

CARIBOO ROSE RESOURCES LTD.

Condensed Interim Financial Statements

For the three and six months ended August 31, 2019 and 2018

Unaudited

(Expressed in Canadian dollars)

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NOTICE TO READER:

These condensed interim 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, 2019	February 28, 2019
ASSETS		
Current		
Cash and cash equivalents	\$ 1,856	\$ 43,857
Accounts receivable	8,690	2,232
Investments	2,868,742	-
	2,879,288	46,089
Project deposits and reclamation bonds receivable	22,500	22,500
Investments (Note 3)	-	45,731
Exploration and evaluation assets (Note 4)	523,635	1,709,181
Equipment	3,173	3,173
	\$ 3,428,596	\$ 1,826,674
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 45,580	\$ 58,639
Payable to related parties (Note 6)	219,056	58,953
	264,636	117,592
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	2,402,379	2,402,379
Warrant reserve (Note 5)	510,937	510,937
Options reserve (Note 5)	336,172	336,172
Accumulated other comprehensive loss	3,914	(35,097)
Deficit	(89,442)	(1,505,309)
	3,163,960	1,709,082
	\$ 3,428,596	\$ 1,826,674

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, 2019 and 2018
(Unaudited – Expressed in Canadian dollars)

	Three Months Ending		Six Months Ending	
	August 31,	August 31,	August 31,	August 31,
	2019	2018	2019	2018
Expenses				
Consulting	\$ 8,050	\$ 3,000	\$ 13,017	\$ 4,700
Interest and bank charges	105	155	134	180
Investor relations	3,687	5,967	5,572	10,970
Office	1,609	1,272	2,894	3,146
Rent	9,142	6,728	16,510	13,812
Salaries and benefits	6,117	4,464	11,476	8,735
Transfer and filing fees	1,977	2,756	2,954	3,733
Loss before the following	30,687	24,342	52,557	45,276
Other (income)/expense				
Interest (income)	(64)	(65)	(70)	(65)
(Gain) on sale on mineral properties (note 4)	(1,468,355)		(1,468,355)	
(Gain) on sale on investments	-	-	-	(1,079)
NET (GAIN) LOSS	(1,437,732)	24,277	(1,415,867)	44,132
OTHER COMPREHENSIVE LOSS (INCOME)				
Items that may be reclassified to net income or loss				
Change in fair value of equity investments (Note 3)	-	37,742	-	22,742
Items that will not be reclassified to net income or loss				
Change in fair value of equity investments (Note 3)	(48,751)	-	(39,011)	-
COMPREHENSIVE (GAIN) LOSS	\$ (1,486,483)	\$ 62,019	\$ (1,454,878)	\$ 66,874
BASIC AND DILUTED (GAIN) LOSS PER SHARE	\$ (0.031)	\$ 0.000	\$ (0.031)	\$ 0.000
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	45,796,888	45,796,888	45,796,888	45,796,888

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, 2018	45,796,888	\$ 2,402,379	\$ 510,937	\$ 330,172	\$ (31,090)	\$ (1,356,744)	\$ 1,855,654
Change in fair value of investments	-	-	-	-	(22,742)	-	(22,742)
Reclassification of realized gain on disposal of investments	-	-	-	-	3,500	-	3,500
Net loss for the period	-	-	-	-	-	(44,132)	(19,854)
Balance, August 31, 2018	45,796,888	\$ 2,402,379	\$ 510,937	\$ 330,172	\$ (50,332)	\$ (1,400,876)	\$ 1,792,280
Share-based compensation	-	-	-	6,000	-	-	6,000
Change in fair value of investments	-	-	-	-	(64)	-	(64)
Reclassification of realized gain on disposal of investments	-	-	-	-	15,299	-	15,299
Net loss for the period	-	-	-	-	-	(104,433)	(104,433)
Balance, February 28, 2019	45,796,888	\$ 2,402,379	\$ 510,937	\$ 336,172	\$ (35,097)	\$ (1,505,309)	\$ 1,709,082
Change in fair value of investments (Note 3)	-	-	-	-	39,011	-	39,011
Net loss for the period	-	-	-	-	-	1,415,867	1,415,867
Balance, August 31, 2019	45,796,888	\$ 2,402,379	\$ 510,937	\$ 336,172	\$ 3,914	\$ (89,442)	\$ 3,163,960

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, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
Cash provided by (used in)		
Operating activities		
Net Gain (loss)	\$ 1,415,867	\$ (44,132)
Adjustments to reconcile net loss from operating activities:		
Gain on sale of mineral properties	(1,468,355)	-
Transaction costs on sale of mineral properties	(16,615)	-
Gain on sale on investment	-	(1,079)
	(69,103)	(45,211)
Changes in non-cash working capital components		
Accounts receivable	(6,458)	2,473
Accounts payable and accrued liabilities	(13,059)	(337)
Payable to related parties	160,103	(5,336)
	71,483	(48,411)
Investing activities		
Mineral property acquisition costs	(1,273)	-
Mineral property exploration expenditures	(112,211)	(18,486)
Mineral property option proceeds	-	20,000
Proceeds from sale of investment	-	58,580
	(113,484)	60,094
Financing activities	-	-
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(42,001)	11,683
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	43,857	33,633
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,856	\$ 45,316

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, 2019 and 2018
(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, 2019.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended February 28, 2020, as issued and outstanding on October 28, 2019, the date the Board of Directors approved these financial statements.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss or fair value through other comprehensive income that have been measured at fair value and are presented in Canadian dollars, the Company’s reporting currency and the functional currency of all of its operations.

Accounting estimates and judgments

The preparation of these consolidated financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. The estimates and 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 for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Cariboo Rose Resources Ltd.

Notes to the Condensed Interim Financial Statements

For the Three and Six Months Ended August 31, 2019 and 2018

(Unaudited – Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Accounting estimates and judgments (continued)

The estimates, judgments and 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 future periods if the revision affects both the current and future periods.

Critical accounting estimates are estimates, judgments 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, determination of realizable amounts of deferred tax assets and liabilities, impairment of the carrying value of non-financial assets, estimation of provisions, measurement of the fair value of tax benefits sold and 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, the classification of financial instruments, and the recognition of deferred tax assets and liabilities.

3. INVESTMENTS

The Company has the following investments in equity instruments:

	August 31, 2019			February 28, 2019		
	Number of Shares	Cost	Fair Value	Number of Shares	Cost	Fair Value
Consolidated Woodjam Copper Corp.	49,772	\$ 19,478	\$ 1,742	49,772	\$ 19,478	\$ 4,231
Western Copper and Gold Corp	3,050,000	2,803,478	2,867,000	50,000	57,500	41,500
		\$ 2,822,956	\$ 2,868,742		\$ 76,978	\$ 45,731

The fair value of these equity investments are based on quoted market prices at the reporting dates.

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

Acquisition and exploration expenditures incurred on mineral properties for the six months ended August 31, 2019 are as follows:

	Carruthers Pass	Canadian Creek	Other*	Total
ACQUISITION COSTS				
Balance, beginning of the period	\$ 100,742	\$ 46,348	\$ 36,745	\$ 183,835
Incurred during the period	-	-	1,273	1,273
Impairment of mineral property	-	-	-	-
Balance, end of the period	100,742	46,348	38,018	185,108
EXPLORATION EXPENDITURES				
Professional fees and field crews	1,200	14,400	63,040	78,640
Geological	-	-	78	78
Field equipment and rentals	-	-	7,989	7,989
Transportation and fuel	-	-	2,881	2,881
Food and accommodation	-	-	6,295	6,295
Assaying	-	-	16,328	16,328
	1,200	14,400	96,611	112,211
Balance, beginning of the period	76,969	1,814,414	413,783	2,305,166
Balance, end of the period	78,169	1,828,814	510,394	2,417,377
OPTION PROCEEDS				
Balance, beginning of period	(82,274)	(576,132)	(121,414)	(779,820)
Sale of mineral properties	-	(1,299,030)	-	(1,299,030)
Balance, end of period	(82,274)	(1,875,162)	(121,414)	(2,078,850)
	\$ 96,637	\$ -	\$ 426,998	\$ 523,635

* Other includes the Pat, Cowtrail, Koster Dam, Carbonate Hosted Gold, Skookum Cobalt, Coquigold, and Lightning Strike claims.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three and Six Months Ended August 31, 2019 and 2018
(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, 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

* Other includes the Pat, Cowtrail, Koster Dam, Carbonate Hosted Gold, Skookum Cobalt, Coquigold, and Lightning Strike claims.

Canadian Creek Project, Whitehorse Mining District, Yukon
(301 claims covering 5,871 hectares)

The Company, until recently, held a 100% interest in the Ana, Aztec, Koffee, Ice, 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. ("Casino").

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 reducing the claim block to 301 claims.

On August 29, 2019 the Company completed a transaction with Casino, now a wholly owned subsidiary of Western Copper, whereby Casino purchased all the remaining mineral claims comprising the Canadian Creek property from the Company. Total consideration received for the mineral claims consisted of three million common shares of Western Copper at a deemed price of 92.8 cents per share.

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)

Carruthers Pass Project, Omineca Mining Division, British Columbia (8 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.

Cowtrail Property, Cariboo Mining Division, British Columbia (32 claims covering 4,400 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.

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.

Carbonate Hosted Gold Project, Clinton Mining Division, British Columbia (9 claims covering 3,970 hectares)

The company owns an undivided 100% interest in the Carbonate Hosted Gold claims. On November 21, 2017 the company entered into an option agreement with a ZP Mining Inc. (“ZP Mining”) whereby ZP Mining could 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 year term. The agreement with ZP mining was terminated on October 22, 2018 resulting in Cariboo Rose retaining a 100% interest in the project.

Koster Dam Project, Clinton Mining Division, British Columbia (10 claims covering 4,535 hectares)

On June 30, 2017, the Company entered into an option agreement with Oakley Ventures Inc. (“Oakley Ventures”), whereby Oakley Ventures can earn a 45% interest in the Koster Dam project by completing \$110,495 in exploration work within 12 months. Oakley can then increase its ownership from 45% to 50% with a payment of \$50,000.

Coquigold Project, Nicola Mining Division, British Columbia, (5 claims covering 323 hectares)

The company has staked three claim blocks, subsequently consolidated into two blocks, adjacent to the Coquihalla Highway in response to the recent success being achieved at the Shovelnose gold project owned and operated by Westhaven Ventures Inc. The claims have attributes identified by the BC Geological survey which suggest they are targets for epithermal precious metal mineralization.

Lightning Strike Project, Clinton Mining Division, British Columbia (8 claims covering 1,205 hectares)

The Company has staked 8 claims covering 1,205 hectares 60 kilometres northeast of the community of 100 mile house, BC.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three and Six Months Ended August 31, 2019 and 2018
(Unaudited – Expressed in Canadian dollars)

5. SHARE CAPITAL

Authorized

Unlimited common shares without par value
Unlimited preferred shares without par value

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, 2019		Six months ended August 31, 2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the period	3,750,000	\$ 0.10	3,455,000	\$ 0.11
Granted	-	-	-	-
Cancelled	400,000	0.10	-	-
Balance, end of the period	3,350,000	\$ 0.10	3,455,000	\$ 0.11

The following common share purchase options are outstanding at August 31, 2019:

Expiry Date	Options Outstanding			Options Exercisable	
	Number of shares	Exercise price	Weighted Average Remaining Life	Number of shares	Exercise price
December 13, 2021	1,900,000	\$ 0.10	2.29	1,900,000	\$ 0.10
September 26, 2023	300,000	0.05	4.08	300,000	0.05
August 29, 2026	550,000	0.11	7.00	550,000	0.11
January 17, 2027	100,000	0.20	7.39	100,000	0.20
October 10, 2027	500,000	0.11	8.12	500,000	0.11
	3,350,000		4.25	3,350,000	

Share Purchase Warrants

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

	Six months ended August 31, 2019		Six months ended August 31, 2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the period	-	\$ -	11,604,200	\$ 0.12
Changes during the period	-	-	-	-
Balance, end of the year	-	\$ -	11,604,200	\$ 0.12

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
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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, 2019, amounts payable for rent, salaries, telephone, office, consulting, convention and travel costs to Eastfield amounted to \$49,014 (six months ended August 31, 2018 - \$35,940). At August 31, 2019, payable to related parties included \$80,674 (February 28, 2019 – \$31,660) payable to Eastfield.

During the six months ended August 31, 2019, geological services totaling \$110,751 (six months ended August 31, 2018 - \$14,564) 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, 2019, payable to related parties included \$138,044 (February 28, 2019 - \$27,293) payable to Mincord.

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 six months ended August 31, 2019 and 2018.

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 project deposits and tax credit receivable from the Government of British Columbia. As such, the Company considers this risk to be minimal and has not recognized an expected credit loss allowance on these financial instruments. As at August 31, 2019, 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 and payable to related parties are due within the current operating period. The Company manages liquidity risk through the management of its capital structure and financial leverage.

Cariboo Rose Resources Ltd.

Notes to the Condensed Interim Financial Statements

For the Three and Six Months Ended August 31, 2019 and 2018

(Unaudited – Expressed in Canadian dollars)

9. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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, 2019, 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 3) 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.