



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)**

ML GOLD CORP.
CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018
(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ML Gold Corp.

We have audited the accompanying consolidated financial statements of ML Gold Corp., which comprise the consolidated statements of financial position as at August 31, 2018 and 2017 and the consolidated statements of comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of ML Gold Corp. as at August 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about ML Gold Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

December 20, 2018

ML GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	August 31, 2018	August 31, 2017
	\$	\$
ASSETS		
Current		
Cash	1,055,114	617,340
GST receivable	36,337	21,135
Prepaid expenses	146,524	18,533
Total current assets	1,237,975	657,008
Property and equipment (Note 3)	14,691	20,172
Exploration and evaluation properties (Note 4)	3,060,871	2,577,062
TOTAL ASSETS	4,313,537	3,254,242
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 5 and 8)	659,383	348,713
Flow-through premium liability (Note 6)	187,681	47,886
TOTAL LIABILITIES	847,064	396,599
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	39,079,646	36,539,657
Reserves (Note 7)	2,639,992	1,497,230
Deficit	(38,253,165)	(35,179,244)
TOTAL SHAREHOLDERS' EQUITY	3,466,473	2,857,643
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,313,537	3,254,242

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Notes 12)
SUBSEQUENT EVENTS (Note 14)

Approved and authorized by the Board on December 20, 2018.

On behalf of the Board:

/s/ "Andrew Bowering"

 Director

/s/ "Adrian Smith"

 Director

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

ML GOLD CORP.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)**

	For the years ended August 31,	
	2018	2017
	\$	\$
Expenses		
Consulting fees (Note 8)	676,633	491,538
Depreciation (Note 3)	5,481	7,681
Investor relations	103,782	61,512
Office and administration (Note 8)	148,409	188,251
Professional fees	68,009	67,758
Property investigation costs	10,827	11,200
Share-based compensation (Notes 7 and 8)	643,723	856,413
Travel and related	19,566	30,122
	<u>(1,676,430)</u>	<u>(1,714,475)</u>
Interest income	1,411	471
Reversal of flow-through premium liability (Note 6)	241,483	-
Write-off of exploration and evaluation properties (Note 4)	<u>(1,744,691)</u>	<u>(48,750)</u>
	<u>(1,501,797)</u>	<u>(48,279)</u>
Net loss and comprehensive loss for the year	<u>(3,178,227)</u>	<u>(1,762,754)</u>
Basic and diluted loss per share	<u>(0.04)</u>	<u>(0.03)</u>
Weighted average number of common shares outstanding	<u>86,288,328</u>	<u>63,839,936</u>

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

ML GOLD CORP.**CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)**

	For the years ended August 31,	
	2018	2017
	\$	\$
Cash flows from operating activities		
Loss for the year	(3,178,227)	(1,762,754)
Items not affecting cash:		
Depreciation	5,481	7,681
Share-based compensation	643,723	856,413
Reversal of flow-through premium liability	(241,483)	-
Write-off of exploration and evaluation properties	1,744,691	48,750
Changes in non-cash working capital items		
GST receivable	(15,202)	5,724
Prepaid expenses	(127,991)	(12,680)
Accounts payable and accrued liabilities	110,987	184,649
	(1,058,021)	(672,217)
Cash flows from investing activities		
Exploration and evaluation property expenditures	(1,980,817)	(2,340,817)
Cash flows for financing activities		
Proceeds from share issuances	2,920,830	2,974,631
Share issuance costs	(65,218)	(76,454)
Stock options exercised	30,000	167,626
Warrants exercised	591,000	392,750
	3,476,612	3,458,553
Net change in cash	437,774	445,519
Cash, beginning of the year	617,340	171,821
Cash, end of the year	1,055,114	617,340
Supplemental cash flow information		
Reclassification of warrants exercised	209,475	146,856
Reclassification of stock options exercised	27,330	231,267
Reclassification of expired warrants	7,009	-
Reclassification of expired stock options	104,306	-
Reclassification of cancelled stock options	-	85,354
Shares issued against outstanding accounts payable	-	57,000
Shares issued for acquisition of exploration and evaluation assets	48,000	-
Exploration and evaluation assets in accounts payable and accrued liabilities	309,001	109,318
Value of warrants issued in private placements	803,299	644,861
Value of finders warrants issued	43,860	-

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

ML GOLD CORP.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)**

	Number of Shares Issued #	Share Capital \$	Reserves \$	Deficit \$	Total Shareholders' Equity \$
Balance at August 31, 2016	46,641,999	33,824,738	459,433	(33,501,844)	782,327
Shares issued in private placement	19,940,420	1,795,874	628,521	-	2,424,395
Shares issued for debt settlement	475,000	57,000	16,340	-	73,340
Share issuance costs	-	(76,454)	-	-	(76,454)
Stock options cancelled	-	-	(85,354)	85,354	-
Stock options exercised	1,900,000	398,893	(231,267)	-	167,626
Stock options granted	-	-	856,413	-	856,413
Warrants exercised	3,691,667	539,606	(146,856)	-	392,750
Loss for the year	-	-	-	(1,762,754)	(1,762,754)
Balance at August 31, 2017	72,649,086	36,539,657	1,497,230	(35,179,244)	2,857,643
Shares issued in private placement	30,111,177	1,736,253	803,299	-	2,539,552
Share issuance costs	-	(109,078)	43,860	-	(65,218)
Shares issued for exploration and evaluation assets	500,000	48,000	-	-	48,000
Stock options expired	-	-	(104,306)	104,306	-
Stock options exercised	300,000	57,330	(27,330)	-	30,000
Stock options granted	-	-	643,723	-	643,723
Warrants expired	-	7,009	(7,009)	-	-
Warrants exercised	3,862,500	800,475	(209,475)	-	591,000
Loss for the year	-	-	-	(3,178,227)	(3,178,227)
Balance at August 31, 2018	107,422,763	39,079,646	2,639,992	(38,253,165)	3,466,473

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

ML GOLD CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE AND CONTINUANCE OF OPERATIONS

ML Gold Corp. (the “Company”) was incorporated under the Canada Business Corporations Act (CBCA) on February 27, 2007 and is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol V.MLG. The Company’s business is to acquire, explore and develop interests in mineral properties located in North America.

The Company’s registered office is Suite 650 – 1188 West Georgia Street, Vancouver, BC, Canada, V6E 4A2. The Company maintains an executive office at Suite 2000 – 1177 West Hastings Street, Vancouver, BC, Canada, V6E 2K3.

The Company’s exploration and evaluation properties are at the exploration and evaluation stage and are without a known body of commercial ore. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at August 31, 2018, the Company had not advanced any of its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company may require additional financing for the upcoming fiscal year in order to maintain its operations and exploration activities. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on December 20, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

ML GOLD CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ML Nevada Corp. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation properties, valuation of share-based compensation, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation properties

Management determined exploration, evaluation, and related costs incurred which are capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Use of estimates (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forecasted dividend rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Exploration and evaluation properties

Pre-exploration costs are expensed as incurred.

Costs directly related to the acquisition and exploration of exploration and evaluation properties are capitalized once the legal rights to explore the exploration and evaluation properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation properties along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as the related assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

ML GOLD CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Restoration and environmental obligations (Continued)

As at August 31, 2018 and 2017, there were no significant restoration and environmental obligations.

Share-based compensation

The Company operates an employee stock option plan. Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On exercise of stock options, any amounts related to the initial value of the stock options, along with the proceeds from exercise are recorded to share capital. On expiration of stock options, the corresponding amounts related to the initial value of the stock options are transferred to deficit.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies amounts receivables as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in the statements of comprehensive loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

As at August 31, 2018 and 2017, the Company does not have any derivative financial assets and liabilities.

Unit offering

The Company accounts for unit offering financing using the relative fair value method. Under this method, the fair values of the shares and share purchase warrants are determined separately and prorated to the actual proceeds received. The fair value of shares is determined using the share price at the issue date. The fair value of share purchase warrants is measured using the Black-Scholes valuation model at the issue date.

Warrants

Finder's warrants are measured using the Black-Scholes valuation model at the issue date. The value of warrants are reclassified from reserves to share capital when exercised or expired.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the fiscal period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using a declining balance method to write off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Asset	Basis	%
Computer hardware	Declining balance	55%
Equipment	Declining balance	20%
Vehicles	Declining balance	30%

ML GOLD CORP.

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(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid, if any, for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss on a pro-rata basis at the same time the qualifying expenditures are made.

Impairment of non-financial assets

The carrying amount of the Company's assets (which include property and equipment and exploration and evaluation properties) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Impairment of non-financial assets (Continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Basic and diluted loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Potentially dilutive options and warrants excluded from diluted loss per share totalled 42,156,209 (2017 – 15,583,333).

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended August 31, 2018 and have not been applied in preparing these consolidated financial statements:

IFRS 9 – Financial Instruments: Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration: addresses how to determine the 'date of the transaction' when applying IAS 21. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

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3. PROPERTY AND EQUIPMENT

	Computer hardware \$	Equipment \$	Vehicles \$	Total \$
Cost:				
At August 31, 2016, 2017, and 2018	29,462	24,740	101,524	155,726
Depreciation:				
At August 31, 2016	29,113	17,114	81,646	127,873
Charge for the year	193	1,525	5,963	7,681
At August 31, 2017	29,306	18,639	87,609	135,554
Charge for the year	87	1,220	4,174	5,481
At August 31, 2018	29,393	19,859	91,783	141,035
Net book value:				
At August 31, 2017	156	6,101	13,915	20,172
At August 31, 2018	69	4,881	9,741	14,691

4. EXPLORATION AND EVALUATION PROPERTIES

	Schefferville \$	Pinnacle Reef \$	Aspen \$	Stars \$	Palmetto \$	Total \$
Balance, August 31, 2016	1	454,540	23,750	-	-	478,291
Property acquisition costs	-	11,416	125,676	-	248,985	386,077
<i>Exploration expenditures:</i>						
Camp accommodation	-	21,297	-	-	-	21,297
Drilling	-	296,375	16,921	-	883,164	1,196,460
Equipment	-	15,724	-	-	-	15,724
Geological	-	206,635	45,990	-	337,631	590,256
Transportation	-	48,373	16,396	-	-	64,769
	-	599,820	204,983	-	1,469,780	2,274,583
BC mineral exploration tax credit recoverable	-	(127,062)	-	-	-	(127,062)
Write-off of expenditures incurred	-	-	(48,750)	-	-	(48,750)
Balance, August 31, 2017	1	927,298	179,983	-	1,469,780	2,577,062
Property acquisition costs	-	21,000	22,313	48,000	159,732	251,045
<i>Exploration expenditures:</i>						
Drilling	-	403,673	-	1,436,547	50,417	1,890,637
Equipment	-	27,874	-	-	-	27,874
Geological	-	18,025	2,547	145,387	64,763	230,722
Transportation	-	-	-	12,035	-	12,035
	-	470,572	24,860	1,641,969	274,912	2,412,313
BC mineral exploration tax credit recoverable	-	(160,021)	(23,792)	-	-	(183,813)
Write-off of exploration and evaluation properties	-	-	-	-	(1,744,691)	(1,744,691)
Balance, August 31, 2018	1	1,237,849	181,051	1,641,969	1	3,060,871

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4. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Schefferville Properties

In 2011, the Company acquired a 100% interest in a number of properties. These properties are subject to certain royalty interests and NSR's. In fiscal 2014, the Company wrote down the properties to \$350,000 based on the proceeds received from Tata Steel Minerals Canada Limited ("TSMC") as described below.

In September 2014, the Company entered into an agreement with TSMC in respect of roadway access and direct shipping iron ore exploration over the Company's Schefferville property located in Western Labrador. Pursuant to the agreement, the Company agreed to assist TSMC in obtaining surface rights for a roadway through the property to connect adjoining properties of TSMC. TSMC is solely responsible for all work, costs and expenses required to build the roadway and for continued use of roadway, including maintenance. Furthermore, TSMC also agreed on the following terms:

- Pay \$350,000 (received) to the Company on execution of the agreement;
- Incur \$450,000 of exploration costs no later than September 30, 2015 (incurred)

TSMC had the right to advise the Company on or before September 30, 2015 that they would enter into a joint venture agreement in connection with the Schefferville property. If TSMC should not wish to continue with certain exploration work or both parties not agree on a joint venture agreement, TSMC would pay \$200,000 to the Company in full satisfaction of its exploration commitment.

In March 2016, the Company entered into a final settlement agreement with TSMC whereby the \$200,000 was paid to the Company in monthly installments from March 2016 through to August 2016.

The Pinnacle Reef Property

In July 2016, the Company entered into a mineral property option agreement with Pacific Empire Minerals Corp. whereby the Company was granted the option to acquire up to a 70% interest in the Pinnacle Reef Property located in central British Columbia. Pursuant to the terms of the agreement, the Company can earn an initial 51% interest in the property over a four year option term by completing \$2,000,000 in exploration expenditures on the property and issuing 1,000,000 common shares of the Company as follows:

Expenditure deadline	Expenditure requirement (\$)	Share issuance requirement
July 28, 2017	(completed) 150,000	-
July 28, 2018	(completed) 250,000	(issued) 200,000
July 28, 2019	600,000	300,000
July 28, 2020	1,000,000	500,000
Total Requirement	2,000,000	1,000,000

Upon completion of the 51% earn-in, the Company can earn an additional 19% interest in the property (for a total interest of 70%) by issuing an additional 500,000 common shares and incurring a further \$3,000,000 in property expenditures within two years.

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4. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Aspen Gold Property

In July 2016, the Company entered into an agreement (later amended in October 2016) with a company controlled by officer and directors to acquire a 90% interest in the Aspen Gold Property located in central British Columbia. The related party will retain a 10% interest in the property. Under the terms of the amended agreement, the purchase price for the interest was \$100,000 (paid).

In August 2016, the Company entered into a mineral property exploration rights and sales agreement with TTM Resources Inc. ("TTM") to purchase a 100% interest in three claims adjoining the south-eastern part of the Company's Aspen Property. Pursuant to the terms of the agreement, the Company must pay TTM \$25,000 (paid), issue 250,000 common shares (issued) and grant TTM a 2% NSR on the property. The Company may reduce the NSR to 1.0% by paying \$500,000 to TTM. Pursuant to the exploration right granted under the agreement, the Company has the sole right to explore claims until November 30, 2017, at which time, it must make an offer regarding option, purchase or joint venture of the claims. The Company decided not to make an offer on the claims and, as at August 31, 2017, wrote-off the previously incurred acquisition costs of \$48,750.

Palmetto Property

In October 2016 (and amended September 2017, December 2017, and February 2018), the Company entered into an option agreement to acquire a 100% right, title and interest to unpatented mining claims (the "Palmetto Project") located in Nevada. In order to exercise the option and acquire the Palmetto Project, the Company must complete the following:

Payment Date	Cash payment (US\$)
October 15, 2016	(paid) 50,000
December 14, 2016	(paid) 100,000
March 16, 2018	(paid) 90,000
March 4, 2019	100,000
March 3, 2020	100,000
March 4, 2021	1,000,000
Total Requirement	1,440,000

In October 2017, the Company paid US\$10,000 to extend the cash payment originally due October 15, 2017 to December 14, 2017. In December 2017, the Company paid an additional US\$12,000 to extend the cash payment due December 14, 2017 to February 12, 2018. In February 2018, the Company paid an additional US\$10,000 to amend the Company's obligations and due dates to pay the optionors.

Upon full payment of the option schedule above, the Company will acquire the Palmetto Project free and clear of any royalties.

As at August 31, 2018, the Company does not have any future exploration plan on the Palmetto Project. As a result, the Company wrote off the property to \$1.

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4. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)**Stars Property**

In November 2017, the Company entered into two separate option agreements to acquire, by way of option, up to 80% of certain mining claims in the Omineca Mining Division located in north central British Columbia, approximately 40 kilometers south - southwest of Houston (collectively, the “Stars Property”).

The first agreement (the “First Agreement”) is with Pacific Empire Minerals Corp., an arm’s length party which currently owns 50% of the Stars Property. Under the terms of the First Agreement, the Company has the option to earn up to a 30% interest in the Stars Property by completing the following:

	Cash payment (\$)	Common shares	Expenditures (\$)
Upon TSX-V approval – June 5, 2018	(paid) 10,000	(issued) 100,000	-
On or before June 5, 2019	20,000	200,000	500,000 ¹
On or before June 5, 2020	50,000	300,000	1,000,000 ¹
On or before June 5, 2021	-	-	3,000,000
Total Requirement	80,000	600,000	4,500,000

¹ As at August 31, 2018, the Company incurred \$1,593,969 in exploration expenditures.

The second agreement (the “Second Agreement”) is with Divitiae Resources Ltd., a non-arm’s-length party owned by Adrian Smith, P. Geo, a director of the Company, which currently owns 50% of the Stars Property. Under the terms of the Second Agreement, the Company has the option to earn up to an additional 50% interest in the Stars Property by completing the following:

	Cash payment (\$)	Common shares
Upon TSX-V approval – June 5, 2018	(paid) 10,000	(issued) 200,000
On or before June 5, 2019	20,000	400,000
On or before June 5, 2020	50,000	300,000
On or before June 5, 2021	50,000	1,000,000
Total Requirement	130,000	1,900,000

The Company can earn a total of 80% interest in the Stars Property by fully exercising the options in the First Agreement and the Second Agreement as outlined above. In June 2018, the First Agreement and the Second Agreement were approved by the TSX-V.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2018	August 31, 2017
	\$	\$
Accounts payable	571,257	263,713
Accrued liabilities	88,126	85,000
	659,383	348,713

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6. SHARE CAPITAL (CONTINUED)

Authorized share capital

Unlimited common shares without par value.

Issued share capital

During the year ended August 31, 2017:

On November 28, 2016, the Company completed a non-brokered private placement for gross proceeds of \$2,220,000 which consisted of the issuance of 18,500,000 units at a price of \$0.12 per unit. Each unit consisted of one common share and one half share purchase warrant. Each whole warrant is exercisable for a two year term at an exercise price of \$0.20 per warrant. The warrants were valued at \$644,861 using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 0.70%, volatility of 220%, and nil forecasted dividend yield.

On July 6, 2017, the Company completed a non-brokered private placement of flow-through shares for gross proceeds of \$325,621 which consisted of the issuance of 1,915,420 shares at a price of \$0.17 per share. The flow-through common shares had an associated flow-through premium liability of \$47,886 on issuance. As at August 31, 2018, the flow-through premium liability was reversed and recorded as other income.

During the year ended August 31, 2018:

On December 28, 2017, the Company completed a private placement for gross proceeds of \$1,296,830 which consisted of the issuance of 5,841,600 non flow-through units ("NFT Unit") at a price of \$0.10 per unit and 5,482,077 flow-through units ("FT Unit") at a price of \$0.13 per unit. Finder's fees totaling \$18,188 cash and 150,570 finder's warrants were paid and issued in connection with the private placement financing. Each finder's warrant entitles the holder to purchase one common share of the Company, whereas 104,370 and 46,200 finder's warrants are exercisable at a price of \$0.18 and \$0.15 respectively, for a period of two years from closing. The finder's warrants were valued at an aggregate of \$9,761 or \$0.06 per warrant using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.66%, volatility of 130%, and nil forecasted dividend yield. The flow-through common shares had an associated flow-through premium liability of \$213,027 on issuance.

Each NFT Unit comprised of one common share of the Company and one full non-transferable warrant, which is exercisable into one common share at a price of \$0.15 for a period of two years. The warrants were valued at \$211,946 or \$0.04 per warrant using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.66%, volatility of 130%, and nil forecasted dividend yield.

Each FT Unit comprised of one flow-through common share of the Company and one half of one non-transferable warrant, with each full warrant exercisable into one common share at a price of \$0.18 for a period of two years. The warrants were valued at \$151,384 or \$0.06 per warrant using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.66%, volatility of 130%, and nil forecasted dividend yield.

On June 5, 2018, the Company issued 300,000 common shares in connection to the property option agreements for the Stars Property valued at \$27,000 (Note 4).

On August 1, 2018, the Company issued 200,000 common shares in connection to the property option agreements for the Pinnacle Reef Property valued at \$21,000 (Note 4).

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6. SHARE CAPITAL (CONTINUED)**Issued share capital (Continued)**

During the year ended August 31, 2018: (Continued)

On June 26, 2018, the Company completed a private placement for gross proceeds of \$1,624,000 which consisted of the issuance of 12,737,500 non flow-through units ("June NFT Unit") at a price of \$0.08 per unit and 6,050,000 flow-through units ("June FT Unit") at a price of \$0.10 per unit. Finder's fees and expenses totalling \$47,030 cash, 357,000 non flow-through finder's warrants, and 296,000 flow-through finder's warrants were paid and issued in connection with the private placement financing, each non flow-through and flow-through finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.08 and \$0.10, respectively, for a period of two years from closing. The finder's warrants were valued at an aggregate of \$34,099 or \$0.05 per warrant using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.77%, volatility of 111%, and nil forecasted dividend yield. The flow-through common shares had an associated flow-through premium liability of \$168,251 on issuance.

Each June NFT Unit comprised of one common share of the Company and one full non-transferable warrant, which is exercisable into one common share at a price of \$0.12 for a period of two years. The warrants were valued at \$328,724 or \$0.03 per warrant using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.77%, volatility of 111%, and nil forecasted dividend yield.

Each June FT Unit comprised of one flow-through common share of the Company and one half of one non-transferable warrant, which is exercisable into one common share at a price of \$0.14 for a period of two years. The warrants were valued at \$111,245 or \$0.04 per warrant using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.77%, volatility of 111%, and nil forecasted dividend yield.

Flow through premium liability

The following is a continuity schedule of the liability portion of the flow-through share issuances:

	Liability portion of the flow-through share issuance
	\$
Balance, August 31, 2016	-
Flow-through premium liability	47,886
Balance, August 31, 2017	47,886
Flow-through premium liability	381,278
Settlement of flow-through share premium liability pursuant to qualified expenditures	(241,483)
Balance, August 31, 2018	187,681

The Company is required to incur \$65,000 of eligible exploration and evaluation expenditures by December 31, 2018 in connection with the issuance of flow-through shares on December 28, 2017. In addition, the Company is required to incur \$605,000 of eligible exploration and evaluation expenditures by December 31, 2018 in connection with the issuance of flow-through shares on June 26, 2018.

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7. RESERVES

Stock options

The Company has a stock option plan (“the Plan”) whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. Vesting and term of the option is determined by the board of directors in accordance with the Plan and the policies of the TSX-V.

During the year ended August 31, 2017, the Company issued 1,900,000 common shares in connection with the exercise of 1,900,000 stock options with a weighted average exercise price of \$0.09 for total proceeds of \$167,626. As a result, the Company transferred \$231,267 representing the fair value of the exercised share options from reserves to share capital. The Company also cancelled 425,000 stock options and, as a result, reclassified \$85,354 from reserves to deficit. In addition, the Company granted 6,050,000 five-year stock purchase options with a weighted average exercise price of \$0.15 valued at \$856,413 in aggregate or weighted average of \$0.14 per option estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, weighted average risk free interest rate of 0.80%, weighted average volatility of 181%, and nil forecasted dividend yield. All options vested immediately on grant.

During the year ended August 31, 2018, the Company issued 300,000 common shares in connection with the exercise of 300,000 stock options with a weighted average exercise price of \$0.10 for total proceeds of \$30,000. As a result, the Company transferred \$27,330 representing the fair value of the exercised share options from reserves to share capital. In addition, 195,000 stock options expired and, as a result, reclassified \$104,306 from reserves to deficit.

On January 11, 2018, the Company granted 2,000,000 stock options to certain officers, directors and consultants of the Company for a term of five years exercisable at a price of \$0.11 per option valued at \$293,800 or \$0.15 per option estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 2.08%, volatility of 199%, and nil forecasted dividend yield. All options vested immediately on grant.

On July 20, 2018, the Company granted 3,990,000 stock options to certain officers, directors and consultants of the Company for a term of five years exercisable at a price of \$0.09 per option valued at \$349,923 or \$0.09 per option estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 2.08%, volatility of 199%, and nil forecasted dividend yield. All options vested immediately on grant.

A summary of stock option activities is as follows:

	Number of options #	Weighted average exercise price \$
Balance, August 31, 2016	1,300,000	0.06
Cancelled	(425,000)	0.09
Granted	6,050,000	0.15
Exercised	(1,900,000)	0.09
Balance, August 31, 2017	5,025,000	0.16
Expired	(195,000)	0.08
Granted	5,990,000	0.10
Exercised	(300,000)	0.10
Balance, August 31, 2018	10,520,000	0.13

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7. RESERVES (CONTINUED)**Stock options (Continued)**

A summary of the stock options outstanding and exercisable at August 31, 2018 is as follows:

Exercise Price \$	Number Outstanding and Exercisable	Expiry Date
0.05	205,000	October 20, 2019
0.10	1,825,000	September 2, 2021
0.22	2,000,000	March 14, 2022
0.22	500,000	March 20, 2022
0.11	2,000,000	January 11, 2023
0.09	3,990,000	July 20, 2023
	<u>10,520,000</u>	

The weighted average life of the outstanding stock options is 4.07 years.

Warrants

During the year ended August 31, 2017, the Company issued 3,691,667 common shares in connection with the exercise of 3,691,667 warrants with a weighted average exercise price of \$0.11 for total proceeds of 392,750. As a result, the Company transferred \$146,856 representing the fair value of the exercised warrants from reserves to share capital.

During the year ended August 31, 2018, the Company issued 3,862,500 common shares in connection with the exercise of 3,862,500 warrants with a weighted average exercise price of \$0.15 for total proceeds of 591,000. As a result, the Company transferred \$209,475 representing the fair value of the exercised warrants from reserves to share capital. In addition, 208,333 warrants expired and, as a result, reclassified \$7,009 from reserves to share capital.

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price \$
Balance, August 31, 2016	5,000,000	0.09
Issued	9,250,000	0.20
Exercised	(3,691,667)	0.11
Balance, August 31, 2017	10,558,333	0.18
Expired	(208,333)	0.09
Issued	25,148,709	0.14
Exercised	(3,862,500)	0.15
Balance, August 31, 2018	31,636,209	0.15

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7. RESERVES (CONTINUED)**Warrants (Continued)**

A summary of the warrants outstanding and exercisable at August 31, 2018 is as follows:

Exercise Price \$	Number Outstanding	Expiry Date
0.20	6,487,500	November 28, 2018
0.18	2,845,409	December 28, 2019
0.15	5,887,800	December 28, 2019
0.12	12,737,500	June 26, 2020
0.08	357,000	June 26, 2020
0.14	3,025,000	June 26, 2020
0.10	296,000	June 26, 2020
	31,636,209	

The weighted average life of the outstanding warrants is 1.36 years.

8. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company. As at August 31, 2018, the Company has \$538,977 (August 31, 2017 - \$193,065) included in accounts payable and accrued liabilities due to officers, directors and companies controlled by officers and directors.

Summary of key management personnel compensation:

	For the years ended August 31,	
	2018	2017
	\$	\$
Consulting fees	441,000	155,000
Share-based compensation	479,175	518,776
	920,175	673,776

In addition, the following amounts were incurred with respect to officers, directors and companies controlled by officers and directors:

	For the years ended August 31,	
	2018	2017
	\$	\$
Exploration and evaluation property expenditures	1,643,265	478,533
Property investigation costs	-	11,200
Rent	42,000	63,000
	1,685,265	522,733

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9. CAPITAL MANAGEMENT

The Company considers its capital structure to include the components of shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As the Company's properties are in the exploration and evaluation stage, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favorable.

The Company's share capital is not subject to any external restrictions. The Company did not change its approach to capital management during the year ended August 31, 2018.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, GST receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) **Currency risk**

The Company conducts exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at August 31, 2018, the Company does not have significant net assets or liabilities in US dollars, therefore, the Company has determined that there is very limited currency risk at this time.

b) **Credit risk**

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and GST receivable is due from the Government of Canada. The Company's financial instrument related to the GST receivable is not exposed to significant credit risk.

c) **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash.

d) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Commodity price risk

The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of gold. The Company monitors iron and gold prices to determine the appropriate course of action to be taken.

11. SEGMENTED INFORMATION

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

	As at August 31, 2018		
	Canada	US	Total
	\$	\$	\$
Property and equipment	14,691	-	14,691
Exploration and evaluation properties	3,060,870	1	3,060,871
	3,075,561	1	3,075,562

	As at August 31, 2017		
	Canada	US	Total
	\$	\$	\$
Property and equipment	20,172	-	20,172
Exploration and evaluation properties	1,107,282	1,469,780	2,577,062
	1,127,454	1,469,780	2,597,234

12. COMMITMENTS

On June 1, 2017, the Company entered into a consulting agreement with the CFO and director of the Company. The agreement requires monthly payments of \$3,000 for a period of 60 months. Included in the agreement is a provision for a one year payout in the event of termination without cause.

On June 1, 2018, the Company entered into a management agreement with the President and director of the Company. The agreement requires monthly payments of \$10,000 for a period of 60 months. Included in the agreement is a provision for a one year payout in the event of termination without cause.

On June 1, 2018, the Company entered into a consulting agreement with a director to provide various advisory services requiring monthly payments of \$10,000 for a period of 60 months. Included in the agreement is a provision for a one year payout in the event of termination without cause.

On July 1, 2018, the Company entered into a management agreement with the CEO and director of the Company. The agreement requires monthly payments of \$10,000 for a period of 60 months. Included in the agreement is a provision for a one year payout in the event of termination without cause.

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13. INCOME TAX

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying statements of comprehensive loss is provided below:

	For the year ended August 31,	
	2018	2017
	\$	\$
Loss before income taxes	(3,178,227)	(1,762,754)
Expected income tax (recovery)	(848,000)	(458,000)
Change in statutory, foreign tax, foreign exchange rates and other	(228,000)	(516,000)
Permanent difference	107,000	225,000
Impact of flow through share	260,000	-
Share issue cost	(17,000)	(20,000)
Adjustment to prior years provision versus statutory tax returns	291,000	(214,000)
Change in unrecognized deductible temporary differences	435,000	983,000
Total deferred taxes	-	-

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

In December 2017, the United States Government proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on December 22, 2017. The relevant deferred tax balances have been remeasured to reflect the decrease in the Company's Federal income tax rate from 34% to 21% applicable to the Company's US subsidiaries.

Significant components of unrecognized temporary differences and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	As of August 31,			
	2018	Expiry dates	2017	Expiry dates
	\$		\$	
Exploration and evaluation properties	17,543,000	No Expiry	18,295,000	No Expiry
Investment tax credit	1,093,000	2032 to 2033	-	-
Property and equipment	278,000	No Expiry	259,000	No Expiry
Share issuance costs	99,000	2039 to 2042	63,000	2018 to 2020
Non-capital losses				
Canada	12,020,000	2031 to 2038	11,810,000	2031 to 2037
USA	9,000	2038	22,000	2037

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. SUBSEQUENT EVENTS

Subsequent to year end, 6,487,500 warrants with an exercise price of \$0.20 per share expired unexercised.