payments over a 5.5 years term. In addition, ZP Mining may earn an additional 15% interest in the project by paying the Company an additional \$100,000 and completing a feasibility study within a further 36 months. An initial option payment of \$20,000 was received in May.

On June 30, 2017, the Company entered into an option agreement with Oakley Ventures Inc. (“Oakley Ventures”), whereby Oakley Ventures can earn a 50% interest in the Koster Dam project by completing \$110,495 in exploration work within 12 months and a further 50% interest for a \$400,000 cash payment within the same period. An extension to the agreement was granted whereby the term to complete the agreement was extended from 12 months to 15 months.

5. SHARE CAPITAL

Authorized – unlimited Common and Preferred shares without par value.

During the year ended February 28, 2018 the Company completed a private placement of 1,053,400 units at \$0.12 for flow-through units and \$0.10 for non flow-through units for gross proceeds of \$105,800. Each unit consisted of one common share and one warrant for the purchase of one additional non flow-through common share at a price of \$0.14 per share for a term of one year.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
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5. SHARE CAPITAL (continued)

Share Purchase Options

The Company issues options to directors, officers, and employees of the Company, and persons who provide ongoing services to the Company, under an incentive stock option plan. Under the plan, the Company may issue up to 3,450,768 options. Options will normally vest entirely on the date of grant for directors, officers and employees and at the rate of 25% on the date of the grant and 25% every three months thereafter for consultants. Options will expire no later than five years from the grant date, except that they will expire within ninety days when the holder is no longer qualified to hold the option (other than for cause, when the option will expire immediately).

Common share purchase options and weighted average exercise prices are as follows:

	Six months ended August 31, 2018		Six months ended August 31, 2017	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the period	3,450,000	\$ 0.11	3,425,000	\$ 0.10
Changes during the period	-	-	-	-
Balance, August 31, 2018	3,450,000	\$ 0.11	3,425,000	\$ 0.10

The following common share purchase options are outstanding at August 31, 2018:

Expiry Date	Options Outstanding			Options Exercisable	
	Number of shares	Exercise price	Weighted Average Remaining Life	Number of shares	Exercise price
December 13, 2021	2,300,000	\$ 0.10	3.29	2,300,000	\$ 0.10
August 29, 2026	550,000	0.11	8.00	550,000	0.11
January 17, 2027	100,000	0.20	8.39	100,000	0.20
October 5, 2027	500,000	0.11	9.12	500,000	0.11
	3,450,000	\$ 0.11	5.04	3,450,000	\$ 0.11

Share Purchase Warrants

Common share purchase warrants and weighted average exercise prices are as follows:

	Six months ended August 31, 2018		Six months ended August 31, 2017	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the period	11,604,200	\$ 0.12	13,223,089	\$ 0.12
Changes during the period	-	-	-	-
Balance, end of the period	11,604,200	\$ 0.12	13,223,089	\$ 0.12

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three and Six Months Ended August 31, 2018 and 2017
(Unaudited - Expressed in Canadian dollars)

5. SHARE CAPITAL (continued)

Share Purchase Warrants (continued)

The following share purchase warrants are outstanding at August 31, 2018:

Expiry Date	Warrants Outstanding		Weighted Average Remaining Life
	Number of shares	Exercise price	
December 29, 2018	10,000,000	\$ 0.12	0.58
December 29, 2018	574,200	0.07	0.58
September 5, 2018	1,030,000	0.14	0.25
	11,604,200	\$ 0.12	0.55

Share purchase warrants allowing for the purchase of 1,030,000 common shares at an exercise price of \$0.14 per share expired on September 5, 2018 without being exercised.

6. RELATED PARTY DISCLOSURES

Related party transactions are recorded at the exchange amount as agreed to by the parties.

In the normal course of business, the Company will enter into transactions with a related company, Eastfield Resources Ltd. ("Eastfield"), for the use of equipment, services and rental of office space. The Company is related to Eastfield through common key management personnel. During the six months ended August 31, 2018, amounts payable for rent, salaries, telephone, office, consulting, convention and travel costs to Eastfield amounted to \$35,940 (August 31, 2017 - \$24,276). At August 31, 2018, payable to related parties included \$5,195 (February 28, 2018 - \$5,370) payable to Eastfield.

During the six months ended August 31, 2018, geological services totaling \$14,564 (August 31, 2017 - \$597,307) were provided to the Company by Mincord Exploration Consultants Ltd. ("Mincord"), a geological service company owned by two directors of the Company. Mincord's relationship with the Company is non-exclusive and without retainer, and Mincord is used on a project by project basis. Services provided include the hiring of field and professional personnel, rental of vehicular, camp and technical equipment, transportation and mobilization costs. The amounts for geological and exploration services also include payments for services on properties managed by the Company on behalf of joint venturers. At August 31, 2018, payable to related parties included \$840 (February 28, 2018 - \$6,338) payable to Mincord.

During the year ended February 29, 2012, the Company transferred reclamation bonds totaling \$12,000, which had been released by the Ministry of Energy, Mines and Petroleum Resources, to Lorraine Copper Corp., a company with directors in common. This amount remains a receivable from Lorraine Copper Corp. at August 31, 2018.

7. SEGMENTED DISCLOSURES

The Company operates in one industry segment, the acquisition and exploration of mineral properties, within Canada. Mineral properties and other capital assets are located in Canada.

8. LOSS PER SHARE

The Company's diluted loss per share is equal to its basic loss per share. Outstanding share purchase options and warrants could potentially dilute basic loss per share in the future but were not included in the calculation of diluted loss per share because they are antidilutive for the three months ended August 31, 2018 and 2017.

9. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain risks, which include credit, liquidity, and market risk. The risks related to financial instruments are managed by the senior management of the Company under policies and directions approved by the Board of Directors.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian financial institutions. The Company's receivables consist mostly of Goods and Services Tax due from the federal government of Canada and mineral exploration tax credit receivable from the Government of British Columbia. As such, the Company considers this risk to be minimal. As at August 31, 2018, none of the Company's financial instruments subject to credit risk were past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities are due within the current operating period. The Company manages liquidity risk through the management of its capital structure and financial leverage.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk is comprised of two types of risk: interest rate risk, and equity price risk.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk when holding fixed rate short term deposits of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents investments is limited because these investments are generally highly liquid securities with short-term maturities. As at August 31, 2018, the Company considers its exposure to interest rate risk to be minimal.

(ii) Equity Price Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its available-for-sale equity instruments. All of the Company's listed equity investments (Note 4) are common shares of companies listed on the Toronto Stock Exchange and the Toronto Stock Exchange's Venture Exchange and are monitored by management with decisions on sale taken at the board level.

10. 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 exploration and development of its mineral property interests, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company currently has sufficient capital resources to meet its administrative overhead expenses through its current operating period and it is confident it can raise additional funds to undertake all of its planned business activities. Actual funding requirements may vary from those planned due to a number of factors. Management believes it will be able to raise capital as required in the long term, but recognizes that there will be risks involved that may be beyond their control.