

**TRUE GRIT RESOURCES LTD.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2017**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”), consistent with International Financial Reporting Standards (“IFRS”) appropriate in the circumstances.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**TRUE GRIT RESOURCES LTD.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Expressed in Canadian dollars)**  
**(Unaudited – Prepared by Management)**

	September 30, 2017	March 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 99,983	\$ 6,344
Accounts receivable	7,128	4,423
Prepaid	11,000	-
Advances	-	29,927
	118,111	40,694
Exploration and evaluation assets <i>(Note 6)</i>	151,615	-
	\$ 269,726	\$ 40,694
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 44,203	\$ 56,011
Due to related parties	5,905	107,158
Loans payable <i>(Note 7)</i>	241,779	565,500
Interest payable on loans <i>(Note 7)</i>	24,541	118,185
	316,428	846,854
<b>Shareholders' deficiency</b>		
Share capital <i>(Note 9)</i>	5,237,149	4,617,107
Contributed surplus	653,433	610,933
Share-based payments reserve	33,407	33,407
Deficit	(5,970,691)	(6,067,607)
	(46,702)	(806,160)
	\$ 269,726	\$ 40,694

**Nature and continuance of operations *(Note 1)***  
**Subsequent event *(Note 12)***

Approved on behalf of the Board:

"Byron Coulthard"  
Director –

"Alan Williams"  
Director –

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

**TRUE GRIT RESOURCES LTD.**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian dollars)**  
**(Unaudited – Prepared by Management)**

	Three months ended September 30,		Six months ended September 30,	
	2017	2016	2017	2016
<b>Expenses</b>				
Accounting and audit	\$ 30,971	\$ 16,786	\$ 36,668	\$ 16,786
Financing expense	(5,229)	(315)	4,815	10,704
Investor relations	-	-	229	-
Legal	21,511	-	22,274	-
Management fees	7,500	-	7,500	-
Office operations	3,320	758	5,267	1,476
Regulatory	2,496	3,302	4,896	4,597
Share-based compensation	-	-	42,500	-
Transfer agent	3,034	276	3,034	844
Travel and promotion	-	-	-	244
<b>Loss before other items</b>	<b>(63,603)</b>	<b>(20,807)</b>	<b>(127,183)</b>	<b>(34,651)</b>
<b>Other Items</b>				
Foreign exchange loss	(263)	(167)	(4,054)	(99)
Gain on write-off of debt	81,165	40,714	81,165	40,714
Gain on settlement of loans payable (Note 7)	-	-	146,988	-
	<b>80,902</b>	<b>40,547</b>	<b>224,099</b>	<b>40,615</b>
<b>Comprehensive income for the period</b>	<b>\$ 17,299</b>	<b>\$ 19,740</b>	<b>\$ 96,916</b>	<b>\$ 5,964</b>
<b>Loss per common share – basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>18,238,609</b>	<b>7,442,412</b>	<b>14,040,849</b>	<b>7,442,412</b>

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

**TRUE GRIT RESOURCES LTD.**  
**Condensed Consolidated Interim Statements of Changes in Deficiency**  
**(Expressed in Canadian Dollars)**  
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	Shares	Amount	Contributed Surplus	Share-based Payments Reserve	Deficit	Total
<b>Balance, March 31, 2016</b>	7,442,412	\$ 4,617,107	\$ 610,933	\$ 33,407	\$ (6,051,494)	\$ (790,047)
Net income for the period	-	-	-	-	5,964	5,964
<b>Balance, September 30, 2016</b>	7,442,412	4,617,107	610,933	33,407	(6,045,530)	(784,083)
Net loss for the period	-	-	-	-	(22,077)	(22,077)
<b>Balance, March 31, 2017</b>	7,442,412	4,617,107	610,933	33,407	(6,067,607)	(806,160)
Shares for debt	7,260,000	217,800	42,500	-	-	260,300
Shares issued for rights offering	13,408,080	402,242	-	-	-	402,242
Net income for the period	-	-	-	-	96,916	96,916
<b>Balance, September 30, 2017</b>	28,110,492	\$ 5,237,149	\$ 653,433	\$ 33,407	\$ (5,970,691)	\$ (46,702)

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

**TRUE GRIT RESOURCES LTD.**  
**Condensed Consolidated Interim Statements of Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

	<b>Six months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Net income for the period	\$ 96,916	\$ 5,964
Items not affecting cash:		
Gain on settlement of loans payable	(146,988)	-
Gain on write-off of debt	(81,165)	-
Financing expense	4,815	-
Share-based compensation	42,500	-
<b>Change in non-cash working capital items:</b>		
Accounts receivable	(2,705)	(1,780)
Prepaid	(11,000)	-
Accounts payable and accrued liabilities	(21,809)	(16,111)
Due to related parties	(10,087)	(54,088)
Interest payable (repayment) on loans	(33,671)	10,704
<b>Cash used in operating activities</b>	<b>(163,194)</b>	<b>(55,311)</b>
<b>Investing activities</b>		
Exploration and evaluation expenditures	(121,688)	-
<b>Cash used in investing activities</b>	<b>(121,688)</b>	<b>-</b>
<b>Financing activities</b>		
Rights offering	402,242	-
Loans proceeds	146,779	55,000
Loans proceeds	(170,500)	-
<b>Cash provided by financing activities</b>	<b>378,521</b>	<b>55,000</b>
Change in cash during the period	93,639	(311)
Change in cash, beginning of the period	6,344	1,654
Change in cash, end of the period	\$ 99,983	\$ 1,343

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

**TRUE GRIT RESOURCES LTD**  
**Notes to Condensed Consolidated Interim Financial Statements**  
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**1. Nature of operations and ability to continue as a going concern**

True Grit Resources Ltd. (the “Company”) is engaged in the acquisition, exploration, and development of mineral properties in North America. The Company is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is Suite 1710, 1177 West Hastings Street, Vancouver, BC. The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol TGI.H.

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

As at September 30, 2017 the Company has a working capital deficit of \$198,317 (March 31, 2017 - \$806,160) and has accumulated losses since inception of \$5,970,691 (March 31, 2017 - \$6,067,607). These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, and raise additional funds by way of equity financings. Any acquisition may be subject to shareholder and regulatory approval and obtaining the necessary financing. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired. The available funds are insufficient to continue operations for the ensuing year. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future.

**2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND CONSOLIDATION**

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.”. The accounting policies set out in Note 3 have been applied consistently to all years presented in these condensed consolidated interim financial statements unless otherwise indicated. These condensed consolidated interim financial statements have been prepared on an accrual basis and presented in Canadian dollars, the Company’s functional currency and were approved by the Board of Directors on November 28, 2017.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, True Grit Nevada LLC, a US company, LRS Oil and Gas Ltd. (inactive), a US company, and Minera Lorica S.A. de C.V. (inactive), a Mexican company. All intercompany accounts and transactions have been eliminated.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the Company’s significant accounting policies:

(a) Use of estimates and judgment

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(a) Use of estimates and judgement (continued)

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

Critical judgments exercised in the application of accounting policies and estimates having the most significant effects on the amounts recognized in these financial statements include:

Economic recoverability and profitability of future economic benefits of exploration and evaluation assets – Management has determined that exploration, evaluation and related costs incurred which were 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 geological and other technical information, a history of conversion of mineral deposits with similar characteristics to its properties, evaluation of permitting and environmental issues and other such factors.

Valuation of share-based payments, agent compensation and finders' warrants – The Company uses the Black-Scholes Pricing Model for valuation of share-based payments, agent compensation and finders' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

Income taxes – In assessing the probability of realizing deferred 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 position 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.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

(b) Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rates prevailing at the end of the reporting period date; non-monetary items are translated into the functional currency at the rates on the date of transaction.

(c) Cash and cash equivalents

Cash and cash equivalents is comprised of bank deposits and highly-liquid investments, which are readily convertible into known amounts of cash and which mature within 90 days from the original dates of acquisition.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(d) Exploration and evaluation assets (“E&E”)

Once the legal right to explore a property has been obtained, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of the project are deemed to be impaired. As a result those E&E costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses E&E assets for impairment at each statement of financial position date or whenever facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use. A cash-generating unit is the smallest identifiable group of E&E assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Although the Company has taken steps to verify title to the properties in which it has an interest in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee that title to the properties will not be challenged or impugned. Property title may be affected by undetected defects, be subject to unregistered prior agreements, transfers or land claims, or be non-compliant with regulatory requirements.

(e) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company’s operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the properties may be diminished or negated.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(g) Financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

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

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

I. Financial assets

Financial assets are classified into one of the following categories. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) Fair value through profit or loss (“FVTPL”)

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

(ii) Available-for-sale investments (“AFS”)

Short-term investments and other assets held not otherwise designated, are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive loss. Impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive loss is included in profit or loss for the period. The Company does not have any assets classified as AFS financial assets.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(g) Financial instruments (continued)

(iii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables and advances to related parties.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the reporting period in which they are identified. Interest income is recognized by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the bad debt account. Subsequent recoveries of amounts previously written off are credited against the bad debt account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

II. Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(g) Financial instruments (continued)

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, due to related parties, loans payable and interest payable.

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payables and accrued liabilities. The liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(h) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and non-employees. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the closing market price on the grant date.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the 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 offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

(j) Share capital

Share capital issued for non-consideration is recorded at the closing price of the Company's shares on the date of issuance.

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**3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)**

(k) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

(l) Segmented information

The Company has one operating segment, mineral exploration and development, and operates in two geographical segments, being Canada and the United States.

(m) New accounting standards not yet adopted

- IFRS 7, “Financial Instruments: Disclosure” is effective (proposed) for annual periods beginning on or after January 1, 2018.
- IFRS 9, “Financial Instruments: Classification and Measurement” is effective for annual periods beginning on or after January 1, 2018.
- IAS 16, “Property, Plant and Equipment” (amended standard) is to be applied prospectively.

The Company has initially assessed that there will be no material impact on the statements of financial position or results of operations as a result of adopting the new standards above; however, enhanced disclosure requirements are expected.

(n) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

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**4. FINANCIAL INSTRUMENTS**

The Company has classified its cash as FVTPL (using level 1 of the fair value hierarchy); receivables (excluding tax arrangements) as loans and receivables; and accounts payable and accrued liabilities and loans payable as other financial liabilities.

The carrying values of cash, accounts receivables and accounts payable, due to related parties and loans payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company's financial instruments as at September 30, 2017 and March 31, 2017 follow:

	<b>September 30, 2017</b>		<b>March 31, 2017</b>	
<b>Financial assets</b>				
Cash	\$	99,983	\$	6,344
Accounts receivable		7,128		4,423
Prepaid		11,000		-
Advances		-		29,927
	<b>\$</b>	<b>118,111</b>	<b>\$</b>	<b>40,694</b>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$	44,203	\$	56,011
Due to related parties		5,905		107,158
Loans payable		241,779		565,500
Interest payable on loans		24,541		118,185
	<b>\$</b>	<b>316,428</b>	<b>\$</b>	<b>846,854</b>

**5. FINANCIAL RISK MANAGEMENT**

(a) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and receivables, other than Goods and Services Tax ("GST"). The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The Company manages credit risk with respect to its cash by maintaining demand deposits with a major Canadian financial institution; however, this exposes the Company's cash to concentration of credit risk as all amounts are held at a single institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company is exposed to liquidity risk as it relates to its accounts payable and loans payable.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

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**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(c) Market risk (continued)

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk as its monetary assets and liabilities are denominated in Canadian dollars.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

There were no changes in the Company's approach to managing the above risks.

**6. EXPLORATION AND EVALUATION ASSETS**

A summary of capitalized acquisition and exploration costs follows:

	<b>Nevada Project</b>		<b>Arizona Project</b>	
<b>Balance – March 31, 2016</b>	\$	40,432	\$	-
Exploration expenditures written off		(40,432)		-
<b>Balance – March 31, 2017</b>	\$	-	\$	-
Acquisition costs		-		151,615
<b>Balance – September 30, 2017</b>	\$	-	\$	151,615

**Arizona Property**

During to the period September 30, 2017, the Company staked property in Arizona.

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**7. LOANS PAYABLE**

Details of the Company's loans follow:

2013 Notes: During February and March, 2013, the Company completed loan arrangements by way of promissory notes for total proceeds of \$80,000. The 2013 Notes matured on dates ranging from February 27, 2014 to March 18, 2014, and bore interest of 10% per annum. In connection with these loans, the Company, on May 8, 2013, issued as a bonus to the lenders a total of 177,666 common shares valued at \$15,990, which value was amortized and expensed over the term of the loan. On February 24, 2014, some of the lenders agreed to reduce the principal of their individual loans in exchange for common shares, pursuant to which, 400,000 common shares were issued and principal on loans was reduced by \$20,000. On May 31, 2017, some of the lenders agreed to settle the principal and interest of their individual loans in exchange for common shares and stock purchase warrants, pursuant to which, 1,280,000 common shares were issued, 530,000 stock purchase warrants were granted, and principal and interest on loans was reduced by \$45,000 and \$19,947, respectively (Note 9). During the period ended September 30, 2017, the remaining principal and interest on the loans was repaid.

2014 Notes #1: During February, 2014, the Company arranged loans by way of promissory notes for total proceeds of \$200,000. The 2014 Notes #1 mature on February 7, 2015 (extended) and bear interest of 10% per annum. In connection with these loans, the Company, on February 24, 2014, issued as a bonus to the lenders a total of 800,000 common shares valued at \$40,000, which value was amortized and expensed over the term of the loans. On May 31, 2017, some of the lenders agreed to settle the principal and interest of their individual loans in exchange for common shares and stock purchase warrants, pursuant to which, 4,120,000 common shares were issued, 2,080,000 stock purchase warrants were granted, and principal and interest on loans was reduced by \$170,000 and \$36,436, respectively (Note 9). During the period ended September 30, 2017, the remaining principal on the loans was repaid.

2014 Notes #2: During July and August, 2014, the Company arranged loans by way of promissory notes for total proceeds of \$100,000. The 2014 Notes #2 mature in one year and bear interest of 10% per annum. In connection with these loans, the Company issued as a bonus to the lenders a total of 400,000 common shares valued at \$20,000, which value was amortized and expensed over the term of the loans. During the period ending September 30, 2016, one lender agreed to write off accrued interest of \$5,655 on principal of \$30,000, and ceased to accrue any further interest. On May 31, 2017, some of the lenders agreed to settle the principal of their individual loans in exchange for common shares and stock purchase warrants, pursuant to which, 900,000 common shares were issued, and principal on loans was reduced by \$45,000 (Note 9). During the period ended September 30, 2017, \$20,000 of repayment was made against the principal on the loans.

2014 Notes #3: During December 2014, the Company arranged for a loan by way of promissory note for total proceeds of \$20,000. The 2014 Notes #3 mature in one year and bear interest of 10% per annum. During the period ending September 30, 2016, the lender agreed to write off accrued interest of \$3,118 and ceased to accrue any further interest. During the period ended September 30, 2017, the remaining principal and interest on the loans was repaid.

2015 Notes #1: During March, 2015, the Company arranged for a loan by way of promissory note for total proceeds of \$10,000. The 2015 Notes #1 mature in one year and bear interest of 10% per annum. During the period ending September 30, 2016, the lender agreed to write off accrued interest of \$1,266 and ceased to accrue any further interest.

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**7. LOANS PAYABLE (CONTINUED)**

- 2015 Notes #2: During April, 2015, the Company arranged for loans by way of promissory notes for total proceeds of \$50,000. The 2015 Notes #2 mature in one year and bear interest of 10% per annum. On May 31, 2017, some of the lenders agreed to settle the principal and interest of their individual loans in exchange for common shares and stock purchase warrants, pursuant to which, 960,000 common shares were issued, 120,000 stock purchase warrants were granted, and principal and interest on loans was reduced by \$40,000 and \$8,405, respectively (Note 9).
- 2016 Notes #1: During June, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$20,000. The 2016 Notes #1 mature in one year and bear interest of 10% per annum. During the period ending September 30, 2016, the lender agreed to write off accrued interest of \$49 and ceased to accrue any further interest.
- 2016 Notes #2: During July, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$10,000. The 2016 Notes #2 mature in one year and bear interest of 10% per annum.
- 2016 Notes #3: During July, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$10,000. The 2016 Notes #3 is non-interest bearing and matures in one year.
- 2016 Notes #4: During August, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$15,000. The 2016 Notes #4 is non-interest bearing and matures in one year.
- 2016 Notes #5: During October, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$5,000. The 2016 Notes #5 is non-interest bearing and matures in one year.
- 2016 Notes #6: During December, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$15,000. The 2016 Notes #6 is non-interest bearing and matures in one year. During the period ended September 30, 2017, the principal on the loan was repaid.
- 2017 Notes #1: During January, 2016, the Company arranged for loans by way of promissory notes for total proceeds of \$10,000. The 2017 Notes #1 is non-interest bearing and matures in one year.
- 2017 Notes #2: During January, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$10,500. The 2017 Notes #2 is non-interest bearing and matures in one year. During the period ended September 30, 2017, the principal on the loan was repaid.
- 2017 Notes #3: During February, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$30,000. The 2017 Notes #3 mature in one year and bear interest of 10% per annum.
- 2017 Notes #4: During April, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$80,000. The 2017 Notes #4 matures in one year and bear interest of 10% per annum.
- 2017 Notes #5: During July, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$15,000. The 2017 Notes #5 is non-interest bearing and matures in one year.
- 2017 Notes #6: During August, 2017, the Company arranged for loans by way of promissory notes for total proceeds of \$1,779. The 2017 Notes #6 is non-interest bearing and matures in one year.

The effective interest rate on the aggregated loans, including the bonus shares, is 25.4%.

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**7. LOANS PAYABLE (CONTINUED)**

At September 30, 2017, the Company had the following loans:

	Principal	Value of bonus shares	Amortized values of bonus shares	Principal net of unamortized value of bonus shares	Interest	Total
2014 Notes #1	\$ -	\$ (40,000) <sup>(2)</sup>	\$ 40,000	\$ -	\$ 6,414	\$ 6,414
2014 Notes #2	35,000 <sup>(1)(4)</sup>	(20,000) <sup>(3)</sup>	20,000	35,000	13,116	48,116
2015 Notes #1	10,000	-	-	10,000	-	10,000
2016 Notes #1	20,000	-	-	20,000	-	20,000
2016 Notes #2	10,000	-	-	10,000	1,192	11,192
2016 Notes #3	10,000	-	-	10,000	-	10,000
2016 Notes #4	15,000	-	-	15,000	-	15,000
2016 Notes #5	5,000	-	-	5,000	-	5,000
2017 Notes #1	10,000 <sup>(5)</sup>	-	-	10,000	-	10,000
2017 Notes #3	30,000 <sup>(6)</sup>	-	-	30,000	1,244	31,244
2017 Notes #4	80,000 <sup>(7)</sup>	-	-	80,000	2,575	82,575
2017 Notes #6	15,000	-	-	15,000	-	15,000
2017 Notes #7	1,779 <sup>(8)</sup>	-	-	1,779	-	1,779
	\$ 241,779	\$ (60,000)	\$ 60,000	\$ 241,779	\$ 24,541	\$ 266,320

(1) after taking into account the reduction of \$45,000 on May 31, 2017

(2) includes value of \$6,000 in respect of 120,000 issued to parties related to the Company

(3) includes value of \$5,000 in respect of 100,000 issued to parties related to the Company

(4) The 2014 Notes #1, 2014 Notes #2, 2014 Notes #3, 2015 Notes #1, and 2015 Notes #2 have been rolled-over with the same terms until such time as the Company achieves financing sufficient to settle the amount owing

(5) \$10,000 provided by a party related to the Company

(6) \$20,000 provided by a party related to the Company

(7) \$40,000 provided by a party related to the Company

(8) \$1,779 provided by a party related to the Company

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**7. LOANS PAYABLE (CONTINUED)**

At March 31, 2017, the Company had the following loans:

	Principal	Value of bonus shares	Amortized values of bonus shares	Principal net of unamortized value of bonus shares	Interest	Total
2013 Notes	\$ 60,000	<sup>(1)(2)(8)</sup> \$ (15,990)	<sup>(5)</sup> \$ 15,990	\$ 60,000	\$ 26,138	\$ 86,138
2014 Notes #1	200,000	<sup>(3)(8)</sup> (40,000)	<sup>(6)</sup> 40,000	200,000	62,904	262,904
2014 Notes #2	100,000	<sup>(4)(8)</sup> (20,000)	<sup>(7)</sup> 20,000	100,000	18,532	118,532
2014 Notes #3	20,000	-	-	20,000	-	20,000
2015 Notes #1	10,000	-	-	10,000	-	10,000
2015 Notes #2	50,000	-	-	50,000	9,671	59,671
2016 Notes #1	20,000	-	-	20,000	-	20,000
2016 Notes #2	10,000	-	-	10,000	693	10,693
2016 Notes #3	10,000	-	-	10,000	-	10,000
2016 Notes #4	15,000	-	-	15,000	-	15,000
2016 Notes #5	5,000	-	-	5,000	-	5,000
2016 Notes #6	15,000	<sup>(9)</sup> -	-	15,000	-	15,000
2017 Notes #1	10,000	<sup>(10)</sup> -	-	10,000	-	10,000
2017 Notes #2	10,500	<sup>(11)</sup> -	-	10,500	-	10,500
2017 Notes #3	30,000	-	-	30,000	247	30,247
	\$ 565,500	\$ (75,990)	\$ 75,990	\$ 565,500	\$ 118,185	\$ 683,685

(1) after taking into account the reduction of \$20,000 on February 24, 2014

(2) \$40,000 provided by parties related to the Company

(3) \$30,000 provided by a party related to the Company

(4) \$25,000 provided by a party related to the Company

(5) includes value of \$9,990 in respect of 111,000 issued to parties related to the Company

(6) includes value of \$6,000 in respect of 120,000 issued to parties related to the Company

(7) includes value of \$5,000 in respect of 100,000 issued to parties related to the Company

(8) The 2013 Notes, 2014 Notes #1, 2014 Notes #2, 2014 Notes #3, 2015 Notes #1, and 2015 Notes #2 have been rolled-over with the same terms until such time as the Company achieves financing sufficient to settle the amount owing

(9) \$15,000 provided by a party related to the Company

(10) \$10,000 provided by a party related to the Company

(11) \$10,500 provided by a party related to the Company

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**8. CAPITAL MANAGEMENT**

The Company defines capital as all components of shareholders' equity and debt obligations. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

The Company raises capital through the issuance of its share capital and promissory notes to fund operations, and the identification and evaluation of exploration assets. Although the Company has been successful at raising funds in the past through issuance of common shares, there can be no assurance that it will continue to be able to do so in the future.

There were no changes to the Company's approach to capital management during the period ended September 30, 2017.

**9. SHARE CAPITAL**

(a) Authorized

Unlimited common shares without par value.

(b) Issued

Period ended September 30, 2017:

- the Company and various creditors agreed to settle loans in the aggregate amount of \$364,788 in consideration of the issuance of an aggregate of 7,260,000 common shares of the Company (valued at \$217,800) and 2,730,000 share purchase warrants with each warrant entitling the holder to purchase one additional share for a period of one year at a price of \$0.10 per share (valued at \$42,500).
- the Company completed a rights offering of 13,408,080 units at a price of \$0.03 per unit for gross proceeds of \$402,242. Each unit consisted of one common share and one non-transferable warrant, each of which entitles the holder to purchase an additional common share at an exercise price of \$0.10 per share until September 6, 2018. No value was allocated to the warrant component of the unit offering completed.

Year ended March 31, 2017:

- The Company did not issue any common shares.

(c) Stock Options

On September 30, 2005, the Company adopted a "rolling" stock option plan for its employees, directors, officers and self-employed consultants. The terms of the plan provide for options to be granted to the extent of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options. The exercise price of each option shall not be less than the minimum price permitted by the policies of the Exchange. The options may be granted for a maximum term of ten years from the date of grant. In 2006, the Company received regulatory approval for the plan. The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for the grants.

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**9. SHARE CAPITAL (CONTINUED)**

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

	September 30, 2017		March 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the period	675,000	\$ 0.05	700,000	\$ 0.05
Cancelled	350,000	-	(25,000)	0.05
Outstanding, end of period	325,000	0.05	675,000	0.05
Exercisable, end of period	325,000	\$ 0.05	675,000	\$ 0.05

September 30, 2017				March 31, 2017			
Expiry Date	Number of options	Weighted average exercise price	Weighted average remaining life	Expiry Date	Number of options	Weighted average exercise price	Weighted average remaining life
February 18, 2020	325,000	\$0.05	2.64 years	February 18, 2020	675,000	\$0.05	2.88 years

(c) Warrants

A summary of the Company's warrant activity is as follows:

	September 30, 2017		March 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of the period	-	\$ -	-	\$ -
Granted	16,138,080	0.10	-	-
Outstanding, end of period	16,138,080	0.10	-	-
Exercisable, end of period	16,138,080	\$ 0.10	-	\$ -

September 30, 2017				March 31, 2017			
Expiry Date	Number of warrants	Weighted average exercise price	Weighted average remaining life	Expiry Date	Number of warrants	Weighted average exercise price	Weighted average remaining life
May 31, 2018	2,730,000	\$0.10	0.11 years	-	-	-	-
September 6, 2018	14,408,080	\$0.10	0.77 years	-	-	-	-

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**10. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company's related parties consist of directors, executive officers, and companies controlled or influenced by them. The Company incurred certain fees and expenses in the normal course of operations in connection with companies owned by such parties for the periods ended September 30, 2017 and 2016.

The Company conducts certain of its administration and exploration activities through an arrangement with an administration and exploration services contractor ("AESC") in which a director is a shareholder. For the periods ended September 30, 2017 and 2016 the Company was charged for exploration costs and to reimburse office and administrative costs as follows:

	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Office operations	\$ -	\$ 556
Management fees	7,500	-
	<b>\$ 7,500</b>	<b>\$ 556</b>

At September 30, 2017, \$90,001 was owed to AESC (March 31, 2017 - \$90,001) which amounts include \$25,300 in respect of the services of the CEO during the year ended March 31, 2015. At September 30, 2017, the Company owed \$30,000 (March 31, 2017 - \$30,000) in respect of the services of the CEO during the year ended March 31, 2016.

Effective July 1, 2016, AESC agreed to suspend further charges to the Company until such time as the Company has received funding or is able to satisfy its indebtedness to AESC.

The Company's related parties consist of directors, executive officers, and companies controlled or influenced by them. The Company incurred certain fees and expenses in the normal course of operations in connection with companies owned by such parties for the periods ended September 30, 2017 and 2016.

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the periods ended September 30, 2017 and 2016. On August 31, 2016, the Company paid \$14,286 as consideration of indebtedness for services rendered by the former CFO, and the remaining \$40,714 was written off. The CFO and the management member have suspended charging their fees until such time as the Company has received funding or is able to satisfy its indebtedness to these individuals.

At September 30, 2017, the Company owed \$24,143 (March 31, 2017 - \$24,143) to the former CEO and a director in respect of expenses incurred on behalf of the Company, and \$30,000 (March 31, 2017 - \$30,000) in respect of management services during the year ended March 31, 2016.

During the year ended March 31, 2013, the Company completed loan arrangements for gross proceeds of \$80,000, of which \$50,000 was provided by parties related to the Company. In connection with these arrangements, the Company issued 111,000 common shares valued at \$9,990 as bonus shares to these related parties. During the year ended March 31, 2014, \$10,000 of this amount was settled by way of shares, such that there remains \$40,000 provided by parties related to the Company. In February, 2014, the Company completed additional loans for gross proceeds of \$200,000, of which \$30,000 was provided by a party related to the Company. In connection with this arrangement, the Company issued 120,000 common shares valued at \$6,000 as bonus shares to that related party. During the year ended March 31, 2015, the Company completed additional loans for gross proceeds of \$100,000, of which \$25,000 was provided by a party related to the Company. In connection with this arrangement, the Company issued 100,000 common shares valued at \$5,000 as bonus shares to that related party. In July, 2016, the Company completed additional loans for gross proceeds of \$20,000, of which \$10,000 was provided by a party related to the Company. In December, 2016, the Company completed an additional loan for gross proceeds of \$15,000, of which was provided by a party related to the Company. In April, 2017, the Company completed an additional loan for proceeds of \$80,000, of which \$40,000 was provided by a party to the Company. In August, 2017, the Company completed an additional loan for proceeds of \$1,779. During the period ended September 30, 2017, the Company settled \$90,000 of loans from related parties by issuing shares and warrants (*Note 9b*).

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**11. SEGMENTED INFORMATION**

All of the Company's operations are in the resource sector. The Company's mineral exploration and development operations are in the United States. The capital assets and total assets identifiable with these geographical areas are as follows:

	<b>September 30, 2017</b>		<b>March 30, 2017</b>	
<b>Total Assets</b>				
Canada	\$	118,111	\$	10,767
United States		151,615		29,927
	<b>\$</b>	<b>269,726</b>	<b>\$</b>	<b>40,694</b>

**12. SUBSEQUENT EVENT**

Subsequent to the period September 30, 2017, the Company entered into a definitive mineral agreement whereby the Company has been granted an option to purchase Arizona State Land, mineral exploration permit.

Considerations pursuant to the exercise of the option are as follows:

- (a) Cash Payments
  - (i) US\$40,000 upon signing the agreement (paid);
  - (ii) US\$75,000 on or before November 25, 2017 (not yet paid);
  - (iii) US\$100,000 on or before November 25, 2018, and
  - (iv) US\$150,000 on or before November 25, 2019.
  
- (b) Share issuances
  - (i) 500,000 shares upon signing the agreement (issued subsequently);
  - (ii) 600,000 shares on or before November 25, 2017 (not yet paid);
  - (iii) 600,000 shares on or before November 25, 2018, and
  - (iv) 600,000 shares on or before November 25, 2019.
  
- (c) Exploration expenditures
  - (i) \$200,000 by the first anniversary of the effective date of the agreement;
  - (ii) \$200,000 on or before the second anniversary of the effective date of the agreement;
  - (iii) \$400,000 on or before the third anniversary of the effective date of the agreement, and
  - (iv) \$400,000 on or before the fourth anniversary of the effective date of the agreement.