



(An Exploration-Stage Company)

Condensed Interim Financial Statements

September 30, 2018 and 2017

(Unaudited – Expressed in Canadian Dollars)



NOTICE TO READER

THE ISSUER'S AUDITORS HAVE NOT REVIEWED OR BEEN INVOLVED IN THE PREPARATION OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of the Pacific Ridge Exploration Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

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

	Note	September 30, 2018	December 31, 2017
Assets		\$	\$
Current			
Cash		193,332	598,401
Other receivables		5,983	2,334
Marketable securities and warrants	3	20,010	36,830
Prepaid		5,763	5,522
		225,088	643,087
Resource Properties	4	528,619	518,909
Reclamation bonds		23,996	12,152
		777,703	1,174,148
Liabilities			
Current			
Trade payable and accrued liabilities		69,120	36,705
Shareholders' equity			
Share capital	5	43,586,559	43,575,559
Contributed surplus		3,258,256	3,248,228
Accumulated other comprehensive income (loss)		(28,500)	(5,500)
Deficit		(46,107,732)	(45,680,844)
		708,583	1,137,443
		777,703	1,174,148

Nature of operations 1

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

Approved and authorized for issue on behalf of the Board of Directors on October 25, 2018

/s/ "Gerald G. Carlson"
Director

/s/ "Blaine Monaghan"
Director

**Condensed Interim Statements of Loss
and Comprehensive Loss**

(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended		Nine months ended	
		September 30		September 30	
		2018	2017	2018	2017
		\$	\$	\$	\$
Administration expenses					
Insurance		-	-	5,225	-
Professional and consulting		(1,000)	1,011	15,255	15,238
Management and administrative		20,507	20,055	67,868	66,520
Office operations and facilities		11,431	10,120	40,900	41,711
Shareholder communications		14,186	7,939	31,062	13,541
Share-based payments	5(c)	-	-	10,028	19,294
Transfer agent and regulatory fees		6,507	1,410	19,260	18,870
		51,631	40,535	189,598	175,174
Other expenses (income)					
Exploration and evaluation costs	4	143,399	223,264	233,920	456,879
Mining tax credit		-	(10,044)	-	(10,044)
Property option payments	4	-	-	-	(350,000)
Impairment of resource properties		-	-	-	13,763
Unrealized loss in fair value of warrants	3	3,620	-	4,320	-
Foreign exchange gain		590	3,324	(950)	3,324
		147,609	216,544	237,290	113,922
Net loss for the period		(199,240)	(257,079)	(426,888)	(289,096)
Other comprehensive income:					
Net change in fair value of marketable securities	3	(13,000)	-	(23,000)	-
Total comprehensive loss for the period		(212,240)	(257,079)	(449,888)	(289,096)
Loss per share (basic and diluted)		(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding					
basic and diluted		31,329,009	31,329,009	31,329,009	31,177,727

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

Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian dollars)

	Note	Share capital		Contributed surplus	Other comprehensive loss	Deficit	Total
		Amount	Value				
		#	\$	\$	\$	\$	\$
Balance, December 31, 2016		31,029,009	43,554,059	3,228,934	-	(45,691,229)	1,091,764
Shares issued for property		300,000	21,500	-	-	-	21,500
Share based payments		-	-	19,294	-	-	19,294
Net loss for the period		-	-	-	-	(289,096)	(289,096)
Balance, September 30, 2017		31,329,009	43,575,559	3,248,228	-	(45,980,325)	843,462
Unrealized loss in marketable securities	3	-	-	-	(5,500)	-	(5,500)
Net income for the period		-	-	-	-	299,481	299,481
Balance, December 31, 2017		31,329,009	43,575,559	3,248,228	(5,500)	(45,680,844)	1,137,443
Shares issued for property		200,000	11,000	-	-	-	11,000
Share-based payments	5	-	-	10,028	-	-	10,028
Unrealized gain in marketable securities	3	-	-	-	(23,000)	-	(23,000)
Net loss loss for the period		-	-	-	-	(426,888)	(426,888)
Balance, September 30, 2018		31,529,009	43,586,559	3,258,256	(28,500)	(46,107,732)	708,583

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

	Nine months ended September 30	
	2018	2017
	\$	\$
Operating activities		
Loss for the period	(426,888)	(289,096)
Items not affecting cash:		
Unrealized loss in fair value of warrants	4,320	-
Share-based payments	10,028	19,294
Impairment of resource properties	-	13,763
Property option recovery	(9,210)	(350,000)
Mining tax credit	-	(10,044)
	(421,750)	(616,083)
Changes in non-cash working capital items:		
Other receivables	(15,493)	1,691
Prepaid	(241)	(2,325)
Trade payable and accrued liabilities	32,415	(96,683)
Cash used in operating activities	(405,069)	(713,400)
Investing activities		
Resource property acquisition costs	(10,000)	(20,000)
Proceeds from property option payments	10,000	370,000
Mining tax credit	-	10,044
Reclamation bond	-	(7,152)
Cash provided by investing activities	-	352,892
(Decrease) increase in cash	(405,069)	(360,508)
Cash, beginning of the period	598,401	694,374
Cash, end of the period	193,332	333,866
Supplementary cash flow information:		
Non-cash investing activities:		
Shares issued for resource properties	(11,000)	-
Shares received for resource properties	10,500	-

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

1. Nature of operations

Pacific Ridge Exploration Ltd. and its wholly owned subsidiary Pacific Ridge Exploration (US) Inc. (the "Company" or "Pacific Ridge") are in the business of acquiring and exploring resource properties in Canada and the United States. Pacific Ridge is incorporated and domiciled in Canada under the *Business Corporations Act* (British Columbia). The address of its registered office is 1710 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary capital to finance operations including contributions from future joint venture partners. The carrying value of the Company's mineral properties does not reflect current or future value.

These condensed interim financial statements are 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. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets maybe materially less than the amounts on the statements of financial position. As of September 30, 2018, the Company had a working capital of \$155,968 (December 31, 2017 - \$606,382). The Company believes that based on its current working capital, it could sustain its operation and maintain its minimum obligations for the next three months. The Company believes it will be able to secure sufficient funding to continue as a going concern.

2. Basis of preparation and summary of significant accounting policies

(a) Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2017.

The condensed interim financial statements were approved by the Board of Directors on October 25, 2018.

(b) Critical accounting estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2017.

2. Basis of preparation and summary of significant accounting policies (continued)

(c) New and revised standards and interpretations

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2017, except for the adoption, on January 1, 2018, of **IFRS 9, *Financial Instruments: Classification and Measurement*** ("IFRS 9"), which has an initial application as at this date.

IFRS 9, *Financial Instruments* (new; to replace IAS 39)

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

2. Basis of preparation and summary of significant accounting policies (continued)

(c) New and revised standards and interpretations (continued)

IFRS 9, *Financial Instruments* (new; to replace IAS 39) (continued)

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial asset	IFRS 9 Classification
Cash	Amortized cost
Other receivables	Amortized cost
Marketable securities (excluding warrants)	FVTOCI
Warrants	FVTPL
Trade payable and accrued liabilities	Amortized cost

The Company has elected to classify its marketable securities as FVTOCI as they are not considered to be held for trading, and this presentation will prevent the statement of income (loss) from being impacted by value changes of these non-operating assets.

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there will be no impact on the Company's financial statements and no restating of prior periods will be required.

IFRS 16, *Leases*

This standard 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 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company has no leases as at September 30, 2018, and therefore the Company believes that IFRS 16 won't have a material effect on the Company's financial statements.

3. Marketable securities

During the year ended December 31, 2017, the Company entered into an agreement with Four Nines Gold Inc. (“**Four Nines**”), formerly Eureka Dome Gold Inc., then a private British Columbia company, to option its Mariposa property (note 4a). As part of this agreement, during 2017 the Company received 300,000 common shares and 150,000 share purchase warrants of Four Nines.

Of the share purchase warrants received, 100,000 are exercisable into one common share of Four Nines at an exercise price of \$0.20 per share until August 25, 2018, and at \$0.30 per share afterwards and until August 25, 2019. The remaining 50,000 share purchase warrants are exercisable into one common share of Four Nines at an exercise price of \$0.20 per share until December 31, 2018, and at \$0.30 per share afterwards and until December 31, 2019.

As at September 30, 2018, the fair value of the 300,000 Four Nines common shares was \$12,000 (December 31, 2017 - \$31,500), with an adjustment of \$19,500 recorded to other comprehensive income. The fair value of the Four Nines share purchase warrants was \$1,010 (December 31, 2017 - \$5,330) with an adjustment of \$4,320 recorded to net loss.

On April 24, 2018, the Company entered into an agreement with Trifecta Gold Ltd. (“**Trifecta**”), whereby Trifecta obtained the right to acquire an undivided seventy percent interest on the Company’s Eureka Dome property (Note 4(g)). During the nine months ended September 30, 2018, the Company received 100,000 common shares of Trifecta with a fair value of \$10,500 on the date of issuance, and a fair value of \$7,000 on September 30, 2018, with an adjustment of \$3,500 recorded to other comprehensive income.

The fair value of the shares and warrants is as follows:

	Four Nines Gold Inc.				Trifecta Gold Ltd.		
	Common shares		Warrants		Common shares		Total
	Number	Fair value	Number	Fair value	Number	Fair value	
	#	\$	#	\$	#	\$	\$
Balance, December 31, 2016 and September 30, 2017	-	-	-	-	-	-	-
Additions	300,000	37,000	150,000	9,520	-	-	46,520
Adjustments	-	(5,500)	-	(4,190)	-	-	36,830
Balance, December 31, 2017	300,000	31,500	150,000	5,330	-	-	36,830
Additions	-	-	-	-	100,000	10,500	47,330
Adjustments	-	(19,500)	-	(4,320)	-	(3,500)	20,010
Balance, September 30, 2018	300,000	12,000	150,000	1,010	100,000	7,000	20,010

4. Resource properties

The Company has interests in mineral properties in British Columbia and Yukon in Canada and, in the past, in Nevada in the United States. A summary of capitalized acquisition costs is as follows:

	Mariposa	Eureka Dome	TL Zinc	RC Property	Bee Property	Spius	Poker Brown	OGI Zinc	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2016	496,139	11,290	45,000	-	-	-	13,763	-	566,192
Option payments in cash	(20,000)	-	-	-	-	-	-	-	(20,000)
Acquisition through cash	-	-	-	15,000	5,000	-	-	10,000	30,000
Acquisition through marketable securities	(46,520)	-	-	13,000	-	-	-	8,500	(25,020)
Impairment	-	-	-	-	-	-	(13,763)	(18,500)	(32,263)
Balance, September 30, 2017 and December 31, 2017	429,619	11,290	45,000	28,000	5,000	-	-	-	518,909
Option payments in cash	-	(10,000)	-	-	-	-	-	-	(10,000)
Option payments in marketable securities	-	(1,290)	-	-	-	-	-	-	(1,290)
Acquisition through cash	-	-	-	-	-	10,000	-	-	10,000
Acquisition through marketable securities	-	-	-	-	-	11,000	-	-	11,000
Balance, September 30, 2018	429,619	-	45,000	28,000	5,000	21,000	-	-	528,619

4. Resource properties (continued)

In addition to capitalized acquisition costs, the Company has incurred the following exploration and evaluation expenses:

Property	Nine months ended September 30	
	2018	2017
	\$	\$
Mariposa	45	1,124
Eureka Dome	(835)	73,140
TL Zinc	28,064	32,114
RC and Bee	77,488	106,736
Spius	11,275	-
Gold Cap	71,593	-
Poker Brown	-	124,458
OGI Zinc	-	73,940
General exploration not allocated to a specific property	46,290	45,367
	233,920	456,879

a) Company-owned properties on option to third parties:
i) Mariposa property, Yukon

The Company acquired a 100% interest in the Mariposa property, Dawson Mining District, Yukon, in 2014.

In September 2016, the Company optioned its Mariposa property to Four Nines. Pursuant to the terms of the agreement, amended in February 2017, in May 2017, in July 2017, and in January 2018, Four Nines can earn a stake in the property as follows:

Option to obtain 51% stake in Mariposa:

Cash payments to be received	Shares to be received	Cumulative exploration expenses to be incurred	Due date	Comment
\$	#	\$		
30,000	300,000	300,000	December 31, 2017	(paid, received and work completed)
30,000	300,000	500,000	December 31, 2018	
50,000	300,000	1,000,000	December 31, 2019	
80,000	300,000	2,500,000	December 31, 2020	
190,000	1,200,000	2,500,000		
Option to increase stake to 70%:				
100,000	250,000	3,750,000	December 31, 2021	
100,000	250,000	5,000,000	December 31, 2022	
390,000	1,700,000	5,000,000		

4. Resource properties (continued)

 a) Company-owned properties on option to third parties: (continued)

i) Mariposa property, Yukon (continued)

In addition, 150,000 share purchase warrants had been received by December 31, 2017, valid for two years from their date of issuance, exercisable at \$0.20 for the first year and \$0.30 for the second year (note 3), and approximately \$304,000 of work had been completed.

Four Nines was listed on the Canadian Securities Exchange on August 24, 2017 under trading symbol FNAU.

ii) Eureka Dome property, Yukon

On April 24, 2017, the Company entered into an option agreement with Trifecta, whereby the Company granted Trifecta an option to acquire a 70% in its Eureka Dome property in the Dawson Mining District, Yukon.

Under the terms of the agreement, Trifecta has agreed to pay the Company an aggregate of \$200,000 in cash (of which \$10,000 has been received), issue 1,000,000 Trifecta common shares in favour of the Company (of which 100,000 have been received), and incur exploration expenses of not less than \$2,500,000, as follows:

Cash payments to be received	Shares to be received	Cumulative exploration expenses to be incurred	Due date	Comment
\$	#	\$		
10,000	100,000	-	Upon obtaining Exchange acceptance	(paid and received)
10,000	100,000	50,000	December 31, 2018	
10,000	100,000	250,000	December 31, 2019	
20,000	200,000	500,000	December 31, 2020	
50,000	200,000	1,000,000	December 31, 2021	
100,000	300,000	2,500,000	December 31, 2022	
200,000	1,000,000	2,500,000		

 b) Third party properties being optioned to the Company:

i) TL Zinc property, British Columbia

On August 11, 2016, the Company entered into an option agreement, amended on May 16, 2017 and on August 7, 2018, to acquire a 100% interest in the TL Zinc property, Vernon Mining Division, British Columbia, with the following commitments:

4. Resource properties (continued)

 b) Third party properties being optioned to the Company (continued)

i) TL Zinc property, British Columbia (continued)

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date	Comment
\$	#	\$		
20,000	250,000	-	August 11, 2016	(paid and issued)
30,000	250,000	75,000	February 01, 2019	*
-	250,000	325,000	August 11, 2019	
50,000	-	325,000	October 31, 2019	
75,000	250,000	825,000	August 11, 2020	
75,000	250,000	1,825,000	August 11, 2021	
100,000	250,000	3,325,000	August 11, 2022	
350,000	1,500,000	3,325,000		

* Note: this payment could be deferred until August 11, 2019 if the payment for the Fyre Lake property of \$2,420,000 (Note 4(d)) has not yet been received by the Company by February 1, 2019.

In addition, 500,000 bonus shares will be issuable upon completion of a feasibility study. The vendors will retain a 3% net smelter return ("NSR") that can be bought down to 1.5% for \$3,000,000.

During the nine months ended September 30, 2018, the Company incurred \$28,064 exploration expenses (2017 – \$32,114) on TL Zinc.

The proposed 2017 drill program at the TL Zinc property was suspended. Allegations of third party interests in the 16 TL Zinc claims under option to Pacific Ridge have been made and, to allow time to resolve the issue, the optionor and the Company have agreed to extend the option terms by one year. Once the issue is resolved, the Company plans to resume the drill program.

ii) Fyre Lake property, Yukon

The Company owns a 100% interest in the Fyre Lake property, located in the Watson Lake Mining District, Yukon.

On January 18, 2017, the Company closed an option agreement with BMC Minerals (No. 1) Ltd. ("BMC") whereby BMC has the right to acquire a 100% interest in Fyre Lake through a two-year purchase option by paying \$300,000 in January 2018 (received in December 2017) and \$2,420,000 two years after closing.

BMC paid a non-refundable deposit and initial option payment of \$375,000 (\$25,000 in November 2016 and \$350,000 in January 2017), and a second option payment of \$300,000 in December 2017.

In addition, if it exercises the option, BMC has agreed to make a bonus payment of \$1,000,000 if and when BMC's Kudz Ze Kayah property has reached commercial production for one year.

As there is no carrying value for Fyre Lake on the Company's statement of financial position, these option payments are recorded as other income on the statement of income (loss) and comprehensive income (loss).

4. Resource properties (continued)

 b) Third party properties being optioned to the Company (continued)

iii) RC and Bee properties, Yukon

On June 9, 2017, the Company entered into two option agreements to acquire a 100% interest in contiguous groups of mineral claims situated in the Dawson and Mayo Mining Districts, Yukon, known the RC and Bee properties, with the following commitments:

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date	Comment
\$	#	\$		
20,000	200,000	90,000	December 31, 2017	(paid, issued and work completed)
20,000	200,000	210,000	December 31, 2018	
40,000	200,000	510,000	December 31, 2019	
60,000	200,000	1,010,000	December 31, 2020	
100,000	500,000	1,750,000	December 31, 2021	
160,000	700,000	2,500,000	December 31, 2022	
400,000	2,000,000	2,500,000		

During the nine months ended September 30, 2018, the Company incurred \$77,488 (2017 - \$106,736) in exploration expenditures.

The properties are subject to a 2% NSR, half of which can be purchased for \$2,000,000.

iv) Spius, British Columbia

On April 27, 2018, the Company entered into an option agreement to acquire a 100% interest in the 2,101 hectare Spius property, Nicola and New Westminster Mining Divisions, British Columbia. The terms of the option agreement are as follows:

Cash payments to be made	Shares to be issued	Cumulative exploration expenses to be incurred	Due date	Comment
\$	#	\$		
10,000	200,000	-	Upon execution and regulatory approval	(paid and issued)
40,000	200,000	50,000	December 15, 2018	
50,000	300,000	300,000	December 15, 2019	
110,000	300,000	800,000	December 15, 2020	
210,000	1,000,000	800,000		

4. Resource properties (continued)

b) Third party properties being optioned to the Company (continued)

iv) Spius, British Columbia (continued)

The agreement is subject to a 1% NSR to the property vendor, half of which can be purchased for \$1,500,000, as well as an underlying 2% NSR, of which the Company has the right to buy down half for \$1,500,000. In addition, bonus payments are payable upon certain advanced development mileposts. One of the underlying vendors of the Spius property is a company controlled by a director of the Company as to a 25% interest. During the nine months ended September 30, 2018, the Company has incurred \$11,275 in exploration expenditures in Spius, and posted a bond for \$12,500 for future reclamation costs with the Government of British Columbia.

c) Other Company properties

Gold Cap, Yukon

On June 22, 2018, the Company entered into a service agreement to conduct geological services and restart exploration in its Gold Cap property, located in the Dawson Mining District, Yukon. During the nine months ended September 30, 2018, the Company has incurred \$71,593 (2017 – nil) in exploration expenditures for Gold Cap.

d) Impaired properties

i) Poker Brown property, Nevada

In August 2016, the Company entered into an option agreement to earn a 100% interest in the Poker Brown gold-silver property by making US\$1,000,000 in cash payments and US\$940,000 in advanced royalty payments to the underlying property owner over eight years.

After a review of the results of the 2017 drilling program, the Company decided to terminate its option to earn an interest in the Poker Brown property. As a result, an impairment of \$13,763 was recorded during 2017. During the nine months ended September 30, 2018, the Company incurred nil exploration expenses (2017 – \$124,458) on Poker Brown.

ii) OGI Zinc property, Yukon

On February 18, 2017, the Company reached an agreement to acquire a 100% interest in the OGI Zinc property located in the Dawson Mining District, Yukon. To earn a 100% interest, the Company is required to pay \$225,000 (\$10,000 paid), issue 1,000,000 common shares (100,000 issued) and complete \$2,500,000 (\$73,940 incurred to December 31, 2017) in exploration over five years.

On December 15, 2017, the Company terminated the agreement for the OGI Zinc property and impaired its \$18,500 carrying value. No further exploration costs were incurred.

5. Share capital

a) Common Shares

Authorized - unlimited common shares without par value.

During the nine months ended September 30, 2018, the Company issued 200,000 common shares at a fair value of \$0.055 per share (\$11,000) as part of the acquisition agreement for the Spius property (Note 4h).

During the year ended December 31, 2017, the Company issued 300,000 common shares with a fair value of \$21,500 for the acquisition of the OGI Zinc and RC and Bee properties.

Please refer to the condensed interim statements of changes in shareholders' equity.

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	September 30, 2018		December 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of year	2,815,250	0.14	2,815,250	0.14
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	(99,000)	0.14	-	-
Balance, end of period	2,716,250	0.14	2,815,250	0.14

During the nine months ended September 30, 2018, the Company applied for a six-month extension of the life of the warrants to the TSX Venture Exchange, which was granted.

As at September 30, 2018, the following warrants were outstanding:

Issue date		Expiry date	Exercise price	Warrants outstanding
			\$	#
November 3, 2016	Investor warrants	November 3, 2018	0.14	2,716,250
November 3, 2016	Agent warrants	May 3, 2018	0.14	-
				2,716,250

c) Stock Options

The Company has a stock option plan in place authorizing the granting of stock options to qualified optionees to purchase a total of up to 10% of the then issued and outstanding common shares of the Company. Stock options generally are granted for a maximum term of five years and expire 90 days following the termination of the optionee's agreement. The exercise price for the options is set at the closing market price of the common shares on the grant date. The vesting periods of options vary with terms determined by the board of directors.

5. Share capital (continued)

c) Stock Options (continued)

Stock option transactions and the number of stock options outstanding and exercisable are summarized below:

As at:	September 30, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	#	\$	#	\$
Balance, beginning of year	2,826,500	0.06	2,791,500	0.10
Granted	200,000	0.06	383,000	0.06
Expired	(415,500)	0.06	(248,000)	0.50
Forfeited	-	-	(100,000)	0.08
Balance, end of period	2,611,000	0.06	2,826,500	0.06
Exercisable, end of period	2,611,000	0.06	2,826,500	0.06

On January 12, 2018, the Company granted 200,000 fully-vested stock options to two officers of the Company. These options are exercisable into one common share of the Company at an exercise price of \$0.06 per share until January 12, 2023. The fair value of these options, recorded in net loss as share-based compensation expense, was calculated at \$10,028.

The 383,000 stock options granted during nine months ended September 30, 2017 also vested immediately, with \$19,294 share-based compensation expense recorded in the net income (loss).

The Company applies the fair value method of accounting for stock options. Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The fair value of options granted was estimated at the grant date based on the *Black-Scholes* option-pricing model, using the following assumptions:

	Nine months ended September 30	
	2018	2017
Risk-free interest rate	2.00%	1.28%
Expected share price volatility	121.95%	124.00%
Expected option life in years	5	5
Expected dividend yield	Nil	Nil

5. Share capital (continued)

c) Stock options (continued)

Stock options outstanding and exercisable are as follows:

Expiry date	Weighted average exercise price	September 30, 2018	December 31, 2017
		\$	\$
September 20, 2018	0.06	-	-
December 24, 2018	0.05	801,000	981,500
February 2, 2020	0.05	730,000	834,000
July 21, 2021	0.08	150,000	200,000
August 12, 2021	0.08	40,000	40,000
November 30, 2021	0.08	325,000	388,000
June 16, 2022	0.06	365,000	383,000
January 12, 2023	0.06	200,000	-
		2,611,000	2,826,500

6. Related parties

Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company has no compensation arrangements with its board of directors other than non-cash stock option grants. The Company has no termination benefits, post-employment benefits and other long-term benefits in place. Key management includes the board of directors and executive officers. Compensation awarded to key management is listed below:

	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Management fees paid to a company controlled by the CEO of the Company	24,000	24,000	72,000	72,000
Management fees paid to a company controlled by the CFO of the Company	7,500	4,500	23,200	13,500
Stock-based compensation recorded for stock options granted to directors and officers of the Company (non-cash expense)	-	19,150	10,028	19,150
	31,500	47,650	105,228	104,650

As at September 30, 2018, \$16,273 remained payable to related parties in consulting fees and reimbursable expenses (December 31, 2017 - \$6,137).

In addition, the Company entered into an option agreement for the purchase of the Spius property (Note 4(h)). The underlying vendors of this property include a company controlled by a director of the Company as to a 25% interest.

7. Financial instruments

With the adoption of IFRS 9, the Company has classified cash, other receivables, and trade payable and accrued liabilities at amortized cost; marketable securities as FVTOCI, and warrants as FVTPL.

Fair values

As at September 30, 2018, the recorded amounts for cash, other receivables and trade payable and accrued liabilities approximate their fair values due to their short maturity. The Company's marketable securities and warrants are measured subsequent to initial recognition at fair value on a recurring basis. These financial instruments are grouped into Level 1 to 3 based on the degree to which the significant inputs used to determine the fair value are observable. Marketable securities are classified within level 1 of the fair value hierarchy as their fair value measurement is derived from quoted prices in active markets for identical assets. Warrants are classified within level 2 of the fair value hierarchy as their fair value measurement is derived from inputs other than quoted prices included within level 1, that are observable either directly or indirectly. No financial instruments were considered level 3, which are fair value measurements derived from valuation techniques that include significant inputs that are not based on observable market data.

Interest rate risk

The Company's cash held in financial institutions earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

Credit risk

The Company has its cash deposited with large, federally insured, commercial financial institutions, and therefore exposed to minimal credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At September 30, 2018, the Company had cash of \$193,332 (December 31, 2017- \$598,401), and trade payable and accrued liabilities of \$69,120 (December 31, 2017 - \$36,705).

Currency risk

The Company keeps approximately 21% of its cash in US dollars. A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's working capital by approximately \$4,000 and its net loss for the nine-month period by approximately \$16,000.

Price risk

The Company is exposed to price risk on its marketable securities and warrants due to fluctuations in the current market prices and fluctuations in trading volumes of those securities. At September 30, 2018, the Company held marketable securities and warrants with a fair value of \$20,100 (December 31, 2017 - \$36,830). These investments are subject to market price fluctuations that can be significant.

8. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. As at September 30, 2018, all of the Company's non-current assets were held in Canada, except for a reclamation bond of \$6,608 (USD \$5,018) held in the United States.

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