



**EUREKA RESOURCES INC.**

Condensed Interim Consolidated Financial Statements

January 31, 2018

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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

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

The accompanying condensed interim consolidated financial statements 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 financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

**EUREKA RESOURCES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at January 31, 2018 and October 31, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|  | January 31,<br>2018 | October 31,<br>2017 |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>Current assets</b>                                |                     |                     |
| Cash   | \$ 68,781           | \$ 2,686            |
| Restricted cash – Note 8                             | -                   | 72,011              |
| GST receivable                                       | 2,407               | 20,333              |
| BC Mining Exploration tax credit receivable – Note 6 | 11,112              | 11,112              |
| Yukon Mining Exploration grant receivable – Note 6   | -                   | 80,000              |
| Prepaid expenses                                     | 5,625               | 15,028              |
| <b>Total current assets</b>                          | <u>87,925</u>       | <u>201,170</u>      |
| <b>Non-current assets</b>                            |                     |                     |
| Reclamation bonds – Note 7                           | 21,204              | 21,718              |
| Exploration and evaluation assets – Notes 6 and 9    | 1,169,570           | 1,168,164           |
| <b>Total non-current assets</b>                      | <u>1,190,774</u>    | <u>1,189,882</u>    |
| <b>Total assets</b>                                  | <u>\$ 1,278,699</u> | <u>\$ 1,391,052</u> |
| <b>LIABILITIES</b>                                   |                     |                     |
| <b>Current liabilities</b>                           |                     |                     |
| Accounts payable and accrued liabilities             | \$ 45,986           | \$ 67,406           |
| Due to related parties – Note 9                      | 140,582             | 290,397             |
| <b>Total current liabilities</b>                     | <u>186,568</u>      | <u>357,803</u>      |
| <b>SHAREHOLDERS' EQUITY</b>                          |                     |                     |
| Share capital – Note 8                               | 7,390,156           | 7,269,573           |
| Reserves – Note 8                                    | 938,536             | 938,536             |
| Deficit  | (7,236,561)         | (7,174,860)         |
| <b>Total shareholders' equity</b>                    | <u>1,092,131</u>    | <u>1,033,249</u>    |
| <b>Total liabilities and shareholders' equity</b>    | <u>\$ 1,278,699</u> | <u>\$ 1,391,052</u> |

Corporate Information – Note 1

Basis of Preparation – Note 2

Commitments – Notes 6 and 8

Subsequent Event – Note 12

Approved by the Directors:

“Brent Petterson”

Director

“Michael Sweatman”

Director

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

**EUREKA RESOURCES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|  | 2018               | 2017                |
|--|--------------------|---------------------|
| <b>EXPENSES</b>  |                    |                     |
| Accounting and audit – Note 9  | \$ 9,000           | \$ 15,130           |
| Consulting fees – Note 9   | 6,424              | 28,500              |
| Filing and listing fees  | 1,400              | 4,633               |
| Foreign exchange loss (gain)   | (403)              | 902                 |
| Insurance  | 3,536              | 2,500               |
| Legal  | 7,586              | 10,702              |
| Management fees – Note 9   | 18,000             | 18,000              |
| Marketing  | 5,000              | 54,753              |
| Office   | 3,525              | 3,486               |
| Rent   | 3,275              | 2,075               |
| Shareholder communications   | 1,500              | 3,843               |
| Share-based compensation – Notes 8 and 9                                 | -                  | 114,000             |
| Storage  | 429                | 411                 |
| Transfer agent   | 2,042              | 1,823               |
| Travel and entertainment   | 207                | 3,395               |
| Website  | 180                | 530                 |
|  | <u>(61,701)</u>    | <u>(264,683)</u>    |
| <b>OTHER</b>   |                    |                     |
| Unrealized loss on marketable securities – Note 5                        | <u>-</u>           | <u>(6,250)</u>      |
| <b>Loss and comprehensive loss for the period</b>                        | <u>\$ (61,701)</u> | <u>\$ (270,933)</u> |
| <b>Basic and diluted loss per share</b>                                  | <u>\$ (0.001)</u>  | <u>\$ (0.008)</u>   |
| <b>Weighted average number of shares outstanding – basic and diluted</b> | <u>47,307,511</u>  | <u>36,008,140</u>   |

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

**EUREKA RESOURCES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|   | 2018             | 2017              |
|---|------------------|-------------------|
| Cash Provided By (Used In):                         |                  |                   |
| <b>Operating Activities</b>                         |                  |                   |
| Loss for the period                                 | \$ (61,701)      | \$ (270,933)      |
| Adjustments for items not involving cash:           |                  |                   |
| Share-based compensation                            | -                | 114,000           |
| Unrealized loss on marketable securities            | -                | 6,250             |
| Unrealized foreign exchange loss                    | 514              | 782               |
| Net changes in non-cash working capital components: |                  |                   |
| GST receivable                                      | 17,926           | 1,180             |
| Yukon Mining Exploration grant receivable           | 80,000           | -                 |
| Prepaid expenses                                    | 9,403            | 18,958            |
| Accounts payable and accrued liabilities            | (21,420)         | 12,241            |
| Due to related parties                              | (149,815)        | 105               |
|   | <u>(125,093)</u> | <u>(117,417)</u>  |
| <b>Investing Activity</b>                           |                  |                   |
| Exploration and evaluation assets                   | <u>(1,406)</u>   | <u>(56,871)</u>   |
|   | (1,406)          | (56,871)          |
| <b>Financing Activities</b>                         |                  |                   |
| Proceeds from the issuance of shares                | 126,250          | 73,587            |
| Share issuance costs                                | <u>(5,667)</u>   | <u>(1,992)</u>    |
|   | 120,583          | 71,595            |
| Change in cash during period                        | (5,916)          | (102,693)         |
| Cash and restricted cash, beginning of period       | <u>74,697</u>    | <u>392,664</u>    |
| Cash and restricted cash, end of period             | <u>\$ 68,781</u> | <u>\$ 289,971</u> |
| <u>Supplementary cash flow information:</u>         |                  |                   |
| Interest paid in cash                               | \$ -             | \$ -              |
| Income taxes paid in cash                           | \$ -             | \$ -              |

Non-cash Transactions – Note 11

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

**EUREKA RESOURCES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three months ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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|   | Share Capital       |                     |                   |                       |                     |
|---|---------------------|---------------------|-------------------|-----------------------|---------------------|
|   | Number<br>of Shares | Amount              | Reserves          | Deficit               | Total               |
| <b>Balance as at October 31, 2016</b>             | <b>34,913,972</b>   | <b>\$ 6,439,649</b> | <b>\$ 741,431</b> | <b>\$ (6,429,890)</b> | <b>\$ 751,190</b>   |
| Exercise of finder's warrants – Note 8            | 38,500              | 2,887               | -                 | -                     | 2,887               |
| Reclassification on exercise of finder's warrants | -                   | 3,851               | (3,851)           | -                     | -                   |
| Private placements – Note 8                       | 707,000             | 70,700              | -                 | -                     | 70,700              |
| Less: share issue costs – Note 8                  | -                   | (3,386)             | 1,394             | -                     | (1,992)             |
| Property acquisition costs – Notes 6 and 8        | 2,625,000           | 275,625             | -                 | -                     | 275,625             |
| Share-based compensation – Notes 8 and 9          | -                   | -                   | 114,000           | -                     | 114,000             |
| Loss for the period                               | -                   | -                   | -                 | (270,933)             | (270,933)           |
| <b>Balance as at January 31, 2017</b>             | <b>38,284,472</b>   | <b>\$ 6,789,326</b> | <b>\$ 852,974</b> | <b>\$ (6,700,823)</b> | <b>\$ 941,477</b>   |
| <b>Balance as at October 31, 2017</b>             | <b>45,712,402</b>   | <b>\$ 7,269,573</b> | <b>\$ 938,536</b> | <b>\$ (7,174,860)</b> | <b>\$ 1,033,249</b> |
| Private placements – Note 8                       | 4,750,000           | 126,250             | -                 | -                     | 126,250             |
| Less: share issue costs – Note 8                  | -                   | (5,667)             | -                 | -                     | (5,667)             |
| Loss for the period                               | -                   | -                   | -                 | (61,701)              | (61,701)            |
| <b>Balance as at January 31, 2018</b>             | <b>50,462,402</b>   | <b>\$ 7,390,156</b> | <b>\$ 938,536</b> | <b>\$ (7,236,561)</b> | <b>\$ 1,092,131</b> |

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**EUREKA RESOURCES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS**

For the three months ended January 31, 2018 and for the year ended October 31, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|  | FG                | Gold Creek        | CKN         | Luxor/Etta        | Tak               | Gemini            | Total               |
|--|-------------------|-------------------|-------------|-------------------|-------------------|-------------------|---------------------|
| <b>Balance, October 31, 2016</b>               | <b>\$ 122,882</b> | <b>\$ -</b>       | <b>\$ -</b> | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ 161,039</b> | <b>\$ 283,921</b>   |
| Acquisition costs – cash                       | -                 | -                 | 15,000      | -                 | -                 | -                 | 15,000              |
| Acquisition costs – shares – Note 6 and 9      | -                 | 7,500             | 4,750       | 275,625           | 50,000            | 11,000            | 348,875             |
| Assays   | -                 | 36,524            | -           | 16,643            | 16,643            | -                 | 69,810              |
| Claim maintenance                              | -                 | -                 | -           | -                 | -                 | 14,343            | 14,343              |
| Drilling                                       | -                 | 62,244            | -           | -                 | -                 | -                 | 62,244              |
| Geological – Note 9                            | 4,738             | 56,768            | 15,969      | 44,542            | 49,690            | 7,793             | 179,500             |
| Staking  | -                 | -                 | 859         | 1,550             | -                 | -                 | 2,409               |
| Surveying – geophysical – Note 9               | -                 | -                 | -           | 174,011           | 58,004            | -                 | 232,015             |
| Travel and field operations                    | 30,236            | 26,671            | 323         | 29,329            | 36,501            | -                 | 123,060             |
| Less: settlement on cancellation of option     | (35,000)          | -                 | -           | -                 | -                 | -                 | (35,000)            |
| Less: BC Mining Exploration Tax Credit         | -                 | (11,112)          | -           | -                 | -                 | -                 | (11,112)            |
| Less: Yukon Mining Exploration Grant           | -                 | -                 | -           | (40,000)          | (40,000)          | -                 | (80,000)            |
| Write-off of exploration and evaluation assets | -                 | -                 | (36,901)    | -                 | -                 | -                 | (36,901)            |
| <b>Balance, October 31, 2017</b>               | <b>\$ 122,856</b> | <b>\$ 178,595</b> | <b>\$ -</b> | <b>\$ 501,700</b> | <b>\$ 170,838</b> | <b>\$ 194,175</b> | <b>\$ 1,168,164</b> |
| Geological – Note 9                            | 735               | 182               | -           | -                 | -                 | 489               | 1,406               |
| <b>Balance, January 31, 2018</b>               | <b>\$ 123,591</b> | <b>\$ 178,777</b> | <b>\$ -</b> | <b>\$ 501,700</b> | <b>\$ 170,838</b> | <b>\$ 194,664</b> | <b>\$ 1,169,570</b> |

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

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**Eureka Resources Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**January 31, 2018**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

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**1. CORPORATE INFORMATION**

Eureka Resources Inc. (the “Company”) was incorporated under the laws of the Province of British Columbia, Canada on June 16, 1981. Eureka Minerals (USA) Inc. was incorporated under the laws of the State of Nevada, USA on June 23, 2016.

The Company’s business is the acquisition, exploration and evaluation of mineral properties located in the Province of British Columbia, Canada, in the Yukon Territory, Canada and in the State of Nevada, USA. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “EUK”. The Company’s head office is Suite 1100 - 1111 Melville Street, Vancouver, British Columbia, Canada V6E 3V6.

**2. BASIS OF PREPARATION**

*Statement of Compliance*

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) IAS 34 “Interim Financial Reporting”.

These condensed interim consolidated financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual financial statements for the years ended October 31, 2017 and 2016.

These condensed interim consolidated financial statements were authorized for issue on April 2, 2018 by the directors of the Company.

*Going Concern*

These condensed interim consolidated financial statements are prepared using IFRS applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Future operations are dependent on the Company’s ability to raise additional equity financing and the attainment of profitable operations.

The Company has a history of operating losses and at January 31, 2018, has an accumulated deficit of \$7,236,561. At January 31, 2018, the Company had a working capital deficiency of \$98,643. The Company will require additional equity financings in order to continue exploration of its exploration and evaluation assets and fund its administrative operations, but believes that it can maintain operations for the next twelve months.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These conditions may cast significant doubt about the Company’s ability to continue as a going concern.

*Principles of Consolidation*

These consolidated financial statements incorporate the accounts of the Company and the following subsidiary:

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| Name of subsidiary         | Country of Incorporation | Percentage ownership | Principal Activity                |
|----------------------------|--------------------------|----------------------|-----------------------------------|
| Eureka Minerals (USA) Inc. | USA                      | 100%                 | Exploration of Mineral Properties |

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The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies. All intercompany balances and transactions have been eliminated on consolidation.



**2. BASIS OF PREPARATION (cont'd...)**

*Basis of Measurement*

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts are expressed in Canadian dollars unless otherwise specified.

*Critical Accounting Judgments, Estimates and Assumptions*

*Critical Judgments*

The preparation of these condensed interim consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 2.

*Estimations and assumptions*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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 carrying amount of the Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

*ii) Share-based Payments*

The estimation of share-based payments includes estimating the inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in equity. Share-based payments expense and share-based share issuance costs are estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

*iii) Income Taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### *Exploration and Evaluation Assets*

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as exploration and evaluation assets and are classified as intangible assets. General exploration costs not related to specific mineral properties or incurred prior to acquisition are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units.

Exploration and evaluation assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. 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, and indications exist that development in a specific area is likely to proceed, but the carrying amount is unlikely to be recovered in full by development or sale.

The Company has not yet determined whether or not any of its exploration and evaluation assets contain economically recoverable reserves. Amounts capitalized to exploration and evaluation assets do not necessarily reflect present or future values.

#### *Decommissioning and Restoration Provisions*

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no decommissioning liabilities as at January 31, 2018 and October 31, 2017.

#### *Government assistance*

When the Company is entitled to receive mineral exploration tax credits or other government grants, these amounts are recognized as a recovery of exploration and evaluation assets when there is reasonable assurance of their receipt.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Foreign Currency Translation*

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company is the Canadian dollar and the functional currency of Eureka Minerals (USA) Inc. is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

*i) Transactions and Balances*

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are determined in foreign amounts are translated at the rate of exchange at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Share-based Payments*

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model which takes into consideration the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

*Income Taxes*

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

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*Flow-through shares*

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in income tax recovery at the same time the qualifying expenditures are made.

*Loss Per Share*

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Financial Instruments*

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company’s cash, restricted cash and marketable securities are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company’s GST receivable, BC Mining Exploration tax credit receivable and Yukon Mining Exploration grant receivable are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. As at January 31, 2018 and October 31, 2017, the Company has not classified any financial assets as available for sale. The Company classifies its reclamation bonds as held to maturity.

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

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

- a) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- b) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of loss and comprehensive loss.

Financial Liabilities

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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Impairment of non-financial assets*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

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

*Share Capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed reserves.

*New Standards Adopted for the Year Ended October 31, 2017*

There were no changes to the Company's significant accounting policies during the year ended October 31, 2017 that had a material impact on its consolidated financial statements.

*New Standards Adopted for the Year Ended October 31, 2018*

IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The adoption of this new standard had no effect on the Company's consolidated financial statements.

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*New Standards and Interpretations Not Yet Adopted*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- a) IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- b) IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

**4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's receivables, accounts payable and accrued liabilities and due to related parties approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's reclamation bonds also approximates its carrying value. The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at January 31, 2018 and October 31, 2017:

|                   | Level 1   | Level 2 | Level 3 |
|-------------------|-----------|---------|---------|
| October 31, 2017: |           |         |         |
| Cash              | \$ 2,686  | \$ -    | \$ -    |
| Restricted cash   | \$ 72,011 | \$ -    | \$ -    |
| January 31, 2018: |           |         |         |
| Cash              | \$ 68,781 | \$ -    | \$ -    |

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

The Company's cash is held with large financial institutions. The Company's receivables consist of sales taxes and exploration grants and tax credits receivable from the Government of Canada and the Governments of British Columbia and the Yukon Territory. Management believes that credit risk concentration with respect to cash and receivables is remote.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2018, the Company had cash of \$68,781 to settle current liabilities of \$186,568. Management intends to raise additional funds through equity financings or alternative forms of financing to meet its current liabilities when they become due. See going concern discussion in Note 2.

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**4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash which is not subject to significant risks in fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. An increase to interest rates by 1% would have an insignificant effect on the Company's operations.

b) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company's marketable securities are subject to price risk. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

c) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash denominated in US dollars. As at January 31, 2018 and October 31, 2017 a 10% fluctuation in the US Dollar against the Canadian Dollar would not have a significant impact on profit and loss.

**5. MARKETABLE SECURITIES**

During the three months ended January 31, 2018 and 2017, the Company had the following marketable securities transactions:

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|                       | 2018 |   | 2017 |         |
|-----------------------|------|---|------|---------|
| Fair value, beginning | \$   | - | \$   | 28,750  |
| Unrealized loss       |      | - |      | (6,250) |
| Fair value, ending    | \$   | - | \$   | 22,500  |

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The fair value of the Company's marketable securities is measured at each reporting date by reference to the closing price of the shares.



**6. EXPLORATION AND EVALUATION ASSETS**

*FG Gold Project:*

The Company holds a 100% interest in 33 contiguous claims comprising the FG Gold Project area. The claims are located in the Cariboo Mining Division, British Columbia.

- i. Under the terms of a Settlement Agreement in which a dispute between the Company and a former optionee of the property was settled, the Company must issue 200,000 common shares to the former optionee owners upon completion of a positive feasibility study;
- ii. In addition, the Company must issue 210,000 common shares to a former director in consideration for exploration work done on the property, as follows:

|  |        |
|--|--------|
| Upon completion of feasibility study recommending production | 70,000 |
| Upon commencement of production                              | 70,000 |
| Upon repayment of pre-production capital costs               | 70,000 |

- iii. The property is subject to a 3% net smelter return royalty (“NSR”) which becomes payable after the capital required to bring the property into commercial production is recovered from production. The NSR is limited to a maximum of \$2,600,000 with an allowance for the change in the Consumer Price Index from September 22, 1989 to the date the royalty becomes payable.

*Canarc Resource Corp (“Canarc”) Option Agreement*

On August 24, 2016, the Company entered into an option agreement with Canarc which provided Canarc the option to earn up to a 75% interest in the FG Property.

In July, 2017, Canarc informed the Company that it would not be proceeding with the option agreement on the FG property, and the agreement terminated on August 4, 2017. Canarc paid the Company \$35,000 in lieu of exploration work that it was required to perform on certain of the FG claims.

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

***Gemini Lithium Project:***

On January 20, 2016, the Company entered into an interim agreement with Nevada Sunrise Gold Corporation (“Nevada Sunrise”), a public company with directors and officers in common with the Company, to acquire a 50% participating interest in the Gemini Lithium Project (“Gemini”) located in the Lida Valley, Esmeralda County, Nevada, USA.

Pursuant to the terms of the interim agreement, the Company had the right to acquire a 50% participating interest in Gemini by reimbursing Nevada Sunrise for 50% of the Gemini acquisition and evaluation costs. In addition, the Company would issue Nevada Sunrise 500,000 common shares as a prospect fee, with 300,000 shares to be issued on receipt of regulatory acceptance of the agreement and 200,000 to be issued on the first anniversary of such acceptance. The Company and Nevada Sunrise would enter into a joint venture on Gemini with Nevada Sunrise acting as operator of exploration. The interim agreement was subject to the satisfaction of certain conditions and approvals all of which were met. The agreement was a non-arm’s length transaction under TSXV policies. The non-independent directors abstained from voting on the agreement.

On May 4, 2016, the companies signed an addendum to the interim agreement in which they agreed that the companies had completed their due diligence review on Gemini, that a definitive joint venture agreement would be entered into (signed on September 21, 2016) and that in the event that one of the companies divests of its 50% interest in Gemini, the remaining company would become the operator at Gemini by default. The Company paid Nevada Sunrise 50% of the acquisition and evaluation costs.

On June 6, 2016, the companies received TSXV acceptance of the interim agreement and the addendum and the Company issued 300,000 common shares with a fair value of \$28,500 to Nevada Sunrise.

On May 2, 2017, Nevada Sunrise divested its 50% interest in Gemini, and consequently the Company became the operator of the Gemini project. In late 2017, Nevada Sunrise re-acquired its 50% interest in Gemini as a result of the termination of an option agreement.

On June 6, 2017, the Company issued 200,000 common shares with a fair value of \$11,000 to Nevada Sunrise.

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

***Gold Creek Project:***

On November 14, 2016, the Company entered into an option agreement under which the Company was granted the option to earn up to a 100% interest in the Gold Creek Project, located in the Cariboo Mining Division, British Columbia.

Under the terms of the agreement, the Company could earn up to a 100% interest in Gold Creek in three stages:

- 49% by incurring a minimum of \$30,000 in exploration expenditures by November 14, 2016 (incurred);
- an additional 26%, by issuing 50,000 common shares (issued with a fair value of \$2,500) and incurring an additional \$50,000 in exploration expenditures by August 31, 2017 (incurred);
- an additional 25% by issuing an additional 100,000 common shares (issued with a fair value of \$5,000) and incurring an additional \$50,000 in exploration expenditures by August 31, 2018 (incurred).

At January 31, 2018, the Company has exercised its option on the Gold Creek property and owns a 100% interest in the property. The vendor retained a 1% net smelter royalty of which the Company may purchase 0.5% for \$1,000,000.

***BC Mining Exploration Tax Credit***

During the year ended October 31, 2017, the Company recorded a BC Mining Exploration tax credit receivable of \$11,112 (2016 - \$Nil) as a reduction to the capitalized balance of the Gold Creek property.

***Luxor Gold Project:***

On December 12, 2016, the Company entered into a purchase agreement in which the Company purchased a 100% interest in three non-contiguous claim blocks covering 360 claims and known as the Luxor Project located in the Dawson Range Gold Belt, Yukon Territory.

On January 3, 2017, the Company issued 2,500,000 common shares with a fair value of \$262,500 to the vendors. The vendors agreed to an arrangement under which the shares become free trading on the following dates:

- June 28, 2017            833,334 shares (released);
- December 28, 2017:   833,334 shares (released);
- June 28, 2018:        833,332 shares.

In addition, the Company issued 125,000 common shares with a fair value of \$13,125 as a finder's fee.

The Company has committed to use the vendors to perform exploration work on the properties totaling \$750,000 over four years as follows:

- \$187,500 on or before December 28, 2017 (incurred);
- \$187,500 on or before December 28, 2018;
- \$187,500 on or before December 28, 2019;
- \$187,500 on or before December 28, 2020;

The vendors retained a 2% net smelter return royalty. The Company may purchase the royalty for \$1,000,000.

***Yukon Mineral Exploration Program ("YMEP")***

During the year ended October 31, 2017, the Company recorded a Yukon Mineral Exploration grant receivable of \$40,000 (2016 - \$Nil), received under YMEP, as a reduction to the capitalized balance of the Luxor property.

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

***Tak Gold Project:***

On January 9, 2017, the Company entered into a purchase agreement in which the Company purchased a 100% interest in 82 claims known as the Tak Project located in the Dawson Range Gold Belt, Yukon Territory.

On February 6, 2017, the Company issued 500,000 common shares with a fair value of \$50,000 to the vendors. The vendors agreed to an arrangement under which the shares become free trading on the following dates:

- On closing 125,000 shares (released)
- Six months from closing 125,000 shares (released)
- Twelve months from closing 125,000 shares (released)
- Eighteen months from closing 125,000 shares

The vendors retained a 2% net smelter return royalty. The Company may purchase 1% for \$1,000,000.

***Yukon Mineral Exploration Program (“YMEP”)***

During the year ended October 31, 2017, the Company recorded a Yukon Mineral Exploration grant receivable of \$40,000 (2016 - \$Nil), received under YMEP, as a reduction to the capitalized balance of the Tak property.

***CKN Project:***

On April 5, 2017, the Company entered into an option agreement to earn a 100% interest in 2 claims covering 1,356 hectares known as the CKN Project, located in the Cariboo Mining Division, British Columbia. To earn the 100% interest, the Company must make the following cash and share payments to the vendor, and incur the following minimum exploration expenditures:

| Due Date                  | Cash            | Common Shares   | Exploration Expenditures |
|---------------------------|-----------------|-----------------|--------------------------|
| Closing Date              | \$15,000 (paid) | 50,000 (issued) | \$Nil                    |
| On or before July 1, 2018 | \$20,000        | 100,000         | \$40,000                 |
| On or before July 1, 2019 | \$30,000        | 100,000         | \$80,000                 |
| On or before July 1, 2020 | \$50,000        | 200,000         | \$100,000                |
| On or before July 1, 2021 | \$100,000       | 250,000         | \$Nil                    |

On April 21, 2017, the Company received TSXV acceptance of the option agreement issued 50,000 common shares with a fair value of \$4,750. In May 2017, the Company staked two additional contiguous claims at a cost of \$859 which covered an additional 491 hectares and brought the total claim block to 1,847 hectares.

On December 23, 2017, the Company informed the vendor that it would not be proceeding with the option agreement on the CKN Project. The Company recorded a write-off of exploration and evaluation assets of \$36,901 at October 31, 2017.

**7. RECLAMATION BONDS**

The Company has placed a reclamation bond of \$10,000 with the Province of British Columbia as security for reclamation obligations under the mining regulations in the Province of British Columbia. The Company has placed a reclamation bond of US\$9,108 with the Bureau of Land Management in the State of Nevada as security for reclamation obligations under mining regulations in the State of Nevada.

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**8. SHARE CAPITAL**

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

On January 31, 2018, there were 50,462,402 (October 31, 2017 – 45,712,402) common shares issued and outstanding.

***Three Months Ended January 31, 2018:***

On December 28, 2017, the Company issued 4,000,000 common shares pursuant to the private placement of 4,000,000 common shares at \$0.025 per share for gross proceeds of \$100,000. In connection with the private placement, the Company paid finder's fees of \$4,550.

On January 22, 2018, the Company issued 750,000 common shares pursuant to the private placement of 750,000 common shares at \$0.035 per share for gross proceeds of \$26,250. In connection with the private placement, the Company paid finder's fees of \$367 and filing fees of \$750.

***Year Ended October 31, 2017:***

***Private Placement***

On December 29, 2016, the Company issued 707,000 common shares pursuant to the private placement of 707,000 flow-through units at \$0.10 per unit for proceeds of \$70,700. As the unit price received for the flow-through units was equivalent to the market price of the Company's common shares on the date of issuance, no premium was recorded on the flow-through units. Each unit contained one flow-through common share and one-half of one share purchase warrant. Each full warrant entitled the holder to purchase an additional common share at \$0.15 per share until December 29, 2018. In connection with the private placement, the Company paid finder's fees of \$1,992 and issued 19,920 finder's warrants. Each finder's warrant entitled the holder to purchase one non-flow-through unit with the same terms as the private placement units at \$0.10 per unit until December 29, 2018.

The fair value of the finders' warrants issued was calculated as \$1,394 using the Black-Scholes Option Pricing Model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the warrant.

---

|                           |         |
|---------------------------|---------|
| Risk-free interest rate   | 0.94%   |
| Expected life of warrants | 2 years |
| Annualized volatility     | 145%    |
| Dividend rate             | 0%      |

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All share purchase warrants issued, including those issued as finders' fees, are subject to an acceleration clause, which will cause the warrants, if unexercised, to expire on the date which is 30 days after the date that the volume-weighted average trading price of the Company's common shares on the TSXV exceeds \$0.25 per share over a period of ten consecutive trading days.

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**8. SHARE CAPITAL (cont'd)**

b) Issued: (cont'd)

*Year Ended October 31, 2017: (cont'd)*

Private Placement

On May 31, 2017, the Company issued 6,340,430 units (3,261,055 flow-through units at \$0.09 per unit and 3,079,375 non-flow-through units at \$0.08 per unit) for total proceeds of \$539,845. The Company allocated proceeds of \$32,611 to other income for the flow-through premium on the flow-through portion of the private placement. In addition, the Company allocated proceeds of \$63,404 to contributed surplus for the fair value of the warrants issued on the private placement using the residual method.

A portion of the proceeds from the flow-through units were held in trust and released as eligible expenditures were incurred. At October 31, 2017, there were funds held in trust of \$72,011 (2016 - \$Nil). These funds were classified as restricted cash on the consolidated statement of financial position. They were released during the three months ended January 31, 2018.

Each flow-through unit consisted of one flow-through common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase an additional common share at \$0.15 per share until May 31, 2019. The proceeds from the issuance of the flow-through units were used for exploration of the Company's mineral properties in British Columbia and the Yukon Territory.

Each non-flow-through unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase an additional common share at \$0.15 per share until May 31, 2019.

The Company paid finder's fees of \$30,675, 187,500 common shares with a fair value of \$13,125, 187,500 share purchase warrants and 13,332 finder's warrants.

Each share purchase warrant entitled the holder to purchase an additional common share at \$0.15 per share until May 31, 2019. Each finder's warrant entitled the holder to purchase a non-flow-through unit at \$0.09 per unit until May 31, 2019.

The fair value of the share purchase warrants issued was calculated as \$5,625 using the Black-Scholes Option Pricing Model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the warrant.

---

|                           |         |
|---------------------------|---------|
| Risk-free interest rate   | 0.88%   |
| Expected life of warrants | 2 years |
| Annualized volatility     | 126%    |
| Dividend rate             | 0%      |

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The fair value of the finders' warrants issued was calculated as \$533 using the Black-Scholes Option Pricing Model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the warrant.

---

|                           |         |
|---------------------------|---------|
| Risk-free interest rate   | 0.88%   |
| Expected life of warrants | 2 years |
| Annualized volatility     | 126%    |
| Dividend rate             | 0%      |

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**8. SHARE CAPITAL (cont'd)**

b) Issued: (cont'd)

*Year Ended October 31, 2017: (cont'd)*

Luxor Acquisition

On January 3, 2017, the Company issued 2,625,000 common shares with a fair value of \$275,625 to acquire a 100% interest in the Luxor Project.

Finder's Warrants Exercised

On January 20, 2017, the Company issued 38,500 common shares and 38,500 warrants exercisable at \$0.125 per share until April 29, 2018 pursuant to the exercise of 38,500 finder's warrants at \$0.075 for proceeds of \$2,887.

Tak Acquisition

On February 6, 2017, the Company issued 500,000 common shares with a fair value of \$50,000 to acquire a 100% interest in the Tak Project.

CKN Option Payment

On April 21, 2017, the Company issued 50,000 common shares with a fair value of \$4,750 as an option payment on the CKN Project.

Gemini Prospect Fee

On June 6, 2017, the Company issued 200,000 common shares with a fair value of \$11,000 as a prospecting fee on the Gemini Project.

Gold Creek Option Payment

On July 5, 2017, the Company issued 150,000 common shares with a fair value of \$7,500 as an option payment on the Gold Creek Project.

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**8. SHARE CAPITAL (cont'd)**

c) Stock Options:

The Company has a Stock Option Plan (“the Plan”) under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options that may be granted under the Plan is limited to 10% of the number of issued and outstanding common shares of the Company at the date of grant. The exercise price of options granted under the Plan may not be less than the market value of the Company’s common shares on the date of grant. Options granted under the Plan have a maximum life of five years and vest on the date of grant, over a period determined by management, or over a period mandated by TSX-V policy.

A summary of stock option activity for the three months ended January 31, 2018 and for the year ended October 31, 2017 is as follows:

|  | Number of Options | Weighted Average<br>Exercise Price |
|--|-------------------|------------------------------------|
| Outstanding options, October 31, 2016                      | 2,300,000         | \$0.10                             |
| Granted  | 1,150,000         | \$0.12                             |
| Cancelled  | (350,000)         | \$0.11                             |
| Outstanding options, October 31, 2017 and January 31, 2018 | 3,100,000         | \$0.11                             |



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**8. SHARE CAPITAL (cont'd)**

c) Stock Options: (cont'd)

On January 16, 2017, the Company granted 950,000 stock options to directors, officers and consultants of the Company. The options entitle the holders to purchase one common share for each option held at \$0.13 until January 16, 2022. The fair value of the stock options of \$114,000 or \$0.12 per option was determined using the Black Scholes option valuation model.

On April 28, 2017, the Company granted 200,000 stock options to a director of the Company. The options entitle the holder to purchase one common share for each option held at \$0.10 until April 28, 2022. The fair value of the stock options of \$16,000 or \$0.08 per option was determined using the Black Scholes option valuation model.

Share-based compensation expense was determined using the following weighted average assumptions:

|                           | Year ended<br>October 31, 2017 |
|---------------------------|--------------------------------|
| Risk-free interest rate   | 1.39%                          |
| Expected life of options  | 5 years                        |
| Annualized volatility     | 169%                           |
| Dividend rate             | 0%                             |
| Forfeiture rate           | 0%                             |
| Share price on grant date | \$ 0.12                        |

At January 31, 2018, there were 3,100,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

| Number of options<br>outstanding and exercisable | Exercise Price | Expiry Date      |
|--|----------------|------------------|
| 1,200,000  | \$0.10         | June 23, 2020    |
| 800,000  | \$0.10         | June 27, 2021    |
| 900,000  | \$0.13         | January 16, 2022 |
| 200,000  | \$0.10         | April 28, 2022   |
| <u>3,100,000</u>                                 |                |                  |

At January 31, 2018, the stock options had a weighted average remaining life of 3.23 years.

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**8. SHARE CAPITAL (cont'd)**

d) Share Purchase Warrants:

A summary of share purchase warrant activity for the three months ended January 31, 2018 and for the year ended October 31, 2017 is as follows:

|   | Three Months Ended<br>January 31, 2018 |  | Year Ended<br>October 31, 2017 |  |
|---|--|--|--------------------------------|--|
|   | Number of<br>warrants                  | Weighted<br>average<br>exercise<br>price | Number of<br>warrants          | Weighted<br>average<br>exercise<br>price |
| Warrants outstanding, beginning of period | 11,975,115                             | \$ 0.14                                  | 9,900,400                      | \$ 0.12                                  |
| Warrants issued                           | -                                      |  | 3,749,715                      | \$ 0.15                                  |
| Warrants expired                          | -                                      |  | (1,675,000)                    | \$ 0.11                                  |
| Warrants outstanding, end of period       | 11,975,115                             | \$ 0.14                                  | 11,975,115                     | \$ 0.14                                  |

At January 31, 2018, there were 11,975,115 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

| Number of warrants<br>outstanding | Exercise Price | Expiry Date       |
|-----------------------------------|----------------|-------------------|
| 1,215,000                         | \$0.125        | June 10, 2020     |
| 2,740,566                         | \$0.125        | April 29, 2018    |
| 2,033,334                         | \$0.125        | May 6, 2018       |
| 525,000                           | \$0.20         | September 9, 2018 |
| 662,500                           | \$0.15         | October 20, 2018  |
| 1,087,500                         | \$0.15         | October 26, 2018  |
| 353,500                           | \$0.15         | December 29, 2018 |
| 3,357,715                         | \$0.15         | May 31, 2019      |
| <u>11,975,115</u>                 |                |                   |

At January 31, 2018, the weighted average remaining life of the outstanding warrants is 0.87 years.

e) Finders Warrants:

A summary of finders warrant activity for the three months ended January 31, 2018 and for the year ended October 31, 2017 is as follows:

|   | Three Months Ended<br>January 31, 2018 |  | Year Ended<br>October 31, 2017 |  |
|---|--|--|--------------------------------|--|
|   | Number of<br>warrants                  | Weighted<br>average<br>exercise<br>price | Number of<br>warrants          | Weighted<br>average<br>exercise<br>price |
| Finders warrants outstanding, beginning of period | 351,805                                | \$ 0.09                                  | 357,053                        | \$ 0.08                                  |
| Finders warrants exercised                        | -                                      | \$ 0.075                                 | (38,500)                       | \$ 0.075                                 |
| Finders warrants issued                           | -                                      | \$ 0.10                                  | 33,252                         | \$ 0.10                                  |
| Finders warrants outstanding, end of period       | 351,805                                | \$ 0.09                                  | 351,805                        | \$ 0.09                                  |

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**Eureka Resources Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**January 31, 2018**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

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**8. SHARE CAPITAL (cont'd)**

e) Finders Warrants:

At January 31, 2018, there were 351,805 finder's warrants outstanding entitling the holders thereof the right to purchase one unit with the same terms as the private placement to which they relate as follows:

| Number of finder's warrants<br>outstanding | Exercise Price | Expiry Date       |
|--|----------------|-------------------|
| 116,900                                    | \$0.075        | April 29, 2018    |
| 86,333                                     | \$0.075        | May 6, 2018       |
| 9,000                                      | \$0.14         | September 9, 2018 |
| 42,000                                     | \$0.10         | October 20, 2018  |
| 64,320                                     | \$0.10         | October 26, 2018  |
| 19,920                                     | \$0.10         | December 29, 2018 |
| 13,332                                     | \$0.09         | May 31, 2019      |
| <hr/> 351,805 <hr/>                        |                |                   |

At January 31, 2018, the finder's warrants had a weighted average remaining life of 0.48 years.

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**Eureka Resources Inc.**  
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**9. RELATED PARTY TRANSACTIONS**

During the three months ended January 31, 2018 and 2017, the Company incurred the following charges by directors of the Company and by companies with directors and officers in common with the Company.

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|                                   | 2018             | 2017              |
|-----------------------------------|------------------|-------------------|
| Accounting fees                   | \$ 9,000         | \$ 10,000         |
| Consulting fees                   | 5,712            | 8,000             |
| Exploration and evaluation assets | 445              | 21,350            |
| Management fees                   | 18,000           | 18,000            |
| Share-based compensation          | -                | 72,000            |
|                                   | <u>\$ 33,157</u> | <u>\$ 129,350</u> |

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*Key Management Compensation:*

During the three months ended January 31, 2018 and 2017, the Company incurred the following key management compensation charges. Key management includes the Company's directors and executive officers.

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|                                   | 2018             | 2017              |
|-----------------------------------|------------------|-------------------|
| Accounting fees                   | \$ 9,000         | \$ 10,000         |
| Consulting fees                   | 5,712            | 8,000             |
| Exploration and evaluation assets | 445              | 21,350            |
| Management fees                   | 18,000           | 18,000            |
| Share-based compensation          | -                | 72,000            |
|                                   | <u>\$ 33,157</u> | <u>\$ 129,350</u> |

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At January 31, 2018, due to related parties includes \$140,582 (October 31, 2017 - \$290,397) payable to directors of the Company and to companies with directors and officers in common with the Company for fees and expenses.

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

**Eureka Resources Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**10. SEGMENTED INFORMATION**

*Operating Segment*

The Company operates in one industry, being the acquisition, exploration and evaluation of mineral properties.

*Geographic Segments*

The Company's non-current assets are located in the following countries:

|                                   | October 31, 2017 |            |              |
|-----------------------------------|------------------|------------|--------------|
|                                   | Canada           | USA        | Total        |
| Reclamation bonds                 | \$ 10,000        | \$ 11,718  | \$ 21,718    |
| Exploration and evaluation assets | 973,990          | 194,174    | 1,168,164    |
|                                   | \$ 983,990       | \$ 205,892 | \$ 1,189,882 |

  

|                                   | January 31, 2018 |            |              |
|-----------------------------------|------------------|------------|--------------|
|                                   | Canada           | USA        | Total        |
| Reclamation bonds                 | \$ 10,000        | \$ 11,204  | \$ 21,204    |
| Exploration and evaluation assets | 974,906          | 194,664    | 1,169,570    |
|                                   | \$ 984,906       | \$ 205,868 | \$ 1,190,774 |

**11. NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions were excluded from the statements of cash flows:

*During the Three Months Ended January 31, 2017:*

- the Company issued 19,920 finder's warrants with a fair value of \$1,394 pursuant to a finder's fee agreements on a private placement.
- the Company reclassified \$3,851 from reserves to share capital on the exercise of 38,500 finder's warrants.
- the Company issued 2,625,000 common shares with a fair value of \$275,625 to acquire the exploration and evaluation assets.

**12. SUBSEQUENT EVENT**

*Acquisition of Kore Mining Ltd.*

On February 24, 2018, the Company signed an amalgamation agreement with Kore Mining Ltd. (“Kore”), a private British Columbia corporation, under which the Company agreed to acquire all of the issued and outstanding common shares of Kore in exchange for common shares of the Company by way of a three-cornered amalgamation. Kore, through its wholly-owned U.S. subsidiaries, owns 100% interests in the Imperial and Long Valley gold development projects, located in California, USA. The transaction will constitute a reverse takeover of the Company by Kore under the policies of the TSX Venture Exchange.

*Share Consolidation*

As a condition of closing of the transaction, the Company will complete a consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for each ten pre-consolidation common shares.

*Terms of the Transaction*

The transaction will be effected by way of a three-cornered amalgamation, without court approval, under the Business Corporations Act (British Columbia), pursuant to which, through the amalgamation of a newly incorporated British Columbia subsidiary of the Company and Kore, the Company will acquire all of the issued and outstanding Kore common shares in exchange for the issuance of shares of the Company (on a post-consolidation basis) and Kore will become a subsidiary of the Company.

As of the date of these financial statements, the Company has 50,462,402 common shares issued and outstanding which will be reduced to 5,046,240 common shares on a post-consolidation basis. Pursuant to the terms of the agreement, the Company has agreed to issue three post-consolidation common shares in exchange for each Kore share, resulting in the shareholders of Kore being issued a total of 56,121,606 common shares (on a post-consolidation basis). The exchange ratio was determined on the basis of this number of shares outstanding at closing. However, prior to the closing, the Company intends to issue shares in settlement of certain outstanding liabilities. If the actual number of outstanding shares immediately prior to the effective time (including any common shares issued in connection with the debt settlement) is greater than such amount, then the exchange ratio will be adjusted to ensure that, immediately following the closing, the former Kore shareholders will hold no less than 91.8% of the total number of issued and outstanding shares (prior to giving effect to the private placement (as defined below)). The transaction is subject to various closing conditions, including the receipt of approval of the TSX Venture Exchange.

Following the closing, the Company will continue on with the business of Kore and remain a Tier 2 Mining Issuer, with Kore as its operating subsidiary (with the Company, after the closing, being referred to herein as the resulting issuer). The resulting issuer is anticipated to hold all existing assets of the Company and Kore at closing. It is expected that, in connection with closing, the Company will change its name to Kore Mining Ltd., or such other name as agreed by the parties, with a corresponding change of trading symbol of the Company.

Certain common shares to be issued to Kore shareholders in connection with the transaction will be subject to escrow under the policies of the TSX Venture Exchange.

*Private Placement*

In connection with the transaction, it is expected that the Company will undertake a private placement of subscription receipts for minimum gross proceeds of \$2,000,000 and maximum gross proceeds of \$7,000,000, on terms to be agreed to by the parties. At the closing of the private placement, the proceeds will be placed in escrow with an escrow agent and released upon satisfaction of the release condition, which is expected to occur immediately prior to closing.

**12. SUBSEQUENT EVENT – (cont'd)**

*Conditions of Closing of the Transaction*

The transaction is subject to a number of terms and conditions, including, among other things:

- the Company and Kore obtaining all necessary consents, orders and regulatory approvals;
- completion of a private placement for minimum gross proceeds of \$2,000,000 and maximum gross proceeds of \$7,000,000;
- there being no material change occurring with respect to the businesses of the companies;
- satisfaction of obligations under the agreement relating to each of the parties;
- delivery by each of the parties of standard closing documents, including legal opinions;
- approval of the transaction by the shareholders of both companies;
- execution of support and voting agreements by all directors and officers of the companies and any shareholders holding greater than 10% of the issued and outstanding shares in either of the companies.

The Company intends to seek a waiver from the TSX Venture Exchange of any requirement for a sponsor in connection with the transaction.

It is expected that, following closing, all of the current directors and officers of the Company will resign and the board of directors of the resulting issuer will consist of five directors, four of which will be nominated by Kore and one of which will be nominated by the Company. The newly constituted board shall be placed before shareholders of the resulting issuer for election at the next occurring shareholders meeting.

*Exclusivity and Break Fees*

The Company and Kore have agreed to exclusivity terms in the agreement. However, nothing shall prohibit either party from complying with their duties and/or fiduciary obligations under applicable law, including, without limitation, with respect to any unsolicited proposal received by either party that may be superior to the transaction.

The Company and Kore have each agreed to immediately notify the other party of any information it may receive concerning an actual or intended offer for any or all of its assets or any of its securities and shall allow the other party the opportunity to match any actual bona fide offer presented in writing within three business days of such notice. Should the other party elect not to match the actual or intended offer, and should the recipient accept the offer, the recipient of the accepted offer must pay the other party a break fee of \$50,000.

*Principal Shareholders*

In connection with the transaction, it is expected that an aggregate of 19,500,300 shares of the Company will be issued to 1130447 B.C. Ltd. and 15,000,300 shares of the Company will be issued to Blaxland Pacific Management Corp. (each on a post-consolidation basis) in exchange for their Kore shares, representing approximately 31.9% and 24.5 %, respectively, of the Company's outstanding shares following the closing. Each of these Kore shareholders is a privately incorporated British Columbia company. The foregoing percentages have been calculated based on there being 61,167,846 common shares of the Company issued and outstanding after giving effect to the transaction but before the issuance of any common shares in connection with the debt settlement and the private placement.

Trading in the Company's shares has been halted and is expected to remain halted until closing of the transaction.