



(FORMERLY GOLDEN PEAK MINERALS INC.)

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
BlueBird Battery Metals Inc. (formerly Golden Peak Minerals Inc.)

We have audited the accompanying consolidated financial statements of BlueBird Battery Metals Inc. which comprise the consolidated statements of financial position as at August 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BlueBird Battery Metals Inc. as at August 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the ability of BlueBird Battery Metals Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
December 13, 2018

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Consolidated Statements of Financial Position
As at August 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
ASSETS		
Current		
Cash	\$ 260,836	\$ 178,018
Amounts receivable	81,845	63,854
Prepaid expenses	79,536	11,887
	422,217	253,759
Exploration and evaluation assets (Note 6)	2,413,801	4,111,404
	\$ 2,836,018	\$ 4,365,163
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 419,643	\$ 191,701
Other liability (Note 8)	-	25,338
	419,643	217,039
Shareholders' Equity		
Share capital (Note 9)	10,781,930	6,644,799
Contributed surplus	1,268,708	839,716
Deficit	(9,636,636)	(3,336,391)
Accumulated other comprehensive income – Cumulative translation adjustments	2,373	-
	2,416,375	4,148,124
	\$ 2,836,018	\$ 4,365,163

Going Concern (Note 2)
 Commitments (Notes 6 and 8)
 Subsequent Events (Note 14)

Authorized for issuance on behalf of the Board on December 13, 2018:

"Gary Nassif" Director

"Wesley Hanson" Director

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

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Consolidated Statements of Comprehensive Loss
For the Years Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Expenses		
Consulting fees (Note 7)	\$ 607,319	\$ 396,309
Management fees (Note 7)	392,419	116,750
Office and general	48,226	15,064
Pre-exploration costs	50,000	-
Professional fees	136,556	18,729
Rent (Note 7)	36,000	18,681
Share-based payments (Notes 7 and 9)	377,006	421,627
Shareholder communications and investor relations	141,107	101,314
Transfer agent and filing fees	44,518	86,455
Travel	178,719	11,409
Foreign exchange loss	7,734	-
Loss Before Other Items	(2,019,604)	(1,186,338)
Other Items		
Impairment of exploration and evaluation assets (Note 6)	(4,305,922)	(732,570)
Other income (Note 8)	25,338	278,112
Part XII.6 tax and penalties (Note 8)	(57)	(3,288)
Loss on settlement of accounts payable (Note 9)	-	(107,333)
	(4,280,641)	(565,079)
Net Loss for the Year	(6,300,245)	(1,751,417)
Other Comprehensive Loss		
Items that may be reclassified subsequently to income or loss:		
Exchange difference on translating foreign operations	2,373	-
Comprehensive Loss for the Year	\$ (6,297,872)	\$ (1,751,417)
Loss per Share – Basic and Diluted	\$ (0.22)	\$ (0.14)
Weighted Average Number of Common Shares Outstanding	28,337,892	12,524,838

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

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Consolidated Statements of Changes in Equity
For the Years Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Share Capital		Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
	Number of Shares	Share Capital				
Balance, August 31, 2016	1,916,501	\$ 1,487,628	\$ 219,332	\$ (1,584,974)	\$ -	\$ 121,986
Private placements	8,189,656	2,511,498	-	-	-	2,511,498
Share issuance costs	-	(338,534)	126,231	-	-	(212,303)
Shares issued for exploration and evaluation assets	7,025,000	2,791,500	-	-	-	2,791,500
Shares issued for settlement of accounts payable	186,296	81,970	75,663	-	-	157,633
Warrants exercised	500,000	100,000	-	-	-	100,000
Stock options exercised	38,000	10,737	(3,137)	-	-	7,600
Stock options granted	-	-	421,627	-	-	421,627
Net loss and comprehensive loss for the year	-	-	-	(1,751,417)	-	(1,751,417)
Balance, August 31, 2017	17,855,453	6,644,799	839,716	(3,336,391)	-	4,148,124
Private placements	14,144,546	1,697,346	-	-	-	1,697,346
Share issuance costs	-	(145,137)	51,986	-	-	(93,151)
Shares issued for exploration and evaluation assets	6,611,058	1,896,707	-	-	-	1,896,707
Warrants exercised	3,890,992	688,215	-	-	-	688,215
Stock options granted	-	-	377,006	-	-	377,006
Net loss for the year	-	-	-	(6,300,245)	-	(6,300,245)
Exchange difference on translating foreign operations	-	-	-	-	2,373	2,373
Balance, August 31, 2018	42,502,049	\$ 10,781,930	\$ 1,268,708	\$ (9,636,636)	\$ 2,373	\$ 2,416,375

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

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Consolidated Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Operating Activities		
Net loss for the year	\$ (6,300,245)	\$ (1,751,417)
Items not involving cash:		
Impairment of exploration and evaluation assets	4,305,922	732,570
Share-based payments	377,006	421,627
Loss on settlement of accounts payable	-	107,333
Other income	(25,338)	(278,112)
Changes in non-cash working capital balances:		
Amounts receivable	(17,991)	(56,995)
Prepaid expenses	(67,649)	(11,887)
Accounts payable and accrued liabilities	(180,287)	(101,693)
Cash used in operating activities	(1,908,582)	(938,574)
Investing Activity		
Exploration and evaluation asset expenditures, net	(301,010)	(1,593,824)
Cash used in investing activity	(301,010)	(1,593,824)
Financing Activities		
Shares issued for cash	2,385,561	2,922,549
Share issuance costs	(93,151)	(212,303)
Cash provided by financing activities	2,292,410	2,710,246
Change in cash	82,818	177,848
Cash, beginning of year	178,018	170
Cash, end of year	\$ 260,836	\$ 178,018
Non-cash Transactions and Supplemental Disclosures		
Shares issued for exploration and evaluation assets (Notes 6 and 9)	\$ 1,896,707	\$ 2,791,500
Shares issued to settle accounts payable and accrued liabilities	\$ -	\$ 81,970
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities (opening)	\$ 89,691	\$ 25,000
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities (closing)	318,538	89,691
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Notes to the Consolidated Financial Statements
For the Years Ended August 31, 2018 and 2017
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

BlueBird Battery Metals Inc. (formerly Golden Peak Minerals Inc.) (the “Company”) is an exploration-stage company incorporated pursuant to the British Columbia *Business Corporations Act* on March 31, 2011. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired. The Company changed its name from Golden Peak Minerals Inc. to BlueBird Battery Metals Inc. on April 17, 2018. The Company’s shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “BATT” and on the OTCQB under the symbol “BBBMF”. The address of the Company’s corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred a net loss of \$6,300,245 for the year ended August 31, 2018 (2017 - \$1,751,417) and has an accumulated deficit of \$9,636,636 at August 31, 2018 (2017 - \$3,336,391). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors on December 13, 2018.

b) Measurement basis

These consolidated financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale (“AFS”) and fair value through profit or loss (“FVTPL”). These consolidated financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

3. BASIS OF PREPARATION (Continued)

c) Subsidiary

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, BlueBird Battery Metals Australia Pty. Ltd., which was incorporated in Australia on April 10, 2018. Intercompany balances and transactions are eliminated in preparation of the Company's consolidated financial statements.

d) Foreign currency translation

The functional currency of the Company is the Canadian dollar. The functional currency of the Company's Australian subsidiary is the Australian dollar, which is determined to be the currency of primary economic environment in which the subsidiary operates.

Transactions in currencies other than the functional currency are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items are measured at historical cost in a functional currency and are not re-translated.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Deferred financing costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to profit or loss.

b) Exploration and evaluation assets

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as exploration and evaluation assets and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full by development or sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Exploration and evaluation assets (continued)

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. Amounts capitalized to exploration and evaluation costs do not necessarily reflect present or future values.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company, and accordingly, are recorded on a cash basis.

c) Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the assets impaired. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

Exploration and evaluation assets are reviewed at each reporting date for impairment or whenever events or changes in circumstances indicate that the carrying amount of the properties exceeds its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the recoverable amount of the asset.

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) 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 can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. 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.

As at August 31, 2018, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties, and accordingly, no provision has been recorded for such site reclamation or abandonment.

e) Flow-through shares

Exploration expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with the Government of Canada flow-through regulations. At the time flow-through shares are issued, there may be a potential premium paid on the flow-through shares calculated based on the difference between the share issuance price and the market price at the time of closing. A liability is recognized for the premium on the flow-through shares and is subsequently reversed and recorded as other income or deferred tax expense as the Company incurs qualifying Canadian exploration expenses. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a deferred income tax recovery in operations in the period of renunciation.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under certain rules, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense.

f) Share-based payments

The Company has an equity-settled share-based compensation plan. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. The weighted average number of common shares outstanding is adjusted retrospectively for changes in capitalization, such as share splits, reverse splits or cancellations of common shares.

h) Income taxes

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is not recognized for temporary differences that arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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) Financial instruments

Financial assets

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held-to-maturity, AFS, loans and receivables or FVTPL.

- Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in earnings. The Company has classified its cash as FVTPL.
- Financial assets classified as loans and receivables and held-to-maturity assets are measured at amortized cost.
- Financial assets classified as AFS are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss, except for losses in value that are considered other than temporary, which are recognized in earnings.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (continued)

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

- Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period. The Company has classified its accounts payable as other financial liabilities.
- Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has no financial liabilities classified as FVTPL.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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

j) New accounting standards adopted during the year

Amendments to IFRS 7 Financial Instruments

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment is effective for reporting periods beginning on or after January 1, 2017.

The Company adopted the amendments to IFRS 7 during the year ended August 31, 2018 with no significant impact on its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- k) New accounting standards issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. Additional amendments include introduction of a new hedge accounting model and a new expected-loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018. Adoption of this accounting standard is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 2 Share-based Payments

In June 2016 the Board issued the final amendments to IFRS 2, which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification of the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features. This standard is effective for annual periods beginning on or after January 1, 2018. Adoption of this accounting standard is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFR 15, which will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue - Barter Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS. This standard is effective for annual periods beginning on or after January 1, 2018. Adoption of this accounting standard is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 16 Leases

On January 13, 2016 the IASB issued IFRS 16. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17 *Leases*, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. The Company is currently evaluating the impact that this new accounting standard is expected to have on its consolidated financial statements.

5. 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. In the future, 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/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

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:

a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures requires judgment in determining whether it is likely that 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 expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

b) 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.

c) 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 they have 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

c) Income taxes (continued)

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. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. 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.

d) Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the consolidated financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made that management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at August 31, 2018, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

b) Fair value of stock options granted

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

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6. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

	Atikwa Lake/Maybrun Properties	Hemlo Properties	Canegrass Property	Ashburton Property	Batt Property	Other Properties	Total
Acquisition Costs							
Balance, August 31, 2016	\$ 61,209	\$ -	\$ -	\$ -	\$ -	\$ 307,750	\$ 368,959
Acquisition and option payments (cash)	56,480	205,000	-	-	-	50,000	311,480
Acquisition and option payments (shares)	607,000	2,074,500	-	-	-	110,000	2,791,500
Claim costs	1,264	10,522	-	-	-	-	11,786
Impairment	-	-	-	-	-	(467,750)	(467,750)
Balance, August 31, 2017	725,953	2,290,022	-	-	-	-	3,015,975
Acquisition and option payments (cash)	-	-	50,000	25,000	25,000	-	100,000
Acquisition and option payments (shares)	-	883,500	945,707	-	67,500	-	1,896,707
Claim costs	1,331	1,016	-	-	-	-	2,347
Impairment	(17,000)	(3,174,538)	-	-	-	-	(3,191,538)
Balance, August 31, 2018	\$ 710,284	\$ -	\$ 995,707	\$ 25,000	\$ 92,500	\$ -	\$ 1,823,491
Deferred Exploration Expenditures							
Balance, August 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Camp and other	72,223	438,161	-	-	-	80,173	590,557
Geological	108,823	346,460	-	-	-	159,647	614,930
Geophysics	-	129,762	-	-	-	-	129,762
Impairment	-	-	-	-	-	(264,820)	(264,820)
Balance, August 31, 2017	181,046	914,383	-	-	-	-	1,095,429
Camp and other	6,000	15,100	5,077	4,685	-	-	30,862
Drilling	-	-	90,933	-	-	-	90,933
Geological	84,350	13,750	114,911	3,335	48,629	-	264,975
Geophysics	-	158,523	63,972	-	-	-	222,495
Impairment	(12,628)	(1,101,756)	-	-	-	-	(1,114,384)
Balance, August 31, 2018	\$ 258,768	\$ -	\$ 274,893	\$ 8,020	\$ 48,629	\$ -	\$ 590,310
Total Exploration and Evaluation Assets							
Balance, August 31, 2017	\$ 906,999	\$ 3,204,405	\$ -	\$ -	\$ -	\$ -	\$ 4,111,404
Balance, August 31, 2018	\$ 969,052	\$ -	\$ 1,270,600	\$ 33,020	\$ 141,129	\$ -	\$ 2,413,801

6. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Atikwa Lake / Maybrun Properties

On February 4, 2016, the Company entered into an agreement to acquire a 100% undivided interest in 20 mineral claims located in Ontario. As consideration, the Company issued 75,000 common shares of the Company at a value of \$60,000.

In March 2017, an additional four claims were acquired for \$6,480.

On April 7, 2017, the Company entered into an agreement to acquire a 100% interest in the Maybrun Property located in Ontario. As consideration, the Company issued 1,200,000 common shares at a value of \$600,000 and paid \$40,000 in cash.

The vendors retain a 2% net smelter return royalty ("NSR") on the property. The Company has the option to purchase 1% of the 2% NSR (one-half) at a price of \$1,000,000.

On June 19, 2017, the Company entered into an option agreement to acquire additional claims on the Atikwa Lake Property. Under the terms of the option agreement, the Company could earn a 100% interest by making payments as follows:

- Issuing 25,000 common shares of the Company (issued) and making a cash payment of \$10,000 (paid) upon approval by the TSX-V;
- Issuing 25,000 common shares of the Company and making a cash payment of \$25,000 by June 23, 2018;
- Issuing 50,000 common shares of the Company and making a cash payment of \$35,000 by June 23, 2019; and
- Issuing 85,000 common shares of the Company and making a cash payment of \$60,000 by June 23, 2020.

The Company was also required to incur exploration expenditures on the additional claims as follows:

- \$50,000 on or before June 19, 2018;
- An additional \$75,000 on or before June 19, 2019; and
- An additional \$150,000 on or before June 19, 2020.

The vendors retained a 2% NSR on the property. The Company had the option to purchase 1% of the 2% NSR (one-half) at a price of \$1,000,000.

On April 6, 2018, the Company provided termination notice to the vendors of the June 19, 2017 option agreement. The Company recorded an impairment of \$29,628 as a result of the termination.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Hemlo Properties

Heikki Property

On October 28, 2016, and as amended November 17, 2017, the Company entered into four option agreements to acquire the Esa, Kulta, Seija and Soturi properties, collectively, the Heikki Property, located in Ontario. Under the terms of the option agreement, the Company can earn a 100% interest by making payments as follows:

- Issuing 2,600,000 common shares of the Company (issued) and making a cash payment of \$105,000 (paid) upon approval by the TSX-V;
- Issuing 3,100,000 common shares of the Company (issued) by January 31, 2018; and
- Issuing 1,750,000 common shares of the Company by November 17, 2018.

The vendors retain a 3% NSR on each of the four properties. The Company has the option to purchase 1% of the 3% NSR (one-third) at a price of \$500,000.

On April 6, 2018, the Company provided termination notice to the vendors of the Heikki Property. The Company issued 3,100,000 common shares of the Company valued at \$883,500 in relation to the January 31, 2018 payment. The Company recorded an impairment of \$2,997,499 as a result of the termination.

Hemlo East

On January 27, 2017, the Company entered into an option agreement to acquire the Hemlo East Property, located in Ontario. Under the terms of the option agreement, the Company could earn a 100% interest by making payments as follows:

- Issuing 750,000 common shares of the Company (issued and valued at \$352,500) and making a cash payment of \$100,000 (paid) upon approval by the TSX-V;
- Issuing 500,000 common shares of the Company and making a cash payment of \$100,000 by February 8, 2018;
- Issuing 500,000 common shares of the Company and making a cash payment of \$100,000 by February 8, 2019; and
- Issuing 500,000 common shares of the Company and making a cash payment of \$40,000 by February 8, 2020.

The Company was also required to incur exploration expenditures on the property as follows:

- \$600,000 on or before January 27, 2018;
- An additional \$600,000 on or before January 27, 2019; and
- An additional \$600,000 on or before January 27, 2020.

The vendor retained a 2.5% NSR on the property. The Company had the option to purchase 0.5% of the 2.5% NSR (one-fifth) at a price of US \$1,000,000.

On January 31, 2018, the Company provided termination notice to the vendor of the Hemlo East Property. The Company recorded an impairment of \$591,195 as a result of the termination.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Hemlo Properties (continued)

Hemlo East Extension and Hemlo West

On May 31, 2017, and as amended December 18, 2017 and January 31, 2018, the Company entered into two agreements to acquire additional claims in the Hemlo area. Under the terms of the agreements, the Company could earn a 100% interest by making payments as follows:

- Issuing 2,200,000 common shares of the Company upon approval by the TSX-V (issued and valued at \$682,000); and
- Issuing 1,000,000 common shares of the Company and making a cash payment of \$500,000 by March 2, 2018.

The vendors retained a 2% NSR on each property. The Company had the option to purchase 1% of each 2% NSR (one-half) at a price of \$1,000,000 each.

On April 6, 2018, the Company provided termination notice to the vendors of the Hemlo East Extension Property and Hemlo West Property. The Company recorded an impairment of \$687,600 as a result of the terminations.

c) Canegrass Property

On March 15, 2018, the Company entered into an option agreement with Trafalgar Resources Pty. Ltd. ("Trafalgar") to acquire a 100% interest in the Canegrass Property, located in the Mount Magnet region of Western Australia, Australia.

In consideration, the Company must make payments as follows:

- Cash payment of \$25,000 (paid) and issuance of 3,000,000 common shares of the Company (issued and valued at \$870,000) upon approval by the TSX-V (approval received on March 21, 2018);
- Issuance of an additional 1,875,000 common shares of the Company on or before March 21, 2019; and
- Issuance of an additional 1,875,000 common shares of the Company on or before March 21, 2020.

The Company must also incur exploration expenditures as follows:

- \$500,000 on or before March 21, 2019;
- An additional \$1,000,000 on or before March 21, 2020; and
- An additional \$1,500,000 on or before March 21, 2021.

A finder's fee of 261,058 shares (issued and valued at \$75,707) was paid in relation to the agreement. Subject to further TSX-V approval, a discovery bonus of 1,500,000 common shares of the Company will be issued in the event of discovery of a copper/cobalt equivalent resource of 250,000 ounces or greater on the Canegrass Property.

The Company also paid a \$25,000 letter of intent ("LOI") fee to Trafalgar during the year ended August 31, 2018.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

d) Ashburton Project

On August 8, 2018, the Company entered into an agreement to acquire a 100% interest in the Ashburton project, located in Western Australia, Australia.

In consideration, the Company must make payments as follows:

- Issuing common shares of the Company worth \$750,000 upon completion; and
- Issuing common shares of the Company worth \$750,000 on the first anniversary of the completion date.

The Company also paid a \$25,000 LOI fee to the vendor during the year ended August 31, 2018.

e) Batt Property

On March 26, 2018, the Company entered into an option agreement with Strategic Metals Ltd. ("Strategic") to acquire an 80% interest in the Batt Property, located in Yukon Territory.

In consideration, the Company paid cash of \$25,000 and issued 250,000 common shares of the Company valued at \$67,500.

The Company must also incur exploration expenditures as follows:

- \$50,000 on or before March 31, 2019;
- An additional \$150,000 on or before March 31, 2020; and
- An additional \$300,000 on or before March 31, 2021.

Strategic retains a 1% NSR on the property. In the case the option agreement terms are met, a joint venture ("JV") will be formed between the Company and Strategic. Should Strategic's JV participation drop below 10%, the NSR will increase to 2%. At that time, the Company may repurchase 1% (one-half) of the NSR for \$1,000,000, subject to further TSX-V approval.

Other Properties

f) Grenfell Property

On October 13, 2016, the Company entered into an option agreement to acquire the Grenfell Property, located in Ontario. Under the terms of the option agreement, the Company could earn a 100% interest by making payments as follows:

- Issuing 250,000 common shares of the Company (issued) and making a cash payment of \$50,000 (paid) upon approval by the TSX-V;
- Issuing 250,000 common shares of the Company and making a cash payment of \$50,000 by October 26, 2017;
- Issuing 250,000 common shares of the Company and making a cash payment of \$50,000 by October 26, 2018; and
- Issuing 250,000 common shares of the Company and making a cash payment of \$50,000 by October 26, 2019.

In the event of a minimum discovery of 1,000,000 ounces of gold or gold equivalent resource, the Company would pay a bonus of \$1,000,000 to the optionor upon completion of a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* compliant report.

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6. EXPLORATION AND EVALUATION ASSETS (Continued)

f) Grenfell Property (continued)

The original vendor retained a 2% NSR on the property. The Company had the option to purchase 1% of the 2% NSR (one-half) at a price of \$1,000,000.

The Company determined it would not make the payment of 250,000 common shares and \$50,000 due on October 26, 2017. The property was written down to \$nil on August 31, 2017.

g) Lac Lapointe Property

On February 15, 2016, the Company entered into an option agreement to acquire a 100% undivided interest in 20 mineral claims located in Quebec. Under the terms of the option agreement, the Company could earn a 100% interest by making payments as follows:

- Issuing 132,500 common shares of the Company upon approval by the TSX-V (issued);
- Cash payment of \$40,000 on or before August 15, 2017; and
- Cash payment of \$100,000 on or before February 15, 2019.

The vendor retained a 2% gross overriding royalty return ("GORR") on the property. The Company had the option to purchase 1% of the 2% GORR (one-half) at a price of \$1,000,000.

The Company did not make the payment of \$40,000 due on August 15, 2017. Accordingly, the property was written down to \$nil.

h) Foubert Lake Property

On June 26, 2015, the Company entered into an agreement to acquire a 100% undivided interest in 11 mineral claims located in Quebec. As consideration, the Company paid a total of \$11,000 in cash and issued a total of 240,000 common shares of the Company at a value of \$144,000.

The vendor retains a 1% NSR on the property. The Company has the option to purchase the NSR at a price of \$500,000.

At August 31, 2017, the Company determined that the value of the property was impaired, and it was written down to \$nil.

i) Oyster Property

On September 23, 2015, the Company entered into an agreement to acquire a 100% undivided interest in four mineral claims located in Manitoba. As consideration, the Company issued 100,000 common shares of the Company at a value of \$60,000.

The vendor retains a 3% GORR on the property. The Company has the option to purchase 1% of the 3% GORR (one-third) at a price of \$1,000,000.

At August 31, 2017, the Company determined that the value of the property was impaired, and it was written down to \$nil.

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7. RELATED PARTY BALANCES AND TRANSACTIONS

These amounts of key management compensation are included in exploration and evaluation assets and the amounts shown on the consolidated statements of comprehensive loss:

	2018	2017
Consulting fees	\$ 14,125	\$ 55,500
Geological	\$ 102,083	\$ 58,333
Management fees*	\$ 392,419	\$ 116,750
Share-based compensation	\$ 210,289	\$ 94,402

* includes \$135,000 (2017 - \$nil) paid to the former Chief Executive Officer and \$112,500 (2017 - \$nil) paid to the former President upon termination of their respective consulting agreements.

Key management includes directors and officers of the Company, including the Chief Executive Officer and Chief Financial Officer.

During the year ended August 31, 2018, the Company paid \$14,125 (2017 - \$55,500) for consulting fees to companies controlled by directors, \$392,419 (2017 - \$116,750) for management fees to companies controlled by directors and officers and \$36,000 in rent to a company in which an officer of the Company is an officer and director (2017 - \$18,681 in rent to companies controlled by directors).

As at August 31, 2018, included in accounts payable and accrued liabilities is \$31,465 (2017 - \$3,216) due to directors and officers of the Company and companies controlled by directors of the Company and \$nil (2017 - \$47,032) due to a company in which an officer of the Company is an officer and director for shared administrative costs. These amounts are unsecured, non-interest-bearing and have no fixed terms of repayment.

8. OTHER LIABILITY AND FLOW-THROUGH COMMITMENT

Other liability

Other liability consists of the premium on the flow-through shares issued.

During the year ended August 31, 2017, the Company issued 2,022,998 flow-through shares at a price of \$0.65 per share. The premium paid by investors was calculated as \$0.15 per share. Accordingly, \$303,450 was recorded as other liability.

At August 31, 2017, the balance of other liability was reduced to \$25,338 as a result of qualifying expenditures incurred by the Company. This resulted in other income of \$278,112 for the year ended August 31, 2017.

At August 31, 2018, the balance of other liability has been reduced to \$nil as a result of qualifying expenditures incurred by the Company. This resulted in other income of \$25,338 for the year ended August 31, 2018.

Flow-through commitment

At August 31, 2018, the Company had no remaining commitment to incur exploration expenditures in relation to its December 2016 flow-through share financing.

Included in accounts payable and accrued liabilities at August 31, 2018 is a provision for Part XII.6 tax of \$nil (2017 - \$1,949). During the year ended August 31, 2018, the Company incurred \$57 for Part XII.6 tax and other provincial taxes in relation to its December 2016 flow-through share financing (2017 - \$3,288 in relation to its December 2015 flow-through share financing).

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9. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding

During the year ended August 31, 2018

- On February 23, 2018, the Company completed a non-brokered private placement for gross proceeds of \$1,697,346. The Company issued 14,144,546 units at a price of \$0.12 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.15 for a period of two years.

The Company incurred finder's fees of \$83,914 and other share issue costs of \$9,237. The Company also issued 339,285 finder's warrants valued at \$51,986 (Note 9(c)) and entitling the holder to acquire one non-flow-through common share of the Company at an exercise price of \$0.15 for a period of two years.

- On March 22, 2018, the Company issued 3,261,058 common shares valued at \$945,707 for the acquisition of the Canegrass Property, which included a 261,058 issuance for a finder's fee (Note 6(c)).
- On April 9, 2018, the Company issued 250,000 common shares valued at \$67,500 for the acquisition of the Batt Property (Note 6(f)).
- On May 14, 2018, the Company issued 3,100,000 common shares valued at \$883,500 for the acquisition of the Heikki Property (Note 6(b)).
- During the year ended August 31, 2018, the Company received \$668,215 pursuant to the exercise of 3,890,992 warrants.

During the year ended August 31, 2017

- On September 26, 2016, the Company completed a non-brokered private placement for gross proceeds of \$499,999. The Company issued 4,166,658 units at a price of \$0.12 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.20 for a period of two years. The Company incurred share issue costs of \$3,483.
- On October 26, 2016, the Company settled accounts payable and accrued liabilities of \$50,300 by issuing 9,259 common shares and 177,037 units, each unit consisting of one common share and one non-transferable warrant of the Company. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.36 for a period of four years. The fair value of the common shares issued was \$4,074 and the fair value of the units issued was \$153,559. Accordingly, the Company realized a loss on settlement of accounts payable of \$107,333.
- On October 26, 2016, the Company issued 250,000 common shares valued at \$110,000 for the acquisition of the Grenfell Property (Note 6(g)).
- On November 17, 2016, the Company issued 2,600,000 common shares valued at \$1,040,000 for the acquisition of the Heikki Property (Note 6(b)).

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9. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

- On December 20, 2016, the Company completed a non-brokered private placement for gross proceeds of \$2,314,949. The Company issued 2,000,000 non-flow-through common shares of the Company at a price of \$0.50 per share and 2,022,998 flow-through common shares of the Company at a price of \$0.65 per share. The premium paid by investors on the flow-through units was calculated as \$0.15 per share. Accordingly, \$303,450 was recorded as other liability.

The Company incurred finder's fees of \$196,495 and other share issue costs of \$12,325. The Company also issued 332,300 finder's warrants valued at \$126,231 (Note 9(c)) and entitling the holder to acquire one non-flow-through common share of the Company at an exercise price of \$0.50 per share for a period of two years.

- On February 9, 2017, the Company issued 750,000 common shares valued at \$352,500 for the acquisition of the Hemlo East Property (Note 6(b)).
- On April 13, 2017, the Company issued 1,200,000 common shares valued at \$600,000 for the acquisition of the Maybrun Property (Note 6(a)).
- On June 19, 2017, the Company issued 2,200,000 common shares valued at \$682,000 for the acquisition of the Hemlo East Extension and the Hemlo West (Note 6(b)).
- On June 26, 2017, the Company issued 25,000 common shares valued at \$7,000 for the acquisition of the Atikwa Lake Property (Note 6(a)).
- During the year ended August 31, 2017, the Company received \$100,000 pursuant to the exercise of 500,000 warrants and \$7,600 on the exercise of 38,000 stock options. The Company transferred \$3,137, the previously recorded fair value of the stock options, from contributed surplus to share capital upon exercise of the stock options.

c) Warrants

Warrant transactions and the number of warrants outstanding for the years ended August 31, 2018 and 2017 are summarized as follows:

	2018		2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	4,188,566	\$ 0.23	258,002	\$ 1.37
Issued	14,543,831	\$ 0.15	4,675,995	\$ 0.23
Exercised	(3,890,992)	\$ 0.18	(500,000)	\$ 0.20
Expired	-	-	(245,431)	\$ 1.40
Outstanding, end of year	14,841,405	\$ 0.17	4,188,566	\$ 0.23

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9. SHARE CAPITAL (Continued)

c) Warrants (continued)

The following warrants were outstanding and exercisable at August 31, 2018:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Warrants
September 26, 2018	0.07	\$ 0.20	1,575,333
December 20, 2018	0.30	\$ 0.50	332,300
December 24, 2018	0.32	\$ 0.70	12,571
February 23, 2020	1.48	\$ 0.15	12,744,164
October 26, 2020	2.16	\$ 0.36	177,037
	1.31		14,841,405

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finder's warrants granted. The fair value of each finder's warrant grant was calculated using the following weighted average assumptions:

	2018	2017
Expected life (years)	2.00	2.00
Risk-free interest rate	1.78%	0.82%
Expected annualized volatility	104%	117%
Dividend yield	N/A	N/A
Stock price at grant date	\$ 0.21	\$0.60
Exercise price	\$ 0.15	\$0.50
Weighted average grant date fair value	\$ 0.13	\$0.38

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

d) Stock options

The Company adopted a Stock Option Plan (the "Plan") to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a 12-month period with no more than 25% of the options vesting in any three-month period.

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9. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following is a summary of option transactions under the Company's stock option plan for the years ended August 31, 2018 and 2017:

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,389,000	\$ 0.42	16,000	\$ 1.50
Expired	(289,000)	\$ 0.29	(25,000)	\$ 0.40
Exercised	-	-	(38,000)	\$ 0.20
Forfeited	-	-	(16,000)	\$ 1.50
Granted	2,200,000	\$ 0.24	1,452,000	\$ 0.38
Outstanding, end of year	3,300,000	\$ 0.30	1,389,000	\$ 0.42

The following options were outstanding and exercisable at August 31, 2018:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
November 21, 2018	0.22	\$ 0.285 - \$0.40	825,000	825,000
April 11, 2020	1.61	\$ 0.40	1,025,000	1,025,000
March 8, 2021	2.52	\$ 0.20	1,050,000	1,050,000
March 28, 2021	2.58	\$ 0.285	200,000	200,000
April 17, 2021	2.63	\$ 0.285	200,000	200,000
	1.67		3,300,000	3,300,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each stock option grant was calculated using the following weighted average assumptions:

	2018	2017
Expected life (years)	3.00	3.00
Risk-free interest rate	1.92%	0.83%
Expected annualized volatility	133%	136%
Dividend yield	N/A	N/A
Stock price at grant date	\$ 0.23	\$ 0.41
Exercise price	\$ 0.24	\$ 0.40
Weighted average grant date fair value	\$ 0.18	\$ 0.29

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

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10. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and accounts payable. Cash is classified as FVTPL. Accounts payable are classified as other financial liabilities. The carrying values of these instruments approximate their fair values due to the relatively short periods to maturity of these instruments.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

August 31, 2018	Level 1	Level 2	Level 3	Total
Cash	\$ 260,836	\$ -	\$ -	\$ 260,836
August 31, 2017	Level 1	Level 2	Level 3	Total
Cash	\$ 178,018	\$ -	\$ -	\$ 178,018

Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk on cash, the Company places the instrument with a major Canadian financial institution.

b) Liquidity risk

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at August 31, 2018, the Company had cash of \$260,836 (2017 - \$178,018) to settle accounts payable and accrued liabilities of \$419,643 (2017 - \$191,701), which fall due for payment within 30 days of August 31, 2018. All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

10. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued)

- i) *Currency risk* – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has operations in Canada and Australia and incurs operating and exploration expenditures in both currencies. The fluctuation of the Canadian dollar in relation to the Australian dollar will have an impact upon the results of the Company. The Company has no funds held in a foreign currency, and only a small amount of its accounts payable and accrued liabilities are denominated in Australian dollars. A fluctuation in the exchanges rates between the Canadian and Australian dollars of 10% would result in a nominal change to the Company's accounts payable and accrued liabilities. The Company does not use any techniques to mitigate currency risk.
- ii) *Interest rate risk* – The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations. The Company has no interest-bearing financial liabilities.
- 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. The Company does not have significant exposure to this risk.

11. MANAGEMENT OF CAPITAL

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

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

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the years ended August 31, 2018 or 2017. The Company is not subject to externally imposed capital requirements.

12. INCOME TAXES

The following table reconciles the amount of income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

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12. INCOME TAXES (Continued)

	2018	2017
Combined statutory tax rate	27.00%	27.00%
Income tax recovery at combined statutory rate	\$ (1,701,000)	\$ (480,000)
Flow-through expenditures	30,000	330,000
Rate change from prior year to current year	(34,000)	-
Permanent difference and others	(319,000)	41,000
Tax benefits not recognized	2,024,000	109,000
Provision for income tax expense	\$ -	\$ -

The tax effects of deductible and taxable temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2018	2017
Non-capital loss carry-forwards	\$ 1,198,000	\$ 536,000
Exploration and evaluation assets	1,288,000	(66,000)
Share issuance cost	57,000	49,000
Total gross deferred income tax assets	2,543,000	519,000
Deferred tax assets not recognized	(2,543,000)	(519,000)
Net deferred income tax assets	\$ -	\$ -

As at August 31, 2018, the Company had approximately \$4,158,000 of non-capital loss carry-forwards in Canada available to reduce taxable income for future years. These losses expire as follows:

August 31, 2031	\$ 33,000
August 31, 2032	79,000
August 31, 2033	359,000
August 31, 2034	242,000
August 31, 2035	388,000
August 31, 2036	603,000
August 31, 2037	811,000
August 31, 2038	1,643,000
	\$ 4,158,000

As at August 31, 2018, the Company had approximately \$278,000 of non-capital loss carry forward in Australia available to reduce taxable income for future years. These losses have no expiry date.

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13. SEGMENTED INFORMATION

Geographical information related to the Company's non-current assets is as follows:

	2018	2017
Exploration and evaluation assets – Canada	\$ 1,110,181	\$ 4,111,404
Exploration and evaluation assets – Australia	1,303,620	-
Total exploration and evaluation assets	\$ 2,413,801	\$ 4,111,404

14. SUBSEQUENT EVENTS

- a) Subsequent to August 31, 2018, the Company issued 2,403,833 common shares for proceeds of \$420,767 on the exercise of 2,403,833 share purchase warrants and 200,000 common shares for proceeds of \$40,000 on the exercise of 200,000 stock options.
- b) On October 9, 2018, the Company issued 1,633,631 common shares for the Ashburton Project (Note 6(d)).
- c) Subsequent to August 31, 2018, 1,075,000 stock options expired unexercised.
- d) Subsequent to August 31, 2018, 371,500 share purchase warrants expired unexercised.
- e) On November 1, 2018, the Company issued 300,000 stock options to a consultant with an exercise price of \$0.25 and an expiry date of November 1, 2020.