

GRANDE PORTAGE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Financial Statements
October 31, 2018 and 2017
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Grande Portage Resources Ltd.

We have audited the accompanying consolidated financial statements of Grande Portage Resources Ltd. which comprise the consolidated statements of financial position as at October 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 Consolidated 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 Grande Portage Resources Ltd. as at October 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 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Grande Portage Resources Ltd. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
February 27, 2019

GRANDE PORTAGE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

| As at | Note | 2018 | 2017 |
|--|-------------|--------------|--------------|
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | | 135,613 | 544,024 |
| Amounts receivable | | 39,808 | - |
| Prepaid expenses and deposits | | 296,964 | 35,986 |
| Marketable securities | 6 | 4,200 | 1,035 |
| | | 476,585 | 581,045 |
| RECLAMATION BONDS | 7 | 54,759 | 54,759 |
| EXPLORATION AND EVALUATION ASSETS | 8 | 7,488,138 | 5,830,763 |
| | | 8,019,482 | 6,466,567 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | 10 | 348,531 | 510,064 |
| SHAREHOLDERS' EQUITY | | | |
| SHARE CAPITAL | 9 | 23,031,952 | 20,405,108 |
| SHARES ISSUABLE | | - | 114,070 |
| RESERVES | | 2,457,054 | 1,958,245 |
| DEFICIT | | (17,818,055) | (16,520,920) |
| | | 7,670,951 | 5,956,503 |
| | | 8,019,482 | 6,466,567 |

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 14)

Subsequent Events (Note 15)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

| | | | |
|-------------------------------------|----------|---|----------|
| <u>"Ian Klassen"</u> Ian Klassen | Director | <u>"Alistair MacLennan"</u> Alistair MacLennan | Director |
|-------------------------------------|----------|---|----------|

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

GRANDE PORTAGE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

| | Note | 2018 | 2017 |
|---|------|--------------------|-------------------|
| | | \$ | \$ |
| Expenses | | | |
| Share-based compensation | | 476,400 | 89,533 |
| Investor and shareholder relations | | 360,732 | 134,588 |
| Management fees | 10 | 168,600 | 168,600 |
| Legal and accounting | 10 | 151,705 | 83,615 |
| Regulatory and transfer agent fees | | 44,547 | 32,419 |
| Office and miscellaneous | | 23,804 | 19,270 |
| Consulting fees | | 19,808 | 74,150 |
| Rent | | 18,000 | 18,000 |
| Travel and promotion | | 3,349 | 5,511 |
| Loss before other items | | (1,266,945) | (625,686) |
| Other items | | | |
| Foreign exchange gain (loss) | | (33,423) | 46,432 |
| Gain on sale of exploration and evaluation assets | | - | 55,600 |
| Gain on sale of exploration equipment | | - | 6,650 |
| Interest and investment income | | 68 | - |
| Unrealized gain (loss) on marketable securities | | 3,165 | (517) |
| | | (30,190) | 108,165 |
| Net loss and comprehensive loss | | (1,297,135) | (517,521) |
| Loss per share – basic and diluted | | (0.04) | (0.03) |
| Weighted average number of common shares outstanding | | 32,523,578 | 20,034,842 |

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

GRANDE PORTAGE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

| | Share Capital | | Shares Issuable | Reserves | Deficit | Total |
|--|-------------------|-------------------|--------------------|------------------|---------------------|------------------|
| | Shares | Amount | | | | |
| | | \$ | \$ | \$ | \$ | \$ |
| Balance, November 1, 2016 | 13,137,570 | 18,141,072 | 165,450 | 1,842,517 | (16,003,399) | 4,145,640 |
| Shares issued for cash | 10,748,666 | 1,612,300 | (165,450) | - | - | 1,446,850 |
| Shares issued pursuant to exercise of warrant and options | 5,493,167 | 772,062 | - | (70,572) | - | 701,490 |
| Share issuance costs | - | (120,326) | - | 52,000 | - | (68,326) |
| Share-based compensation | - | - | - | 134,300 | - | 134,300 |
| Shares issuable for exploration and evaluation assets | - | - | 114,070 | - | - | 114,070 |
| Comprehensive loss | - | - | - | - | (517,521) | (517,521) |
| Balance, October 31, 2017 | 29,379,403 | 20,405,108 | 114,070 | 1,958,245 | (16,520,920) | 5,956,503 |
| Shares issued for cash | 11,600,000 | 2,320,000 | - | - | - | 2,320,000 |
| Shares issued pursuant to exercise of warrant and options | 3,453,500 | 679,686 | - | (138,148) | - | 541,538 |
| Share issuance costs | - | (486,912) | - | 160,557 | - | (326,355) |
| Share-based compensation | - | - | - | 476,400 | - | 476,400 |
| Shares issued for exploration and evaluation assets | 760,464 | 114,070 | (114,070) | - | - | - |
| Comprehensive loss | - | - | - | - | (1,297,135) | (1,297,135) |
| Balance, October 31, 2018 | 45,193,367 | 23,031,952 | - | 2,457,054 | (17,818,055) | 7,670,951 |

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

GRANDE PORTAGE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

| | 2018 | 2017 |
|---|-------------|-------------|
| | \$ | \$ |
| Operating activities | | |
| Net loss | (1,297,135) | (517,521) |
| Items not involving cash: | | |
| Share-based compensation | 476,400 | 89,533 |
| Unrealized (gain) loss on marketable securities | (3,165) | 517 |
| | (823,900) | (427,471) |
| Changes in non-cash working capital balances | | |
| Accounts payable and accrued liabilities | (161,533) | 102,635 |
| Amounts receivable | (39,808) | 12,165 |
| Prepaid expenses and deposits | (260,978) | (20,065) |
| | (1,286,219) | (332,736) |
| Investing activities | | |
| Expenditures on exploration and evaluation assets | (1,657,375) | (1,345,225) |
| Purchase of reclamation bond | - | (54,759) |
| | (1,657,375) | (1,399,984) |
| Financing activities | | |
| Proceeds from issuance of common shares | 2,861,538 | 2,148,340 |
| Share issuance costs | (326,355) | (68,326) |
| | 2,535,183 | 2,080,014 |
| Change in cash | (408,411) | 347,294 |
| Cash, beginning of year | 544,024 | 196,730 |
| Cash, end of year | 135,613 | 544,024 |
| Supplemental cash flow information | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

Non-cash transactions (Notes 8 and 9)

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

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Grande Portage Resources Ltd. (the “Company”) was incorporated under the Business Corporations Act of British Columbia. The Company is an exploration-stage public company, whose principal business activities are the exploration and development of natural resource properties, namely gold in Alaska. The Company’s shares are listed for trading on the TSX Venture Exchange under the symbol GPG.

The address of the Company’s corporate office and principal place of business is #501 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

The Company incurred a net loss of \$1,297,135 (2017 - \$517,521) for the year ended October 31, 2018 and has an accumulated deficit of \$17,818,055 which has been funded primarily by the issuance of equity. The Company’s ability to continue as a going concern is dependent upon the generation of profits from exploration and evaluation assets, obtaining additional financing or maintaining continued support from its shareholders and creditors. These factors raise significant doubt on the Company’s ability to continue as a going concern. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will continue to be available or be available on favourable terms in the future. An inability to raise additional financing may impact the future assessment of the Company as a going concern. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company’s assets may be adversely affected.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be 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. In assessing the appropriateness of the going concern assumption management is required to consider all available information about the future, which is at least, but not limited to, twelve months from the year end date. Management has carried out an assessment of the going concern assumption and has concluded that it is appropriate that the consolidated financial statements are prepared on a going concern basis. Accordingly, these consolidated financial statements do not reflect any adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statements of loss and consolidated statements of financial position classifications that would be necessary were the going concern assumption not appropriate.

2. BASIS OF PREPARATION

a) Statement of Compliance

These audited consolidated financial statements have been prepared in accordance the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”)

These audited consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on February 27, 2019.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

b) Consolidation and Measurement

These audited consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, GPG Alaska Resources Inc. All material inter-company balances and transactions have been eliminated upon consolidation.

These audited consolidated financial statements are prepared on an accrual basis and are based on historical costs except for certain financial instruments which are measured at fair value as explained in the accounting policies set out in Note 4. The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. APPLICATION OF NEW ACCOUNTING STANDARDS

Accounting standards adopted in the current period

During the year ended October 31, 2018, there were no new standards, interpretations or amendments to existing standards which had a significant impact on these consolidated financial statements which the Company was required to adopt.

New accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended October 31, 2018, and have not been applied in preparing these consolidated financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not early adopted these revised standards.

- i) IFRS 9 Financial Instruments: In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in May 2010 to include requirements regarding classification and measurement of financial liabilities. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics. This standard is effective for annual periods beginning on or after January 1, 2018. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.
- ii) IFRS 15 *Revenue from Contracts with Customers*: In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, 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. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. APPLICATION OF NEW ACCOUNTING STANDARDS STANDARDS (continued)

- iii) IFRS 2 *Share-based Payment* - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendments provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. This standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

- iv) IFRS 16 *Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. This standard is effective for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of this standard on the consolidated financial statements of the Company has not been determined.

4. SIGNIFICANT ACCOUNTING POLICIES

- a) Cash

Cash consist of cash on hand and balances with banks.

- b) Exploration and Evaluation Assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

All exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized as exploration and evaluation assets and are classified as intangible assets. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to a property, and directly attributable general and administrative costs including share-based payments to geologists. General exploration costs not related to specific exploration and evaluation property are expensed as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

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

Recorded costs of mineral properties and deferred exploration costs 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 change in future conditions could require a material change in the recognized amount. Exploration and evaluation assets are tested for impairment and no amortization is taken during the exploration and evaluation phase.

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(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Exploration and Evaluation Assets (continued)

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. Upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves

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. The Company's entitlement to mineral exploration tax credits are accounted for on an accrual basis to reduce the exploration costs.

i) Impairment

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 be development or sale. The related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

ii) Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or on-going production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Equipment

Equipment is recorded at cost less accumulated amortization and impairment.

Amortization on additions during the year is calculated at one-half of the annual rate. Useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of loss.

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. Subsequent costs to replace parts of an item of equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost of the item can be measured reliably.

d) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting not taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

e) Basic and Diluted 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 earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share-based Payment Transactions

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock.

h) Government Assistance

Mining exploration tax credits for certain exploration expenditures incurred are treated as a reduction of the exploration and development costs of the respective mineral property.

i) Flow-Through Shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. At the time flow-through shares are issued, there may be a potential premium paid on the flow-through shares calculated based on 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 issued flow-through shares by way of a unit offering, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve first based on the fair value of the warrant component on grant date using the Black-Scholes option pricing model. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

j) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Marketable Securities

Investments in publicly traded companies listed on an active stock exchange are recorded at fair value based upon the closing bid price at the year-end date. If an active market does not exist, the investments are recorded at fair value using a valuation technique based upon management's estimates which consider reliable and observable market inputs. The amounts at which investments in publicly traded companies could be disposed of may differ from fair value as a result of a number of factors including, but not limited to, premiums paid for large blocks of shares or discounts due to a lack of liquidity.

l) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash, marketable securities and accounts payable. The Company does not use any derivative or hedging instruments. Transaction costs related to financial instruments other than at FVTPL are capitalized as part of the cost of the financial instrument.

At initial recognition, management has classified financial assets and liabilities as follows:

i) Financial assets

The Company has classified its cash and marketable securities at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

ii) Loans and receivables

These assets are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method less any impairment losses.

iii) Financial liabilities

The Company has classified its accounts payable as other financial liabilities. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

m) Provisions

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

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

n) Foreign Currency Translation

The functional currency of both the Company and its subsidiary, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Foreign denominated monetary assets and liabilities are translated at the year-end rates of exchange. Non-monetary items are translated using the exchange rates prevailing at the date of the transaction. Revenues and expenses are translated using average rates of exchange during the year. Exchange gains or losses arising from currency translation are recognized in the consolidated statement of comprehensive loss.

o) Assets Held for Sale

Properties are classified as held for sale when the asset or disposal group is available for sale in present condition, and the sale is highly probable. A sale is highly probable if management is committed to a plan to sell, is actively locating a buyer at a sale price that is reasonable in relation to the current fair value of the asset or disposal group, and the sale is expected to be completed within a one-year period. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Assets held for sale are classified as current.

p) Use of Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Use of Estimates and Judgements (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether indicators of impairment exist, considering estimates and assumptions around the reserves, prices and future costs required to develop and decommission those reserves. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the carrying amount exceeds the recoverable amount, the amount capitalized is written down to the recoverable amount in the profit or loss in the period the new information becomes available.

ii) Estimated reclamation provisions

The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

iii) Share-based payment transactions

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

iv) Impairment of exploration and evaluation assets

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's exploration and evaluation assets are impaired. External sources of information management consider includes changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mining interests. Internal sources of information management consider include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's exploration properties, management makes estimates of the discounted future pre-tax cash flows expected to be derived from the Company's exploration properties, and the appropriate discount rate.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Use of estimates and judgements (continued)

v) *Income taxes*

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the consolidated statements of financial position and consolidated comprehensive income or loss.

vi) *Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The management monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The Company's financial instruments include cash, marketable securities and accounts payable.

The fair value of cash and marketable securities are determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. As at October 31, 2018, the Company believes that the carrying values of accounts payable approximate their fair values because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as of October 31, 2018, as follows:

| | Fair Value Measurements Using | | | 2018 \$ |
|-----------------------|---|---|--|------------|
| | Quoted Prices in Active Markets For Identical Instruments (Level 1) \$ | Significant Other Observable Inputs (Level 2) \$ | Significant Unobservable Inputs (Level 3) \$ | |
| Financial Assets: | | | | |
| Cash | 135,613 | — | — | 135,613 |
| Marketable securities | 4,200 | — | — | 4,200 |

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5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

Concentration of credit risk exists with respect to the Company's cash and marketable securities as all are placed with two major Canadian financial institutions. The Company is not exposed to significant credit risk on its cash and marketable securities as all have been placed with major financial institutions.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. At October 31, 2018, the Company had a working capital of \$128,054 (2017 - \$70,981). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Interest Rate Risk

The Company is not subject to any significant interest rate risk.

d) Foreign Currency Risk

Foreign 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 is not subject to any significant foreign currency risk as it does not have a significant amount of financial instruments denominated in foreign currencies. The Company does not engage in any hedging activity.

e) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

f) Market Risk

The Company's financial instruments include marketable securities which are publicly traded and therefore subject to the risks related to the fluctuation in market prices. The Company closely monitors market values to determine the most appropriate course of action.

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6. MARKETABLE SECURITIES

At October 31, 2018:

| Investees | Shares | Cost | Fair Value |
|--------------------------|---------------|-------------|-------------------|
| Public Companies: | | \$ | \$ |
| Quaterra Resources Inc. | 3,000 | 2,118 | 150 |
| Aleafia Health Inc | 3,750 | 22,500 | 4,050 |
| Total | | 24,618 | 4,200 |

At October 31, 2017:

| Investees | Shares | Cost | Fair Value |
|---|---------------|-------------|-------------------|
| | | \$ | \$ |
| Public Companies: | | | |
| Quaterra Resources Inc. | 3,000 | 2,118 | 210 |
| Aleafia Health Inc (formerly Canabo Medical Inc.) | 3,750 | 22,500 | 825 |
| Total | | 24,618 | 1,035 |

Marketable securities have been recorded at their fair value as of October 31, 2018, in accordance with the Company's policy described in Note 4(k). The Company did not sell any of its marketable securities during the year ended October 31, 2018.

7. RECLAMATION BONDS

The Company placed Guaranteed Interest Certificates ("GICs") in trust as reclamation deposits pursuant to a condition of receiving consent from a government agency to explore its resource property interests. As at October 31, 2018, the Company held GICs totaling \$54,759 (US \$42,472) (2017 – \$54,759).

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8. EXPLORATION AND EVALUATION ASSETS

| | Herbert Gold |
|----------------------------------|---------------------|
| Balance, October 31, 2016 | \$4,326,701 |
| Acquisition costs: | |
| Cash payments | 31,202 |
| Shares issuable | 114,070 |
| | 145,272 |
| Deferred exploration costs: | |
| Assaying | 37,085 |
| Claim maintenance fees | 18,453 |
| Consulting | 6,328 |
| Drilling | 639,649 |
| Field expenses | 20,410 |
| Food and lodging | 62,899 |
| Freight | 5,582 |
| Fuel costs | 16,706 |
| Geological consulting | 92,429 |
| Helicopter costs | 299,799 |
| Legal fees | 19,940 |
| Site Personnel | 42,941 |
| Share-based compensation | 46,503 |
| Storage / office rental | 26,945 |
| Travel costs | 8,697 |
| Vehicle rentals | 14,424 |
| Total additions | 1,504,062 |
| Balance, October 31, 2017 | 5,830,763 |
| Acquisition costs: | |
| Cash payments and other | 38,613 |
| Deferred exploration costs: | |
| Assaying | 48,378 |
| Claim maintenance fees | 18,155 |
| Consulting | 46,687 |
| Drilling | 757,360 |
| Field expenses | 46,469 |
| Food and lodging | 91,615 |
| Freight | 13,653 |
| Fuel costs | 25,686 |
| Geological consulting | 152,163 |
| Helicopter costs | 307,897 |
| Legal fees | 30,331 |
| Site Personnel | 48,209 |
| Travel costs | 18,104 |
| Vehicle rentals | 14,055 |
| Total additions | 1,657,375 |
| Balance, October 31, 2018 | \$7,488,138 |

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8. EXPLORATION AND EVALUATION ASSETS (continued)

Herbert Gold Project

Pursuant to an agreement dated June 16, 2010, as amended on June 12, 2012, (the “Option Agreement”) with Quaterra Alaska, Inc. (“Quaterra”), the Company was granted and has exercised an option to acquire a 65% interest in a mining lease dated November 1, 2007 (the “Mining Lease”) for the Herbert Gold Project, consisting of 84 unpatented mining claims (now 91 unpatented mining claims pursuant to the area of interest provisions of the Mining Lease), located 20 miles north of Juneau, Alaska. The Company was required to incur at least USD\$1,250,000 (incurred) under the Option Agreement in exploration expenditures on the property to acquire its 65% interest.

On October 24, 2011, the Company entered into a joint operation with Quaterra (the “JVA”) with their initial joint interests being Quaterra 35% and the Company 65%. Under the JVA, the Company’s subsidiary was appointed as operator of the project. Pursuant to the JVA, Quaterra and the Company’s subsidiary were deemed to have contributed a value of \$673,077 and \$1,250,000, respectively, as Initial Contributions. These initial values were deemed contributed in full by both parties as at October 31, 2012. Each party was also required to contribute its proportionate share of costs for all future exploration and development work. During the year ended October 31, 2015, Quaterra gave the Company a notification of its election not to participate in future programs on the property. This notice did not cancel the JVA between the Company and Quaterra, according to which Quaterra continued to be responsible for 35% of the claim maintenance fees.

During the year ended October 31, 2016, the Company entered into a purchase agreement with Quaterra to acquire Quaterra’s remaining 35% interest in the Mining Lease in exchange for the issuance of 1,182,331 common shares (issued) on a non-diluted basis, equal to 9.0% of the Company’s outstanding common shares and, a cash payment of \$250,000 USD (due within 90 days of the earlier of: (i) the delivery of a favorable feasibility report on the Herbert Gold Project; or (ii) change of control of the Company; or (iii) sale of the Herbert Gold Project). The Company issued the 1,182,331 common shares during the year ended October 31, 2016, but these were held by the Company until such time that the assignment of the remaining 35% interest to the Company was completed during the year ended October 31, 2017. Quaterra was also granted a limited right to participate in any future equity financings of the Company up to the next \$1.0 million raised, in order to maintain its equity interest in the Company at its then current equity interest in the Company on a non-diluted basis. The opportunity to participate has now expired.

An additional 760,464 common shares of the Company were issued to Quaterra during the year ended October 31, 2018 with respect to the private placement completed in June 2017, pursuant to Quaterra’s anti-dilution rights described above (which are now fulfilled).

The Herbert Glacier Project is subject to a 5% net smelter returns royalty reserved to the underlying lessor, plus minimum annual advance royalties of \$30,000 USD due November 1. All advance royalties will be credited towards any net smelter returns royalty paid upon the commencement of commercial production.

Realization of assets

The investment in and expenditures on exploration and exploration assets comprise a significant portion of the Company’s assets. Realization of the Company’s investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

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8. EXPLORATION AND EVALUATION ASSETS (continued)

Environmental

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

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

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its property interests and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former property interests that may result in material liability to the Company.

9. SHARE CAPITAL

- a) Authorized - Unlimited number of common shares without par value.
- b) Issued

As at October 31, 2018, there were 45,193,367 common shares issued and outstanding (October 31, 2017: 29,379,403).

- (i) During the year ended October 31, 2018, the Company closed a short-form prospectus offering consisting of 11,600,000 units at a price of \$0.20 per unit for gross proceeds of \$2,320,000. Each unit consisted of one common share and one-half share purchase warrant exercisable at a price of \$0.275. The Company paid a commission of \$162,400 plus a \$50,000 work fee and issued 1,160,000 purchase warrants exercisable at a price of \$0.20 until September 20, 2019 (fair value of \$97,512) and 750,000 stock options exercisable at a price of \$0.20 until September 20, 2019 (fair value of \$63,045). The Company paid an additional \$113,955 in legal and agent work fees in relation to this offering.
- (ii) During the year ended October 31, 2018, a total of 2,703,500 warrants were exercised at a price of \$0.075 and \$0.25 for gross proceeds of \$411,538 and 750,000 stock options were exercised at a price of \$0.15 and \$0.22 for gross proceeds of \$130,000. In connection with the exercise of warrants and stock options, the Company re-allocated \$138,148 of previously recorded contributed surplus to share capital.
- (iii) In August 2017, the Company closed a non-brokered private placement consisting of 2,916,667 units at \$0.15 per unit for gross proceeds of \$437,500. Each unit consists of one common share and one-half share purchase warrant. In connection with the private placement, the Company paid finder's fees of \$23,400 cash and 156,000 share purchase warrants at a fair value of \$20,000. Each whole warrant is exercisable at \$0.25 per share for a period of 18 months.
- (iv) In June 2017, the Company closed a non-brokered private placement consisting of 1,266,666 units at \$0.15 per unit for gross proceeds of \$190,000. Each unit consists of one common share and one-half share purchase warrant. In connection with the private placement, the Company paid finder's fees of \$12,000 cash and issued 80,000 share purchase warrants at a fair value of \$8,000. Each whole warrant is exercisable at \$0.25 per share for a period of 18 months. The warrants also include an acceleration clause whereby if the trading price of the Company's shares on the TSX Venture Exchange exceeds \$0.50 for 10 consecutive trading days, the expiry time of the warrants shall be accelerated, at the option of the Company, such that the expiry time will be 30 calendar days.

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9. SHARE CAPITAL (continued)

b) Issued (continued)

- (v) In March 2017, the Company closed a non-brokered private placement consisting of 2,265,333 units at \$0.15 per unit for gross proceeds of \$339,800. Each unit consists of one common share and one-half share purchase warrant. In connection with the private placement, the Company paid finder's fees of \$15,208 cash and issued 101,383 share purchase warrants at a fair value of \$11,000. Each whole warrant is exercisable at \$0.25 per share for a period of 18 months. The warrants also include an acceleration clause whereby if the trading price of the Company's shares on the TSX Venture Exchange exceeds \$0.50 for 10 consecutive trading days, the expiry time of the warrants shall be accelerated, at the option of the Company, such that the expiry time will be 30 calendar days.
- (vi) During the year ended October 31, 2017, the Company issued 5,493,167 common shares pursuant to the exercise of warrants and stock options for gross proceeds of \$701,490. In connection with the exercise of warrants and stock options, the Company reallocated the \$70,572 of previously recorded contributed surplus to share capital.
- (vii) On December 6, 2016, the Company completed a non-brokered private placement with the issuance of 4,300,000 Units for gross proceeds of \$645,000. Each Unit consists of one common share and one share purchase warrant exercisable for a period of 18 months at \$0.25 per whole warrant.

c) Stock options

Effective October 31, 2012, the Company adopted a revised rolling stock option plan under whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan. The stock option plan provides for the granting of stock options to directors, officers, employees, consultants, consulting company or management company employees, and eligible charitable organizations. Shares issuable under the plan to insiders as a group, or to any one optionee, consultant, and investor relation person are restricted up to a limit of 10%, 5%, 2% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. An option shall be granted as fully vested, unless a vesting schedule is imposed by the board as a condition of the grant date and provided that if the option is being granted to an eligible person who is providing investor relating activities to the Company, then the option must vest in stages over at least a one-year period and not more than $\frac{1}{4}$ of such options may be vested in any three-month period.

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9. SHARE CAPITAL (continued)

c) Stock options (continued)

Details of the status of the Company's stock options as at October 31, 2018 are as follows:

| | Number of Options | Weighted-Average Exercise Price (\$) |
|----------------------------------|------------------------------|---|
| Balance, November 1, 2016 | 1,162,500 | 0.61 |
| Exercised | (475,000) | (0.16) |
| Expired | (362,500) | (0.16) |
| Granted | 900,000 | 0.20 |
| Balance, October 31, 2017 | 1,225,000 | \$ 0.18 |
| Exercised | (750,000) | (0.17) |
| Granted | 3,450,000 | 0.19 |
| Balance, October 31, 2018 | 3,925,000 | \$ 0.19 |

The Company applies the fair value method using the Black-Scholes Option Pricing Model in accounting for stock options granted to employees. Stock options granted to non-employee are valued using the Black-Scholes Option Pricing Model as the fair values of services received were not reliably measurable.

The fair value of the options granted was calculated using the following weighted average assumptions:

| | 2018 | 2017 |
|--|-------------|-------------|
| Expected life (years) | 4.13 | 5.00 |
| Risk-free interest rate | 2.04% | 1.54% |
| Expected annualized volatility | 166% | 184% |
| Dividend yield | N/A | N/A |
| Stock price at grant date | \$0.19 | \$0.16 |
| Exercise price | \$0.19 | \$0.20 |
| Weighted average grant date fair value | \$0.16 | \$0.15 |

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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9. SHARE CAPITAL (continued)

c) Stock options (continued)

As at October 31, 2018, the following stock options were outstanding and exercisable:

| Outstanding Number of Options | Expiry Date | Exercise Price | \$ |
|-------------------------------|--------------------|----------------|------|
| 750,000 | September 20, 2019 | | 0.22 |
| 425,000 | July 13, 2021 | | 0.15 |
| 800,000 | July 19, 2022 | | 0.20 |
| 1,000,000 | February 23, 2023 | | 0.15 |
| 950,000 | September 24, 2023 | | 0.22 |
| 3,925,000 | | | |

The weighted average remaining contractual life of stock options outstanding at October 31, 2018 is 3.51 years (2017 – 4.37 years).

d) Warrants

The following table summarizes the continuity of the Company's warrants:

| | Number of Warrants | Weighted-Average Exercise Price |
|----------------------------------|--------------------|---------------------------------|
| Balance, November 1, 2016 | 5,106,500 | \$0.075 |
| Granted | 5,824,172 | 0.25 |
| Exercised | (5,018,167) | (0.12) |
| Balance, October 31, 2017 | 5,912,505 | 0.21 |
| Granted | 6,960,000 | 0.26 |
| Exercised | (2,703,500) | (0.15) |
| Expired | (2,154,338) | (0.25) |
| Balance, October 31, 2018 | 8,014,667 | \$0.26 |

The Company applies the fair value method using the Black-Scholes Option Pricing Model in accounting for agent warrants.

The fair value of the finder warrants granted was calculated using the following weighted average assumptions:

| | 2018 | 2017 |
|--|--------|--------|
| Expected life (years) | 1.00 | 1.50 |
| Risk-free interest rate | 2.06% | 0.70% |
| Expected annualized volatility | 120% | 194% |
| Dividend yield | N/A | N/A |
| Stock price at grant date | \$0.19 | \$0.16 |
| Exercise price | \$0.20 | \$0.25 |
| Weighted average grant date fair value | \$0.08 | \$0.12 |

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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9. SHARE CAPITAL (continued)

d) Warrants (continued)

As at October 31, 2018, the following warrants were outstanding and exercisable:

| Outstanding Number of Warrants | Expiry Date | Exercise Price | |
|---------------------------------------|--------------------|-----------------------|----|
| | | | \$ |
| 133,333 | December 23, 2018 | 0.25 | |
| 571,334 | February 11, 2019 | 0.25 | |
| 350,000 | February 23, 2019 | 0.25 | |
| 1,160,000 | September 20, 2019 | 0.20 | |
| 5,800,000 | September 20, 2019 | 0.275 | |
| 8,014,667 | | | |

The weighted average remaining contractual life of warrants outstanding at October 31, 2018 is 0.81 years (2017 – 0.83 years).

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10. RELATED PARTY TRANSACTIONS AND KEY PERSONNEL COMPENSATION

Included in accounts payable at October 31, 2018 is \$50,925 (2017 - \$162,871) owing for services to companies controlled by directors and officers of the Company. These amounts are unsecured, non-interest bearing, and are due on demand.

During the year ended October 31, 2018, the Company incurred the following related party transactions:

- a) \$107,217 (2017 - \$28,865) in legal fees to a law firm of which a principal shareholder was formerly a director of the Company;
- b) \$99,600 (2017 - \$99,600) in management fees to a company controlled by the President and CEO of the Company;
- c) \$69,000 (2017 - \$69,000) in management fees to a company controlled by a Director of the Company;
- d) \$30,000 (2017 - \$30,000) in accounting fees to a company controlled by the CFO of the Company.

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the years ended October 31, 2018 and 2017. Short-term key management compensation consists of the following for the years ended October 31, 2018 and 2017:

| | 2018 | 2017 |
|----------------------|-------------------|-------------------|
| Management fees | \$ 168,600 | \$ 168,600 |
| Accounting fees | 30,000 | 30,000 |
| Share-based payments | 344,700 | 89,533 |
| | \$ 543,300 | \$ 288,133 |

The Company entered into management fee agreements for a term of two years with a Director, the President, and the CFO of the Company (“Contractors”) in the amounts of annual compensation of \$69,900 per annum and \$99,900, and \$30,000 per annum, respectively. The Company is committed to make monthly payments of \$16,550.

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11. INCOME TAXES

Significant components of the Company's deferred income tax assets are as follows:

| | 2018 | 2017 |
|---------------------------------------|-------------|-----------|
| | \$ | \$ |
| Exploration and evaluation assets | 1,381,000 | 1,352,000 |
| Non-capital and capital losses | 1,565,000 | 1,245,000 |
| Share issuance costs | 82,000 | 16,000 |
| Unrecognized deferred tax assets, net | 3,028,000 | 2,613,000 |

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

| | 2018 | 2017 |
|--|-------------|-----------|
| | \$ | \$ |
| Expected income tax recovery | (350,000) | (146,000) |
| Net adjustment for deductible and non-deductible amounts | (65,000) | (92,000) |
| Deferred tax not recognized | 415,000 | 238,000 |
| | - | - |
| Combined statutory rate | 27% | 27% |

The Company has capital losses of \$1,349,000 carried forward and \$5,120,000 in non-capital tax losses carried forward available to reduce future Canadian taxable income. The capital losses can be carried forward indefinitely unless used. The non-capital losses that may be carried forward to apply against future years' income for Canadian income tax purposes will expire as follows:

| Available to | Amount |
|---------------------|---------------|
| | \$ |
| 2027 | 602,000 |
| 2028 | 773,000 |
| 2029 | 402,000 |
| 2031 | 180,000 |
| 2032 | 331,000 |
| 2033 | 312,000 |
| 2034 | 270,000 |
| 2035 | 312,000 |
| 2036 | 295,000 |
| 2037 | 602,000 |
| 2038 | 1,041,000 |
| | 5,120,000 |

As at October 31, 2018, the Company has tax losses of approximately \$3,000 available to be offset against income in the United States.

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12. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's approach to capital management during the nine months ended October 31, 2018.

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of resource properties. The Company operates in both Canada and the U.S.A. The Company's exploration and evaluation assets in geographic locations are as follows:

| | 2018 | 2017 |
|--------|--------------|--------------|
| U.S.A. | \$ 7,488,138 | \$ 5,830,763 |

14. COMMITMENTS AND CONTINGENCIES

a) Commitments

The Company entered into management fee agreements with a Director, the President, and the CFO of the Company (see Note 10). The agreements can be terminated by the Company upon providing twelve months of notice, based on the mutual agreement or with no notice for just cause. In case of the absence of just cause of or the mutual agreement, the Company is required to pay a full twelve months of additional compensation upon termination. The Company is committed to make monthly payments of \$16,550.

b) Contingencies

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. The Company believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate will not have a material adverse effect on the financial condition of the Company.

15. SUBSEQUENT EVENTS

On December 14, 2018, the Company granted 500,000 stock options to a consultant, exercisable on or before December 13, 2023 at a price of \$0.13 per share.

Subsequent to the year ended October 31, 2018, the Company issued an aggregate of 232,500 common shares pursuant to the exercise of common share purchase warrants for gross proceeds of \$63,938.