



# **WARRIOR GOLD**

EXPERIENCE • EXPLORATION • RESULTS

(Formerly War Eagle Mining Company Inc.)

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Warrior Gold Inc. for the six months ended September 30, 2018 have been prepared by and are the responsibility of the Company's management and have been approved by the Company's audit committee.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

**WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

**Condensed Consolidated Interim Statements of Financial Position****Expressed in Canadian Dollars**

	Note	September 30 2018 \$	March 31 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		555,647	968,507
Receivables	5	163,747	187,917
Prepaid expenses and deposits		24,706	216,117
<b>Total current assets</b>		<u>744,100</u>	<u>1,372,541</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	6	4,988,074	4,828,558
Property, plant and equipment		-	189
<b>Total non-current assets</b>		<u>4,988,074</u>	<u>4,828,747</u>
<b>Total assets</b>		<u>5,732,174</u>	<u>6,201,288</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	100,450	478,463
<b>Total current liabilities</b>		<u>100,450</u>	<u>478,463</u>
<b>Non-current</b>			
Accounts payable and accrued liabilities	10	150,000	-
<b>Total non-current liabilities</b>		<u>150,000</u>	<u>-</u>
<b>Total liabilities</b>		<u>250,450</u>	<u>478,463</u>
<b>EQUITY</b>			
Share capital	7	44,034,178	44,026,828
Subscription		5,250	-
Reserves	7	4,312,578	4,314,928
Deficit		(42,870,282)	(42,618,931)
<b>Total equity</b>		<u>5,481,724</u>	<u>5,722,825</u>
<b>Total liabilities and equity</b>		<u>5,732,174</u>	<u>6,201,288</u>

**Corporate information and going concern (Note 1)**

The condensed consolidated interim financial statements of the Company for the six months ended September 30, 2018 were approved and authorized for issuance by the board of directors on November 27, 2018.

**On behalf of the board of directors:**

<u>“Malcolm Burke”</u> Malcolm Burke	Director	<u>“Peter Winnell”</u> Peter Winnell	Director
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See accompanying notes.

**WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

**Condensed Consolidated Interim Statements of Comprehensive Income (Loss)**

Unaudited – Prepared by Management

Expressed in Canadian Dollars

		Three Months Ended September 30		Six Months Ended September 30	
	Note	2018	2017	2018	2017
		\$	\$	\$	\$
<b>Operating expenses</b>					
Consulting fees		13,685	11,000	26,125	30,248
Depreciation		-	-	189	-
Exploration costs		38,233	-	256,353	-
Insurance		1,350	1,538	3,896	2,690
Investor relations		59,177	1,981	82,252	1,981
Management fees and salaries	10	96,000	71,000	192,000	137,000
Office and miscellaneous		7,341	1,145	23,378	3,215
Professional fees		17,897	13,418	18,882	16,202
Rent		3,805	649	7,658	1,277
Transfer agent and filing fees		10,765	7,069	15,542	7,821
Travel		3,348	-	3,520	-
<b>Loss before other income (expenses)</b>		<b>(251,601)</b>	<b>(107,800)</b>	<b>(629,795)</b>	<b>(200,434)</b>
<b>Other income (expense)</b>					
Gain on extinguishment of debt		-	79,822	54,050	79,822
Foreign exchange gain (loss)		(7,595)	(74,129)	(118)	(121,944)
Royalty income	5	-	20,896	-	57,266
Sale of rights to royalty	5	324,512	-	324,512	-
		<b>316,917</b>	<b>26,589</b>	<b>378,444</b>	<b>15,144</b>
<b>Income (loss) and total comprehensive income (loss) for the period</b>		<b>65,316</b>	<b>(81,211)</b>	<b>(251,351)</b>	<b>(185,290)</b>
<b>Basic and diluted income (loss) and comprehensive income (loss) per common share</b>	15	<b>0.00</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	15	<b>44,306,290</b>	<b>21,990,276</b>	<b>44,273,511</b>	<b>21,990,276</b>

See accompanying notes.

**WARRIOR GOLD INC.**  
(Formerly War Eagle Mining Company Inc.)  
**Condensed Consolidated Interim Statements of Cash Flows**  
Unaudited – Prepared by Management  
**Expressed in Canadian Dollars**

Six months ended September 30	Note	2018 \$	2017 \$
<b>Operating activities</b>			
Income (Loss) for the period		(251,351)	(185,290)
Adjustments for			
Foreign exchange		(11,655)	78,476
Depreciation		189	-
Gain on extinguishment of debt		(54,050)	(79,822)
Changes in non-cash operating working capital			
Accounts receivable		24,170	16,775
Prepaid expenses		191,411	1,590
Accounts payable and accrued liabilities		(173,963)	(66,508)
Cash used in operating activities		<u>(275,249)</u>	<u>(234,779)</u>
<b>Financing activities</b>			
Subscription		5,250	-
Exercise of options	7	5,000	-
Cash provided by investing activities		<u>10,250</u>	<u>-</u>
<b>Investing activities</b>			
Acquisition of resource properties		(159,516)	-
Proceeds from sale of Tombstone		-	391,800
Cash provided by investing activities		<u>(159,516)</u>	<u>391,800</u>
<b>Foreign exchange effect on cash</b>		<u>11,655</u>	<u>(4,576)</u>
<b>Increase (decrease) in cash and cash equivalents</b>		(412,860)	152,445
<b>Cash, beginning of period</b>		<u>968,507</u>	<u>682,272</u>
<b>Cash, end of period</b>		<u>555,647</u>	<u>834,717</u>
<b>Cash paid (received) for interest</b>		\$ -	\$ -
<b>Cash paid (received) for income tax</b>		\$ -	\$ -

See accompanying notes.

**WARRIOR GOLD INC.**  
(Formerly War Eagle Mining Company Inc.)  
**Condensed Consolidated Interim Statements of Changes in Equity**  
Expressed in Canadian Dollars

	Note	Common shares \$	Subscription \$	Reserves \$	Deficit \$	Total equity \$
Balance March 31, 2017		40,252,361	-	3,397,698	(41,812,918)	1,837,141
Loss for the period		-	-	-	(185,290)	(185,290)
<b>Balance September 30, 2017</b>		<b>40,252,361</b>	<b>-</b>	<b>3,396,198</b>	<b>(41,998,208)</b>	<b>1,651,851</b>
Balance March 31, 2018	7	44,026,828		4,314,928	(42,618,931)	5,722,825
Subscription		-	5,250	-	-	5,250
Options exercised		5,000		-	-	5,000
Transfer of stock option fair value on exercise		2,350		(2,350)	-	-
Loss for the period		-		-	(251,351)	(251,351)
<b>Balance September 30, 2018</b>	<b>7</b>	<b>44,034,178</b>	<b>5,250</b>	<b>4,312,578</b>	<b>(42,870,282)</b>	<b>5,481,724</b>

See accompanying notes.

## **WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

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### **1. Corporate Information and going concern**

Warrior Gold Inc., formerly War Eagle Mining Company Inc. (the “Company” or “War”) was incorporated under the laws of British Columbia on March 6, 1984. The Company is involved in the acquisition, exploration and, if warranted, development of mineral resource properties. The Company is listed on the TSX Venture Exchange (the “TSX-V”), under the symbol “WAR”, as a Tier 2 mining issuer.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not generated revenue from operations. The Company incurred a loss of \$251,351 during the six months ended September 30, 2018 (September 30, 2017 – \$185,290) and, as of that date the Company’s deficit was \$42,870,282 (March 31, 2018 - \$42,618,931). The Company had cash of \$555,647 at September 30, 2018 (March 31, 2018 - \$968,507). As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and pursue the acquisition and exploration of mineral resource properties. Although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The address of the Company’s corporate office and principal place of business is Suite 1100, 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

### **2. Basis of Presentation**

#### *a) Statement of compliance*

These condensed consolidated interim financial statements for the six month period ended September 30, 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company’s March 31, 2018 audited annual financial statements which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company’s March 31, 2018 audited annual financial statements except for income tax expense which is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

#### *b) Basis of measurement*

The condensed consolidated interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets and at fair value through profit or loss (“FVTPL”). The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in note 3.

## **WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

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### **3. Adoption of New Accounting Pronouncements and Recent Developments**

#### *Standards, amendments and interpretations adopted*

##### a) IFRS 9 Financial Instruments

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset;
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The Company adopted IFRS 9 on April 1, 2018, and has determined that the adoption of IFRS 9 did not have a material impact on the Company's financial statements.

##### b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2015 and specified how and when an entity will recognize revenue as well as requiring such entities to provide users of consolidated financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The Company adopted IFRS 15 on April 1, 2018, and has determined that the adoption of IFRS 9 did not have a material impact on the Company's financial statements.

#### *Standards, amendments and interpretations not yet effective*

##### c) IFRS 16 Leases

IFRS 16 was issued in January 2017 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

This standard is effective for reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact on the Company's financial statements.

The Company does not expect to early adopt standards, amendments, and interpretations not yet effective.

## **WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

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### **4. Critical Accounting Estimates and Judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

#### **Critical Judgments**

##### *Income taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

##### *Going concern of operations*

Management has made the determination that the Company will continue as a going concern for the next year.

##### *Evaluation and exploration expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the profit and loss in the period the new information becomes available.

##### *Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

## **WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

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### **4. Critical Accounting Estimates and Judgments (continued)**

#### **Estimates**

Information about significant estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are:

##### *Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

##### *Recoverability of receivables*

The Company monitors its exposure for credit losses on its receivables on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based on the identification of specific balances where a risk of default has been identified based upon historical experience.

### **5. Sale of a subsidiary**

In December 2013, the Company sold all of the shares of its then wholly-owned subsidiary, Tombstone Exploration de Mexico S.A. de C.V., which was the owner of Tres Marias property in Mexico to Contratista Y Operaciones Mineras S.A. de C.V. ("COMSA") for a consideration of US\$2,500,000 (\$2,710,032, based on the exchange rate in effect in December 2013), payable over a six year term. Due to uncertainty regarding the timing and amount of future cash flows, management had originally determined that the gain on sale would be recorded on receipt of cash. The consideration was a partial recovery of funds that were advanced to the subsidiary.

In August 2016, the Company entered into a new agreement with COMSA for the payment of US\$1,700,000, the remaining balance of the US\$2,500,000 from the sale of Tres Marias, where COMSA had agreed to make payments every quarter starting on September 30, 2016, with the final payment on March 31, 2018. In the new agreement, the Company also negotiated additional royalty payments as below:

- COMSA will pay Warrior Gold 25% of the germanium value recovered from any zinc-germanium concentrate sales starting September 30, 2016.
- COMSA will pay Warrior Gold 25% of the lead value recovered from any lead concentrate sales after September 30, 2016.
- COMSA will pay Warrior Gold 25% of the zinc sales for price received in excess of \$1.00 per pound of zinc sales after December 31, 2016.

As of March 31, 2018, the Company had received all the payments and the balance of the receivable is \$nil.

During the six months ended September 30, 2018, the Company and COMSA came to an agreement where COMSA agreed to make two US\$125,000 payments each on July 31, 2018 and September 28, 2018 (which were received) to buy out the royalty payments.

**WARRIOR GOLD INC.**

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Notes to the Consolidated Financial Statements

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**6. Exploration and Evaluation Assets***The Goodfish Kirana Project*

On February 9, 2018, the Company completed the amalgamation with Champagne, through a “triangular amalgamation” whereby Champagne merged with Andromeda and became a subsidiary of War. In that amalgamation, the Company acquired the Goodfish-Kirana property. The Goodfish-Kirana property at that time was comprised of 20 patented mining claims and 66 staked claims. The property is now wholly owned by the Company subject to various net smelter royalty arrangements.

During the six months ended September 30, 2018, the Company acquired eight additional patented claims contiguous to the Goodfish-Kirana property for \$155,000. There is a 1.5% NSR on the claims, 1% of which can be purchased for \$1 million.

The Company incurred exploration expenses as follows in the six months ended September 30, 2018:

	Goodfish
	\$
Assays	16,438
Camp costs	3,426
Community engagement	1,803
Geotechnical	49,531
Core sampling	500
Drilling	88,220
Geology	42,313
Geophysics	77,530
Ground preparation	3,940
Travel	17,512
Survey	(53,424)
Technical reports	8,564
	<u>256,353</u>

**WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

**7. Share Capital and Reserves***Authorized capital*

Unlimited common shares, without par value.

*Issued capital*

	Number of Shares	Common Shares \$
March 31, 2017	21,990,276	40,252,361
Shares issued on Champagne acquisition	21,990,276	3,738,347
Shares issued on exercise of options	260,000	26,000
Transfer of stock option fair value on exercise	-	10,120
March 31, 2018	44,240,552	44,026,828
Shares issued on exercise of options	50,000	5,000
Transfer of stock option fair value on exercise	-	2,350
September 30, 2018	44,290,552	44,034,178

*Reserves*

The reserves recorded in equity on the Company's statement of financial position comprise the fair value of share-based compensation and warrants prior to exercise, and obligations to issue shares in accordance with debt settlement agreements.

**WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

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Expressed in Canadian Dollars

**8. Share-Based Compensation**

In October 2017, the shareholders of the Company renewed the incentive stock option plan (the "2014 Plan") which provides that the aggregate number of common shares of the Company's capital issuable pursuant to options granted may not exceed 10% of the issued and outstanding shares. If the aggregate number of options granted exceeds the maximum allowed under the 2014 Plan, exercise of the options will require Warrior Gold shareholder approval. Options granted under the Plan may have a maximum term of five years and the exercise price of options granted will not be less than the discounted market price of the common shares as of the award date. The board of directors has the authority to set the vesting terms of options granted, subject to the rules of the TSX-V regarding options granted for investor relations services.

The Company did not grant any options for the six months ended September 30, 2018 and for September 30, 2017.

	Number of options	Weighted average exercise price \$
March 31, 2017	1,748,000	0.10
Granted	3,265,659	0.21
Exercised	(260,000)	0.10
Expired	(590,000)	0.10
Terminated	(599,000)	0.10
March 31, 2018	3,564,659	0.20
Exercised	(50,000)	0.10
Terminated	(18,702)	0.27
September 30, 2018	3,495,957	0.20

The weighted average trading price on date of exercise for the stock options exercised during the six months ended September 30, 2018 was \$0.15 (2017 – no options were exercised).

The Company's outstanding and exercisable stock options at September 30, 2018 were:

Expiry Date	Outstanding Options			Exercisable Options	
	Number	Weighted Average Remaining Life	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
October 31, 2019	249,000	1.08	0.10	249,000	0.10
May 5, 2021	3,246,957	2.60	0.21	3,246,957	0.21
	3,495,957	2.49	0.20	3,495,957	0.20

**WARRIOR GOLD INC.**

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Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

**9. Warrants**

	Number of warrants	Weighted average exercise price \$
March 31, 2017	-	-
Issued	6,086,045	0.36
March 31, 2018 and September 30, 2018	6,086,045	0.36

Number of Warrants	Exercise Price \$	Expiry Date
1,237,238	0.13	August 9, 2019
4,251,825	0.40	August 9, 2019
561,073	0.53	August 9, 2019
35,909	0.67	February 9, 2021
6,086,045	0.36	

**WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

**10. Related Party Transactions**

The Company entered into the following transactions with related parties not disclosed elsewhere in these consolidated financial statements as follows:

**Key management personnel compensation**

Six months ended September 30	2018 \$	2017 \$
Management fees	192,000	135,000

As at September 30, 2018, \$200,000 (March 31, 2018 - \$200,000) in total is owing to an officer and director for services, a debt acquired by the Company as part of its amalgamation agreement with Champagne. These amounts owing have been included in accounts payable and accrued liabilities. The debt bears no interest and is unsecured. Under a new agreement, the debt is payable in annual instalments of \$50,000 each, commencing December 31, 2018. Accordingly, \$150,000 has been presented as non-current. The officer has agreed to convert the first \$100,000 into common shares of the Company at the same price as the funds raised at the next equity financing and also has the option to convert the remaining \$100,000 into common shares as well.

Transactions with related parties were in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**11. Capital Management**

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

The Company considers its capital to include equity and working capital. In order to maintain financial flexibility, the Company may from time to time issue shares and adjust its spending to manage current and projected capital levels. To assess capital and operating efficiency and financial strength, the Company continually monitors its working capital which is calculated as follows:

	September 30 2018 \$	March 31 2018 \$
Current assets	744,100	1,372,541
Current liabilities	100,450	478,463
Working capital	643,650	894,078

The Company is an exploration stage company. The Company monitors its forecasted working capital requirements on a quarterly basis. The Company prepares expenditure budgets, which are updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions.

The Company is not subject to external capital restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes to the Company's approach to capital management during the six months ended September 30, 2018.

## **WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

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### **12. Financial Instruments**

#### *Fair Value*

The Company's financial instruments include cash, receivables, and accounts payable and accrued liabilities. Fair value amounts disclosed in these consolidated financial statements represent the Company's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. These estimates may change in subsequent reporting periods due to market conditions or other factors.

A fair value hierarchy is used to categorize the inputs used to measure fair value. 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 as follows:

Level 1 - include financial assets and liabilities that are measured in whole or in significant part by reference to published quotes in an active market at the measurement date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - include financial assets and liabilities using valuation techniques based on assumptions that are supported by prices from observable current market transactions.

The Company has no assets or liabilities in this category.

Level 3 - include financial assets and liabilities measured using valuation techniques based on nonmarket observable inputs. This means that fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The Company has no assets or liabilities in this category.

The carrying value of cash, receivables and accounts payable and accrued liabilities approximate their fair value due to the short-term nature and limited credit risk of these assets and liabilities.

#### *Financial Instruments Risk Management*

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, and the Company's objectives, policies and processes for measuring and managing such risks. The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### *Market risk*

The Company's profitability and long-term viability will depend, in large part, on the market price of base metals. The market prices for metals can be volatile and are affected by numerous factors beyond the Company's control, including: global or regional consumption patterns; the supply of, and demand for, these metals; speculative activities; the availability and costs of metal substitutes; expectations for inflation; and political and economic conditions, including interest rates and currency values. The Company cannot predict the effect of these factors on metal prices.

The market price of these minerals and metals may not remain at current levels. In particular, an increase in worldwide supply and consequent downward pressure on prices may result over the longer term from increased base metal production from mines developed or expanded as a result of current metal price levels.

**WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

Expressed in Canadian Dollars

**12. Financial Instruments (continued)***Foreign currency exchange rate risk*

The Company is exposed to foreign currency fluctuations as it has cash, receivables and accounts payable and accrued liabilities denominated in US dollars. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately \$45,000.

Financial instruments denominated in foreign currencies are:

At September 30, 2018	US Dollars
Cash	448,840
Exchange rate - \$1.00 =	.7725

  

At March 31, 2018	US Dollars
Cash	704,070
Receivables	52,725
Exchange rate - \$1.00 =	.7756

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it did not hold any funds in interest bearing accounts.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in paying obligations as they come due. The Company's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable consists of invoices payable to trade suppliers for capital expenditures, field operating activities, and general corporate expenses. All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

As at September 30, 2018, the Company has a working capital of \$643,650.

*Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of receivables.

**13. Segment Reporting**

The Company's activities are all in one industry segment of mineral property acquisition and exploration. Substantially all administrative expenses are incurred in Canada.

**WARRIOR GOLD INC.**

(Formerly War Eagle Mining Company Inc.)

Notes to the Consolidated Financial Statements

Six months ended September 30, 2018

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**14. Contingencies and Commitments****Former CEO Litigation**

In August 2016, the Company terminated the services of Mr. Thomas Atkins, the former CEO, for non-performance. In October 2016, Mr. Atkins filed a lawsuit in the Supreme Court of Ontario for damages of \$205,000 and also claimed damages of \$500,000 for undisclosed claims. The Company also counter-claimed for \$500,000 for damages suffered by the Company. In April 2018, the Company settled all the claims plus legal costs relating to Mr. Atkins lawsuit for the sum of \$210,000, which includes recoverable HST. The Company was reimbursed \$30,000 by the insurance provider relating to this lawsuit.

**Compensation Agreements**

Currently, the Company has approved 12 month compensation agreement for one individual in management at \$10,000 per month and for another individual in management at \$3,000 per month. The initial term of the contracts was 12 months to January 2014 which are automatically renewed for further incremental periods of 6 months at a time unless terminated by either party prior to expiry of the then term.

The Company has a compensation agreement with its CEO for \$15,000 per month through its amalgamation with Champagne, which is automatically renewable for successive one-year terms. (see note 16)

**15. Income (loss) Per Share**

	Three months ended September 30		Six months ended September 30	
	2018	2017	2018	2017
Net income (loss) for the period (\$)	65,316	(81,211)	(251,351)	(185,290)
Income (loss) per share, basic and diluted (\$ per share)	0.00	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding	44,306,290	21,990,276	44,273,511	21,990,276

For the three months ended September 30, 2018, option and warrant prices are higher than the average market price of common shares as such, those are not included in the computation of the weighted average number of common shares outstanding. Stock options and warrants are not included in the computation of loss per share for the three months ended September 30, 2017 and for the six months ended September 30, 2018 and September 30, 2017 as such inclusion would be anti-dilutive.

At September 30, 2018, the Company had stock options and warrants outstanding that could result in the issuance of up to 9,600,704 additional common shares (2017 – 1,748,000).

**16. Subsequent Events**

Subsequent to the six months ended September 30, 2018, the Company accepted the resignation of Mr. Paul Carroll, as Executive Chairman and director, effective November 22, 2018. Mr Carroll's contract of \$10,000 per month is terminated as of November 30<sup>th</sup> with no further obligations.

Subsequent to the six months ended September 30, 2018, the Company's CEO agreed to take a \$5,000 reduction in her monthly compensation, commencing December 1, 2018 and continuing until the earlier of March 31, 2019 and the closing of an equity financing by the Company which nets to the Company's treasury at least \$1,000,000. Any compensation so deferred will be accrued and payable thereafter only when and to the extent approved by the board of directors of the Company.