



WESTERN PACIFIC
RESOURCES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED AUGUST 31, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed consolidated interim financial statements for the six months ended August 31, 2018. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

WESTERN PACIFIC RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

As at:	August 31, 2018	February 28, 2018
ASSETS		
Current assets		
Cash	\$ 298	\$ 22,171
Other receivables	2,468	5,183
Prepaid expenses and deposits	-	4,750
	2,766	32,104
Non-current assets		
Property and equipment (Note 6)	3,310	3,678
Exploration and evaluation assets (Note 7)	16,229	16,229
	19,539	19,907
TOTAL ASSETS	\$ 22,305	\$ 52,011
LIABILITIES and SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 193,046	\$ 65,508
Due to related parties (Note 10)	324,828	393,038
Total liabilities	517,874	458,546
Shareholders' equity (deficiency)		
Share capital (Note 8)	11,112,697	11,112,697
Other equity reserves (Note 8,9)	2,584,751	2,580,529
Deficit	(14,193,017)	(14,099,761)
Total shareholders' deficiency	(495,569)	(406,535)
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY	\$ 22,305	\$ 52,011

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON OCTOBER 12, 2018:

"Jeff Sundar", Director
Jeff Sundar

"Jim Paterson", Director
Jim Paterson

See accompanying notes to the condensed consolidated interim financial statements

WESTERN PACIFIC RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	Three months ended August 31,		Six months ended August 31	
		2018	2017	2018	2017
EXPLORATION EXPENDITURES	7	\$ 2,277	\$ 19,632	\$ 2,277	\$ 27,857
GENERAL AND ADMINISTRATIVE EXPENSES					
Amortization		184	298	368	597
Directors fees	10	-	11,590	11,550	23,650
Investor relations and shareholder information		180	1,610	505	1,790
Management fees	10	-	44,390	44,275	90,850
Office and administration		5,448	5,704	11,027	11,151
Professional fees	10	10,435	10,509	17,935	18,009
Salaries and benefits	10	4,500	4,518	9,000	9,108
Share-based payments	9,10	2,111	2,111	4,222	9,921
Transfer agent and regulatory fees		2,519	4,664	3,170	5,114
Travel		-	-	-	1,072
		25,377	85,394	102,052	171,262
Loss before other items		(27,654)	(105,026)	(104,329)	(199,119)
OTHER ITEMS					
Interest income		33	-	75	-
Foreign exchange loss		(4,919)	15,445	(9,581)	12,887
Gain on sale of exploration and evaluation asset	7	-	-	20,579	-
Impairment on available-for-sale investment		-	-	-	(21,000)
		(4,886)	15,445	11,073	(8,113)
Net loss and comprehensive loss for the period		(32,540)	(89,581)	(93,256)	(207,232)
Loss per share, basic and diluted		(0.01)	(0.01)	(0.02)	(0.03)
Weighted average number of common shares outstanding		6,302,331	6,302,331	6,302,331	6,302,331

See accompanying notes to the condensed consolidated interim financial statements

WESTERN PACIFIC RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the six months ended August 31, 2018 and 2017
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserves		Accumulated other comprehensive income (loss)	Deficit	Total
			Share-based payments	Share purchase warrants			
Balance, February 28, 2017	6,302,331	\$ 11,112,697	\$ 1,227,777	\$ 1,314,930	\$ -	\$ (13,612,084)	\$ 43,320
Net loss for the period	-	-	-	-	-	(207,232)	(207,232)
Available-for-sale investment	-	-	-	-	4,500	-	4,500
Share-based payments	-	-	9,921	-	-	-	9,921
Balance, August 31, 2017	6,302,331	\$ 11,112,697	\$ 1,237,698	\$ 1,314,930	\$ 4,500	\$ (13,819,316)	\$ (149,491)
Balance, February 28, 2018	6,302,331	\$ 11,112,697	\$ 1,265,599	\$ 1,314,930	\$ -	\$ (14,099,761)	\$ (406,535)
Net loss for the period	-	-	-	-	-	(93,256)	(93,256)
Share-based payments	-	-	4,222	-	-	-	4,222
Balance, August 31, 2018	6,302,331	\$ 11,112,697	\$ 1,269,821	\$ 1,314,930	\$ -	\$ (14,193,017)	\$ (495,569)

See accompanying notes to the condensed consolidated interim financial statements

WESTERN PACIFIC RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Six months ended August 31, 2018	Six months ended August 31, 2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (93,256)	\$ (207,232)
Items not affecting cash:		
Amortization	368	597
Gain on sale of exploration and evaluation asset	(20,579)	-
Impairment on available-for-sale investment	-	21,000
Share-based payments	4,222	9,921
	(109,245)	(175,714)
Changes in non-cash working capital items:		
Other receivables	2,715	(2,050)
Prepaid expenses and deposits	4,750	(4,750)
Accounts payable and accrued liabilities	(32,672)	12,422
Due to related parties	92,000	23,765
Net cash used in operating activities	(42,452)	(146,327)
INVESTING ACTIVITIES		
Proceeds from sale of exploration and evaluation asset	20,579	-
Net cash provided by investing activities	20,579	-
Foreign exchange effect on cash	-	908
Net inflow (outflow) of cash	(21,873)	(145,419)
Cash, beginning of period	22,171	162,937
Cash, end of period	\$ 298	\$ 17,518

See accompanying notes to the condensed consolidated interim financial statements

WESTERN PACIFIC RESOURCES CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Western Pacific Resources Corp. (the “Company”) was incorporated under the *Business Corporations Act* of British Columbia on June 4, 2009. The Company’s principal business activities are directed towards the exploration and development of mineral properties in the Americas.

The address of the Company’s corporate office and principal place of business is Suite 550 – 800 West Pender Street, Vancouver, BC, V6C 2V6.

2. BASIS OF PREPARATION

Statement of Compliance with International Financial Reporting Standards (“IFRS”)

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with the significant accounting policies disclosed in note 3 of audited consolidated financial statements of the Company for the year ended February 28, 2018. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities measured at fair value.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

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 condensed consolidated interim financial statements are disclosed in Note 5.

Going Concern and Continuance of Operations

These condensed consolidated interim financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At August 31, 2018, the Company had no revenue-producing operations, has an accumulated deficit of \$14,193,017 (February 28, 2018: \$14,099,761) since inception, has a working capital deficiency of \$515,108 (February 28, 2018: \$426,442), is expected to incur further losses in the development of its business, and will need to raise additional capital in order to fund its operations through the next twelve months, all of which may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary capital to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

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

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned Nevada, U.S.A., subsidiary, Western Pacific Resources (U.S.) Corp. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation.

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS

The following new standards and interpretations have been issued by the IASB, but are not yet effective:

The following outlines the new accounting standards and amendments adopted by the Company effective March 1, 2018:

Amendment to IFRS 2 Share-based Payment

IFRS 2 Share-based Payment clarifies the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features for withholding tax obligations and modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity settled. This amendment did not have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss (“ECL”) impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The adoption of IFRS 9 did not have a material impact the Company's classification and measurement of financial assets and liabilities. The standard also had no impact on the carrying amounts of our financial instruments as at the transition date of March 1, 2018.

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The following new standard has been issued by the IASB, but is not yet effective:

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases* which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. IFRS 16 is effective for the annual period beginning March 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of evaluating the impact of the new standard.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated 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:

- The completeness of accounts payable and accrued liabilities;
- The inputs in accounting for share-based payments.
- The recoverability and measurement of deferred income tax assets.

Management must make judgments given the various options available as per accounting standards for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- The determination of the Company's and its subsidiary's functional currency requires management's judgment of the underlying transactions, events and conditions relevant to the entity.
- The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

In respect of costs incurred for its investment in exploration and evaluation assets, management has determined the acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits.

- Although the Company has taken steps to identify any decommissioning liabilities related to exploration and evaluation assets in which it has an interest, there may be unidentified decommissioning liabilities present.
- The determination of the categories in which financial assets and liabilities are classified.
- The assessment of the Company's ability to continue as a going concern involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

WESTERN PACIFIC RESOURCES CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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6. PROPERTY AND EQUIPMENT

	Furniture and office equipment
Cost	
Balance, February 28, 2017	\$ 10,745
Balance, February 29, 2018	10,745
Balance, August 31, 2018	\$ 10,745
Accumulated amortization	
Balance, February 28, 2017	\$ 6,148
Charge for year	919
Balance, February 28, 2018	7,067
Charge for period	368
Balance, August 31, 2018	\$ 7,435
Carrying amounts	
At February 28, 2018	\$ 3,678
At August 31, 2018	\$ 3,310

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from March 1, 2017 to August 31, 2018:

	Nevada Rock Springs
Balance, February 28, 2017	\$ 16,229
Balance, February 28, 2018	16,229
Balance, August 31, 2018	\$ 16,229

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects. The amounts shown for exploration and evaluation assets represent acquisition costs incurred to date, less recoveries and write-downs, and are not intended to reflect present or future values.

Rock Springs, Nevada

The Rock Springs Property consisted of 120 claims, which the Company staked in Elko County, Nevada. During the year ended February 28, 2018, the Company reduced the number of claims held to 10.

Mineral Gulch, Idaho

The Mineral Gulch Property consisted of 345 claims in southeastern Cassia County in southern Idaho. In June 2016, the Company sold 100% of its interest in the Mineral Gulch Property to Liberty Gold Corp. ("Liberty"). Part of the consideration received was 0.5% net smelter returns ("NSR") royalty on all future gold produced from the Mineral Gulch claims acquired. In conjunction with the sale of the Mineral Gulch Property, the Company assigned a 50% interest in the NSR royalty (0.25%) up to a maximum of US\$2,300,000 to the Deer Trail Mining Company LLC ("DTMC"). During the period ended August 31, 2018, the Company sold its remaining NSR of 0.25% to DTMC for proceeds of \$20,579 (US\$16,000).

7. EXPLORATION EXPENDITURES

Exploration expenditures incurred during the six months period ended August 31, 2018 was \$2,277 for care and maintenance costs related to the Rock Springs Property.

During the six months period ended August 31, 2017, the Company incurred \$25,648 in investigation of new property opportunities and \$2,209 in care and maintenance costs related to the Rock Springs Property.

8. SHARE CAPITAL AND RESERVES

Common and Preferred Shares

The Company is authorized to issue an unlimited number of common and preferred shares without par value. The Company has not issued any preferred shares.

Subsequent to the period ended August 31, 2018, the Company completed a consolidation of the issued shares and stock options outstanding at September 20, 2018 on a one (1) new for ten (10) old basis. As a result, the Company's issued shares were reduced to 6,302,331. All references to common shares and stock options in these condensed consolidated interim financial statements reflect the share consolidation.

There were no other share capital activity during the period ended August 31, 2018.

9. SHARE-BASED PAYMENTS

Option Plan Details

In November 2009, the Company adopted a share purchase option plan, which allows the Company to issue options to directors, officers, employees and consultants of the Company. A revised share option plan (the "Plan") was adopted in December 2013 and was ratified by the shareholders on January 14, 2014. The maximum aggregate number of securities reserved for issuance is 10% of the number of common shares issued and outstanding from time to time. The Plan provides that the number of options held by any one individual may not exceed 5% of the number of issued and outstanding common shares. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the Company's shares on the last day shares are traded prior to the grant date. Vesting restrictions may be imposed at the discretion of the directors.

Share Purchase Options

The Company has granted share purchase options to its directors, officers, employees and consultants. These options were granted in accordance with the policies of the regulatory authorities and the Company's stock option plan in effect at the time of grant.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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9. SHARE-BASED PAYMENTS (cont'd...)

The following is a summary of changes in share purchase options for the period ended August 31, 2018:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable	Unvested
			Granted	Exercised	Cancelled			
Jun 16, 2019	\$0.135	103,000	-	-	-	103,000	103,000	-
Jan 27, 2020	\$0.35	30,000	-	-	-	30,000	30,000	-
Jul 25, 2020	\$0.38	20,000	-	-	-	20,000	20,000	-
Jul 12, 2021	\$0.57	28,500	-	-	-	28,500	28,500	-
Mar 21, 2022	\$0.05	110,000	-	-	-	110,000	73,334	36,666
		291,500	-	-	-	291,500	254,834	36,666
	Weighted average exercise price	\$1.80	-	-	-	\$1.84	\$2.04	\$0.50

Fair Value of Options Issued During the Period

There were no options granted during the period ended August 31, 2018.

The weighted average remaining contractual life of the options outstanding at August 31, 2018 is 2.18 (February 28, 2018: 2.68) years.

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized during the period ended August 31, 2018 as part of share-based payments was \$4,222 (2017: \$9,921).

As of August 31, 2018, there was \$434 (February 28, 2018: \$4,656) in unrecognized compensation costs related to share-based payment awards not yet exercisable.

WESTERN PACIFIC RESOURCES CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the periods ended August 31, 2018 and 2017 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Octavian Capital Corp.	Director fees

Balances and transactions with related parties not disclosed elsewhere in these condensed consolidated interim financial statements are as follows:

- i) During the periods ended August 31, 2018 and 2017, the Company paid its three independent directors a total of \$11,550, for acting in such capacity.
- ii) Amounts due to related parties as of August 31, 2018 consisted of:

		Period ended August 31, 2018		Period ended February 28, 2017	
Current officers	Accrued fees	\$	4,075	\$	-
Former officers	Management fees		-		327,744
Directors	Directors' fees and loans	\$	320,753	\$	65,294

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company, and include certain of its directors and officers. Key management compensation, including amounts discussed above, comprises:

	Six months ended August 31,	
	2018	2017
Management and professional fees	\$ 59,275	\$ 105,850
Salaries and benefits	9,000	9,000
Directors' fees	11,550	23,650
Share-based payments (fair value of granted share purchase options)	4,222	9,921
	\$ 84,047	\$ 148,421

There were no share-based payments to directors during the period ended August 31, 2018.

During the six months period ended August 31, 2017, the Company issued 110,000 share purchase options with an exercise price of \$0.50 per share to a director, with 36,666 options immediately vested, 36,666 options vested in September 2017 and the remaining 36,667 options to become vested in September 2018.

11. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being the exploration and development of mineral properties. The mineral property interests are located in the United States and substantially all of the exploration expenditures are incurred in North America. Substantially all of the Company's other assets and expenditures are located and incurred in Canada.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed consolidated interim financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

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

(a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and other receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash invested in asset-based commercial paper.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At August 31, 2018, the Company had cash of \$298 (February 28, 2018: \$22,171) and a working capital deficiency of \$515,108 (February 28, 2018: \$426,442). At August 31, 2018, current liabilities totalled \$515,108 (February 28, 2018: \$458,546) of which \$324,828 (February 28, 2018: \$393,038) was due to related parties. All of the Company's other short-term financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

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

(c) Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other market prices. 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.

i) Currency Risk

The Company is exposed to financial risk related to the fluctuation of foreign currency rates. The Company operates in Canada and the United States. A substantial portion of the Company's expenses are incurred in US dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at August 31, 2018, the Company had the Canadian dollar equivalent of cash totalling \$190 (February 28, 2018: \$1,554) held in US dollars and liabilities totalling \$Nil (February 28, 2018: \$393,038) owed in US dollars.

Based on the above net exposure as at August 31, 2018, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of approximately \$19 in the Company's net income (loss) and comprehensive income (loss) for the period ended August 31, 2018.

ii) Interest Rate Risk

Interest rate risk consists of two components:

- A. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- B. To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As at August 31, 2018, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian financial institutions. The Company considers this risk to be immaterial.

iii) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, currency risk, or equity price risk. The Company is not exposed to any other price risk.

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

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for accounts payable and accrued liabilities and due to related parties approximate fair values due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to advance its mineral property and pursue growth opportunities. The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The property in which the Company currently has an interest is in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to pay for limited property care and maintenance and general administrative costs, the Company will spend its existing capital resources. 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. The Company monitors its cash, available-for-sale investments, common shares, and stock options as capital. There have been no changes to the Company's approach to capital management during the period ended August 31, 2018. The Company's investment policy is to hold cash in interest-bearing bank accounts or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

The Company does not expect its current capital resources to be sufficient to cover its operating costs through the next twelve months and as such, will need to obtain additional capital resources. Actual funding requirements may vary from those previously planned due to a number of factors, including the progress of the Company's business activities and economic conditions.

14. SUBSEQUENT EVENT

There are no other subsequent events that have not been disclosed elsewhere in these condensed interim financial statements.