DISCOVERY HARBOUR RESOURCES CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in Canadian Dollars)

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A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Discovery Harbour Resources Corp.

We have audited the accompanying consolidated financial statements of Discovery Harbour Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017, and the consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended September 30, 2018 and September 30, 2017, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2018 and September 30, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended September 30, 2018 and September 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"A Chan & Company LLP"
Chartered Professional Accountant

Burnaby, British Columbia
December 17, 2018

DISCOVERY HARBOUR RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	2018 $	2017 $
Assets			
Current assets			
Cash		3,372	39,659
Term deposits	5	160,000	-
Amounts receivable		17,701	1,671
Prepaid expenses		6,604	5,486
		187,677	46,816
Non-current assets			
Investments	6	35,641	40,501
Reclamation bond		7,358	6,220
Exploration and evaluation assets	7	261,073	53,294
		491,749	146,831
Liabilities			
Current liabilities			
Trade and other payables		27,282	16,879
Due to related parties	14	7,250	-
Convertible debenture	8	100,000	94,205
Loans payable	9	333,010	97,097
		467,542	208,181
Equity			
Share capital	10	18,691,927	18,398,693
Contributed surplus	10	1,719,782	1,719,782
Equity portion of convertible debenture	8	11,255	11,255
Accumulated deficit		(20,418,197)	(20,215,380)
Accumulated other comprehensive loss		19,440	24,300
		24,207	(61,350)
		491,749	146,831

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 17, 2018 and are signed on its behalf by:

/s/"Mark Fields" Director *"/s/"Andrew Hancharyk"* Director

DISCOVERY HARBOUR RESOURCES CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note	2018 $	2017 $
Expenses			
Employee costs	12	118,000	112,559
Finance expense	12	5,795	5,460
General and administrative expenses	12	70,079	100,421
Impairment of exploration and evaluation assets	7	-	9,350
Total expenses		(193,874)	(227,790)
Other income (expense)	12	(8,943)	597
Net loss for the year		(202,817)	(227,193)
Other comprehensive gain (loss)		(4,860)	24,300
Comprehensive loss for the year		(207,677)	(202,893)
Loss per common share, basic and diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding		18,932,087	17,797,840

DISCOVERY HARBOUR RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Contributed Surplus $	Equity Portion of Convertible Debenture $	Accumulated Deficit $	Other Comprehensive Gain (Loss) $	Total $
Balance at September 30, 2016	17,797,840	18,398,693	1,703,902	-	(19,988,187)	-	114,408
Net loss for the year	-	-	-	-	(227,193)	-	(227,193)
Unrealized gain on investment	-	-	-	-	-	24,300	24,300
Share-based payments	-	-	15,880	-	-	-	15,880
Convertible debenture	-	-	-	11,255	-	-	11,255
Balance at September 30, 2017	17,797,840	18,398,693	1,719,782	11,255	(20,215,380)	24,300	(61,350)
Net loss for the year	-	-	-	-	(202,817)	-	(202,817)
Unrealized loss on investment	-	-	-	-	-	(4,860)	(4,860)
Shares issued for private placement	6,000,000	300,000	-	-	-	-	300,000
Share issue costs	-	(6,766)	-	-	-	-	(6,766)
Balance at September 30, 2018	23,797,840	18,691,927	1,719,782	11,255	(20,418,197)	19,440	24,207

DISCOVERY HARBOUR RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in Canadian Dollars)

	2018 $	2017 $
Operating activities		
Net loss for the year	(202,817)	(227,193)
Items not involving cash:		
Accretion expense	5,795	5,460
Loss on foreign exchange	9,285	-
Impairment of exploration and evaluation assets	-	9,350
Changes in non-cash working capital accounts:		
Amounts receivable	(16,030)	3,014
Prepaid expenses	(1,118)	(27)
Trade and other payables	10,403	1,613
Total cash used in operating activities	(194,482)	(207,783)
Investing activities		
Expenditures on exploration and evaluation assets	(207,779)	(46,764)
Purchase of term deposit	(160,000)	-
Total cash flows used in investing activities	(367,779)	(46,764)
Financing activities		
Proceeds from share issuances	300,000	-
Share issuance costs	(6,766)	-
Advances from (repayments to) related parties	7,250	(3,426)
Proceeds from convertible debenture	-	100,000
Demand loan received	255,490	97,097
Demand loan repayment	(30,000)	-
Total cash flows provided by financing activities	525,974	193,671
Total change in cash during the year	(36,287)	(60,876)
Cash, beginning of year	39,659	100,535
Cash, end of year	3,372	39,659
Supplemental information		
Interest paid	-	-
Income taxes paid	-	-

Refer to Note 17 for non-cash transactions incurred during the years ended September 30, 2018 and 2017.

1. NATURE OF OPERATIONS AND GOING CONCERN

Discovery Harbour Resources Corp. ("the Company") was incorporated under the Business Corporations Act of British Columbia on March 11, 2009. The Company was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange ("TSXV") and completed its Qualifying Transaction pursuant to the policies of the TSXV on November 22, 2010. The Company is listed on the TSX Venture Exchange as a Tier 2 Venture Issuer having the symbol DHR-V. The Company completed a reverse takeover transaction with CVC Cayman Ventures Corp. on April 2, 2013.

The address of the Company's corporate office and principal place of business is 1100 - 595 Howe Street, Vancouver, British Columbia, Canada.

The Company has not generated revenue from operations since inception. The Company has accumulated losses of $20,418,197 since inception and expects to incur further losses in the development of its business, 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 raise financing and generate future profitable operations. As the Company is in the exploration stage, the recoverability of costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise funds to continue operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on December 17, 2018.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as described in Note 3.

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 0845837 B.C. Ltd. (active) and Discovery Harbour (USA) LLC (dormant). Inter-company balances and transactions are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Mineral Exploration and Evaluation Assets

All costs related to the acquisition, exploration and development of resource properties are capitalized and classified as intangible assets. Upon commencement of commercial production, the related accumulated costs are amortized to income using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of exploration and evaluation assets is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contains economically recoverable reserves. Amounts capitalized as exploration and evaluation assets represent costs incurred to date, less write-downs and recoveries, and do not necessarily reflect present or future values.

When options are granted on resource properties or properties are sold, proceeds are reflected as a reduction of the cost of the property. If sale proceeds exceed costs, the excess is reported as a gain in the consolidated statement of comprehensive loss.

b) Impairment of Non-Financial Assets

Impairment of exploration and evaluation assets 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; exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered; or indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

c) Financial Instruments

Financial Assets

The Company's financial assets are classified into various categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments (continued)

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Certain amounts receivable of the Company are classified as loans and receivables.

Fair Value Through Profit or Loss

A financial asset is classified as fair value through profit or loss ("FVTPL") if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of a portfolio of identified financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash and short-term investments are classified as FVTPL.

Held-to-Maturity

Held-to-maturity ("HTM") investments are recognized on a trade-date basis and are measured at amortized cost. The Company does not have any assets classified as HTM investments.

Available-for-Sale

Available-for-sale ("AFS") financial assets are initially recognized at fair value. Subsequently, gains and losses arising from changes in fair value are recognized in other comprehensive income. When an AFS financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is included in profit or loss for the period. The Company's investments are classified as AFS financial assets.

Impairment of Financial Assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments (continued)

Financial Liabilities

The Company has the following non-derivative financial liabilities: trade and other payables, due to related parties, convertible debenture and demand loans.

Financial liabilities classified as other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition other financial liabilities are measured at amortized cost. Trade and other payables, amounts due to related parties, convertible debenture and demand loans are classified as other financial liabilities.

Transaction costs associated with financial assets classified at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. All financial liabilities are initially recorded at fair value and designated upon inception at FVTPL or other financial liabilities.

d) Short-term Investments

Short-term investments include term deposits. Term deposits are Canadian guaranteed investment certificates that have maturities within 12 months from the consolidated statement of financial position date and are readily convertible into known amounts of cash with minimal risk of fluctuation in fair value.

e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

f) Deferred Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities and are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Deferred Income Taxes (continued)

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

g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and the equity portion of a convertible debenture are classified as equity instruments.

The proceeds from the issue of units are allocated between common shares and share purchase warrants based on the residual value method. The fair value of common shares is based on the market closing price on the date the units are issued. Equity instruments issued to agents as financing costs are measured at their fair value at the date of grant. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

h) Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is determined by adjusting the earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

i) Share-based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued. If it is determined that the fair value of the goods or services cannot be reliably measured, it would then be recorded at the date the goods or services were received. The fair value of share-based compensation is charged to the consolidated statement of comprehensive loss with a corresponding credit recorded to contributed surplus. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

The fair value of options is determined using the Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Share-based Payments (continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense in the consolidated statement of comprehensive loss.

The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

j) Foreign Currency Translation

The presentation currency and functional currency of the Company and its subsidiary is the Canadian dollar as this is the principal currency of the economic environment in which they operate. The Company translates transactions in foreign currencies into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in comprehensive loss.

k) Adoption of New and Revised Standards and Interpretations

A number of new or amended accounting standards were scheduled for mandatory adoption on October 1, 2017 and were adopted in 2018:

IAS 7 – Statement of Cash Flows

The objective of the amendments to IAS 7 is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) New Accounting Standards, Interpretations and Amendments to Existing Standards

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2018, and have not been applied in preparing these consolidated financial statements.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements, are not expected to have a material effect on the Company's future results and financial position.

New accounting standards effective October 1, 2018:

IFRS 9 – Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 establishes a single five–step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

IFRS 2 – Shared-Based Payments

In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) New Accounting Standards, Interpretations and Amendments to Existing Standards (continued)

New accounting standards effective October 1, 2019:

IFRS 16 – Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The extent of the impact of adoption of this standard and interpretation on the consolidated financial statements of the Company has not been determined.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss 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.

Information about critical estimates and judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting impairment, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

iii) Income Taxes

Significant judgment is required in determining the provision for income taxes and the recognition of deferred income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than any amount recognized as current or deferred taxes.

iv) Going Concern

As described in Note 1, management uses its judgement in determining whether the Company is able to continue as a going concern.

v) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 11.

5. TERM DEPOSITS

Term deposits are held at BMO Bank of Montreal. As at September 30, 2018, the fair value of the term deposits is $160,000 (2017 - $nil).

6. INVESTMENTS

a) Red Oak Mining Corp.

The Company's investment in Red Oak Mining Corp. ("ROC") (previously Universal Wing Technologies Inc.) is classified as Available for Sale and measured at fair value. ROC is a public company listed for trading on the TSXV. During the year ended September 30, 2010, the Company acquired 47,000 shares of ROC for $188,000 and 90,000 units of ROC for $309,000 which were comprised of 90,000 shares valued at $209,000 and 90,000 warrants valued at $100,000. The warrants expired unexercised and the cost was expensed to the statement of operations. During the year ended September 30, 2011, the Company acquired 25,000 shares of ROC for $65,000. The carrying cost of the Company's investment in ROC is $462,000.

(Expressed in Canadian Dollars)

6. INVESTMENTS

a) Red Oak Mining Corp. (continued)

A summary table of the Company's investment in ROC is as follows:

	Number of shares	Fair value $
Balance, September 30, 2016	162,000	16,200
Unrealized gain	-	24,300
Balance, September 30, 2017	162,000	40,500
Unrealized loss	-	(4,860)
Balance, September 30, 2018	162,000	35,640

b) Stratus Aeronautics Inc.

The Company's investment in Stratus Aeronautics Inc. ("Stratus"), a private company incorporated in Canada, is classified as Available for Sale and measured at cost as this investment does not have a quoted market price in an active market. The Company acquired 594,000 shares of Stratus on September 22, 2011 pursuant to a transaction to settle a $330,000 loan agreement with Stratus.

During the year ended September 30, 2014, the Company wrote down its investment to $1.

7. EXPLORATION AND EVALUATION ASSETS

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

	Nevada Caldera $	Nevada Jersey Valley $	Total $
Balance at September 30, 2016	-	-	-
Exploration costs			
Property examination	4,401	-	4,401
	4,401	-	4,401
Acquisition of property			
Advance royalty	26,702	6,760	33,462
Claim rental	8,901	-	8,901
Fair value of warrants issued	13,290	2,590	15,880
	48,893	9,350	58,243
Write off of unsuccessful exploration expenditure	-	(9,350)	(9,350)
Balance at September 30, 2017	53,294	-	53,294

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	Nevada Caldera $	Nevada Jersey Valley $	Total $
Balance at September 30, 2017	53,294	-	53,294
Exploration costs			
Administration	797	-	797
Mapping	35,366	-	35,366
Sampling	4,227	-	4,227
	40,390	-	40,390
Acquisition of property			
Advance royalty	38,199	-	38,199
Claim rental	109,628	-	109,628
Claim staking	19,562	-	19,562
	167,389	-	167,389
Balance at September 30, 2018	261,073	-	261,073

a) Caldera Property (Nevada, USA)

On November 18, 2016, as amended February 17, 2017 and March 30, 2017, the Company signed an option agreement (the "Option Agreement") with Genesis Gold Corporation (the "Vendor") to acquire a 100% interest, subject to advance minimum royalty payments and a 2% retained royalty, in the Caldera gold property (the "Property") located in Nye County, Nevada. The Company may earn its interest in the Property by making the following optional payments:

1. The Company shall make Advance Royalty Payments in US dollar currency as follows:

Advance Minimum Royalty	Amount US$
On signing (paid)	5,000
On or before June 30, 2017 (paid)	15,000
First anniversary (paid)	30,000
Second anniversary	50,000
Third anniversary	75,000
Fourth anniversary	100,000
Fifth anniversary	125,000
Sixth anniversary and thereafter	150,000

Beginning with the payment due on the fifth anniversary date, all annual payments will be adjusted at the rate of inflation shown in the U.S. Consumer Price Index ("CPI") using the CPI on the fourth anniversary date as the basis for adjustment for the remainder of the Option Agreement term.

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Caldera Property (Nevada, USA) (continued)

2. During the term of the option, the Company shall pay rentals for the unpatented mining claims to the Bureau of Land Management sufficient to keep the properties in good standing. Should the Company decide to terminate the option on any part of the Property on or after 15 June of any year, the Company will be responsible for making rental payments in that year.

3. The Company shall issue to the Vendor 166,667 share purchase warrants exercisable at $0.15 per share for a term of three years (issued June 12, 2017 with a fair value of $13,290).

4. The Company may exercise the Option to acquire 100% interest, subject to annual advance minimum royalty payments and a 2% retained royalty, in the Property by requesting title transfer in writing upon having completed US$400,000 in Advance Royalty Payment to the Vendor.

b) Jersey Valley Property (Nevada, USA)

On November 18, 2016, as amended February 17, 2017, the Company signed an option agreement (the “Option Agreement”) with Genesis Gold Corporation (the “Vendor”) to acquire a 100% interest, subject to advance minimum royalty payments and a 2% to 3% retained royalty, in the Jersey Valley gold property (the “Property”) located in Pershing County, Nevada. The Company may earn its interest in the Property by paying US$5,000 in Advance Royalty Payment on signing the Option Agreement (paid), issuing 33,333 share purchase warrants exercisable at $0.225 per share for a term of three years (issued June 12, 2017 with a fair value of $2,590), making annual Advance Minimum Royalty Payments, and paying cash consideration of US$3,000,000 reduced by Advance Royalty Payments made prior to exercise of the option.

The Company elected not to proceed with the Jersey Valley property option and accordingly $9,350 in acquisition costs were written off as an impairment loss during the year ended September 30, 2017.

8. CONVERTIBLE DEBENTURE

On April 8, 2017, the Company issued a non-interesting bearing, unsecured convertible debenture to a director of the Company for gross proceeds of $100,000. The debenture is convertible, at the option of the holder, into shares of the Company at a conversion price equal to the greater of $0.05 per share or the subscription price for each share in the most recently completed private placement of the Company during the term of the debenture. The debenture matured twelve (12) months from the date of closing of the financing on April 8, 2018. Using a risk adjusted discount rate of 12%, the equity portion was determined to be $11,255 and was recognized as the equity portion of convertible debenture on the Consolidated Statement of Financial Position. Accretion expense of $5,795 was expensed to the Consolidated Statements of Comprehensive Loss during the year ended September 30, 2018 (2017 - $5,460).

(Expressed in Canadian Dollars)

9. LOANS PAYABLE

On August 1, 2017, the Company received a non-interest bearing, unsecured demand loan of US $80,000 from a director. The fair value of the loan was $103,560 on September 30, 2018 (2017 - $97,097).

On October 6, 2017, the Company received a non-interest bearing, unsecured demand loan of US $100,000 from a director. The fair value of the loan was $129,450 on September 30, 2018.

On December 19, 2017, the Company received a non-interest bearing, unsecured demand loan of $130,000 from a director. The Company repaid $30,000 of the demand loan on August 2, 2018.

10. SHARE CAPITAL AND RESERVES

a) Common Shares

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

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

On July 7, 2017, the Company consolidated its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every three (3) pre-consolidation common shares then issued and outstanding (the "Share Consolidation").

As a result of the Share Consolidation, the number of shares, warrants and options presented in these financial statements and the calculated weighted average number of common shares issued and outstanding for the purpose of earnings per share calculation are based on the post-consolidation shares for all historic years presented.

The Company issued the following common shares during the year ended September 30, 2018:

i) On July 23, 2018, the Company raised gross proceeds of $300,000 by way of a non-brokered private placement of 6,000,000 units priced at $0.05 (the "Units"). Each Unit consists of one common share and one share purchase warrant, with each whole warrant exercisable into one further common share at a price of $0.10 for a term of two years.

b) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. No preferred shares have been issued since the Company's inception.

c) Contributed Surplus

	September 30, 2018 $	September 30, 2017 $
Fair value of warrants issued	224,286	224,286
Fair value of stock options granted or vested	1,495,496	1,495,496
Contributed surplus	1,719,782	1,719,782

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (CONTINUED)

d) Share Purchase Warrants

A summary of the Company's share purchase warrants at September 30, 2018 and 2017 and the changes for the years then ended is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2016	5,016,667	$0.52
Issue of warrants	200,000	$0.16
Expiry of warrants	(5,016,667)	$0.52
Balance at September 30, 2017	200,000	$0.16
Issue of warrants	6,000,000	$0.10
Balance at September 30, 2018	6,200,000	$0.10

As at September 30, 2018, the Company had outstanding and exercisable warrants as follows:

Number of Warrants Outstanding and Exercisable			
September 30, 2018	September 30, 2017	Exercise Price per Share	Expiry Date
166,667	166,667	$0.15	June 12, 2020
33,333	33,333	$0.225	June 12, 2020
6,000,000	-	$0.10	July 23, 2020
6,200,000	200,000		

11. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has a Stock Option Plan dated September 29, 2015 (the "Plan"). Because it is a rolling stock option plan, the Company may grant options to a maximum of 10% of the issued and outstanding Common Shares, from time to time, under the Plan. However, share compensation awards under all share compensation arrangements of the Company may not exceed, in aggregate, 10% of the total number of issued and outstanding Common Shares. The Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees, subject to the price restrictions and other TSX Venture Exchange Policy requirements. Options granted under the Plan are subject to vesting terms determined by the Board. The Plan was approved by the Company's shareholders on October 28, 2015 and became effective as of that date.

(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS (CONTINUED)

a) Option Plan Details (continued)

A summary of the Company's stock options at September 30, 2018 and 2017 and the changes for the years then ended is presented below:

	September 30, 2018		September 30, 2017	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	486,667	$0.33	991,667	$0.33
Cancelled	(100,000)	$0.30	(505,000)	$0.35
Ending balance	386,667	$0.34	486,667	$0.33

During the year ended September 30, 2018, the Company cancelled 100,000 stock options exercisable at $0.30 per share.

During the year ended September 30, 2017, the Company cancelled 466,666 stock options exercisable at $0.30 per share, 30,000 stock options exercisable at $0.90 per share, and 8,334 stock options exercisable at $1.23 per share.

Details of stock options outstanding and exercisable as at September 30, 2018 and 2017 are as follows:

Expiry Date	Exercise Price	September 30, 2018	September 30, 2017
March 23, 2020	$0.30	366,667	466,667
July 5, 2020	$0.90	10,000	10,000
November 23, 2020	$1.23	10,000	10,000
		386,667	486,667

12. NATURE OF EXPENSES

	2018 $	2017 $
Other income (expenses) include:		
Interest income	154	-
Gain (loss) on foreign exchange	(9,097)	597
	(8,943)	597
Employee costs include:		
Management fees	108,000	59,430
Consulting fees	8,000	53,129
Salaries and benefits	2,000	-
	118,000	112,559

(Expressed in Canadian Dollars)

12. NATURE OF EXPENSES (CONTINUED)

	2018 $	2017 $
Finance expense includes:		
Accretion expense	5,795	5,460
	5,795	5,460
General and administrative expenses include:		
Accounting and audit fees	15,515	13,525
Filing fees	7,749	18,444
Insurance	9,945	9,973
Investor communication	12,005	4,869
Legal	12,614	33,136
Office	8,968	13,749
Transfer agent	3,283	6,725
	70,079	100,421

Certain comparative figures included in the nature of expenses above have been reclassified to conform with the financial statement presentation adopted for the current period. These reclassifications have no effect on the consolidated comprehensive loss for the year ended September 30, 2018.

13. INCOME TAXES

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

	2018	2017
Combined statutory tax rate	26.50%	26.00%
	$	$
Income tax recovery at combined statutory rate	(53,747)	(59,070)
Non-deductible expenses and other	848	4,578
Effect of change in statutory rate	(77,157)	-
Change in unrecognized deferred tax assets	130,056	54,492
Income tax expense	-	-

Significant components of the Company's unrecognized deferred tax assets (liabilities) are shown below:

	2018	2017
Equipment	7,454	7,314
Exploration and evaluation assets	2,300,665	2,257,256
Investments	152,377	148,870
Share issuance costs	1,434	325
Non-capital and capital loss carry-forwards	1,661,151	1,579,260
Total deferred income tax assets	4,123,081	3,993,025
Unrecognized deferred tax assets	(4,123,081)	(3,993,025)
Net deferred tax assets	-	-

As at September 30, 2018, the Company has available for deduction against future taxable income non-capital losses of approximately $6,125,000, which will expire beginning in 2038. The Company has available for deduction against future taxable capital gains net-capital losses of approximately $286,000 which can be carried forward indefinitely.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

	2018 $	2017 $
Short-term employee benefits and director fees	110,000	59,430
Share-based payments	-	-
	110,000	59,430

During the year ended September 30, 2018, the Company paid $75,000 (2017: $nil) to a company controlled by the President, Chief Executive Officer and a director of the Company for his services as an officer.

The Company has entered into an Employment Agreement with the Company's Chief Financial Officer effective September 1, 2018 for a twelve month term ending August 31, 2019. As compensation for the services to be provided, the Chief Financial Officer will receive a monthly fee of $2,000. During the year ended September 30, 2018, the Company paid $2,000 (2017: $nil) in salary to the Chief Financial Officer. Due to related parties at September 30, 2018 includes $2,000 (September 30, 2017: $nil) in amounts owing to the Chief Financial Officer for unpaid services and expenses.

During the year ended September 30, 2018, the Company paid $33,000 (2017: $37,500) in accounting fees to a company controlled by the former Chief Financial Officer.

During the year ended September 30, 2018, the Company paid $nil (2017: $21,930) in management consulting fees to a former director.

b) Consulting Agreement

The Company has entered into a Strategic Consulting Agreement with a corporate consultant (the "Consultant") effective September 1, 2018 for a twelve month term with provisions for automatic renewal for consecutive twelve month terms unless 30 day written notice of termination is provided. As compensation for the services the be provided, the Consultant will receive a monthly fee of $5,000. The Consultant is a related party by virtue of participating in the Company's private placement described in Note 10(a) and acquiring beneficial ownership of over 10% of the common shares of the Company. During the year ended September 30, 2018, the Company paid $5,000 (2017: $nil) in consulting fees to the Consultant. Due to related parties at September 30, 2018 includes $5,250 (September 30, 2017: $nil) in amounts owing to the Consultant for unpaid services and expenses.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (CONTINUED)

c) Office Rent

Office rent of $6,000 (2017: $6,000) was paid to a company with a common officer. At September 30, 2018, a rental deposit of $500 receivable from the related party was included in amounts receivable.

d) Convertible Debenture and Demand Loan

The Convertible Debenture described in Note 8 and the Loans Payable described in Note 9 were advanced by a director and major shareholder of the Company.

e) Private Placement

The private placement described in Note 10 was fully subscribed by directors and/or parties who hold beneficial ownership of over 10% of the common shares of the Company.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments include cash, term deposits, amounts and other receivable, investments, trade and other payables, amounts due to related parties, convertible debenture and demand loans payable. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	September 30, 2018		September 30, 2017	
	Fair Value $	Carrying Value $	Fair Value $	Carrying Value $
FVTPL assets (i)	163,372	163,372	39,659	39,659
Loans and receivables (ii)	11,393	11,393	-	-
Investments (iii)	35,640	35,640	40,500	40,500
Other financial liabilities (iv)	21,032	21,032	5,379	5,379
Convertible debenture	100,000	100,000	94,205	94,205
Demand loans payable	333,010	333,010	97,097	97,097

(i) Cash, term deposits
(ii) Amounts and other receivable
(iii) Marketable securities
(iv) Trade and other payables and due to related parties

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

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

Level 3 - Inputs for the asset or liability that are not based on observable market data.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

As at September 30, 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	3,372	-	-	3,372
Term deposits	160,000	-	-	160,000

The Company believes the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.

Credit risk

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash and cash equivalents. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash and cash equivalents with high credit chartered Canadian financial institutions. As at September 30, 2018, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payable, amounts due to related parties, convertible debenture and loans payable. The Company has a working capital deficit of $279,865 as at September 30, 2018 and requires additional financing for operations and meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 16. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

The following are the contractual maturities of financial liabilities as at September 30, 2018:

	Carrying Amount $	Contractual Cash Flows $	Within 1 year $	Within 2 years $	Within 3 years $	Over 3 years $
Trade and other payables	13,782	13,782	13,782	-	-	-
Due to related parties	7,250	7,250	7,250	-	-	-
Convertible debenture	100,000	100,000	100,000	-	-	-
Loans payable	333,010	333,010	333,010	-	-	-
Total	454,042	454,042	454,042	-	-	-

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal 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.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. The Company is exposed to foreign exchange risk because the Company's financial instruments are denominated in both Canadian dollars and US dollars, and all current exploration occurs within the United States.

16. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can support continued development of its exploration and evaluation assets, pursue the acquisition and exploration of other mineral interests, and to maintain a flexible capital structure for its projects for the benefit of its shareholders and other stakeholders. The Company is not exposed to externally imposed capital requirements.

The Company considers items included in equity to be capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, option its properties for cash from optionees, enter into joint venture arrangements, return capital to its shareholders or adjust the amount of cash.

17. NON-CASH TRANSACTIONS

Non-cash Financing and Investing Activities	**2018** **$**	**2017** **$**
Warrants issued for acquisition of exploration and evaluation assets	-	15,880

(Expressed in Canadian Dollars)

18. SEGMENTED INFORMATION

The Company has one operating segment, the exploration of mineral properties, and two geographical segments, with all current exploration activities being conducted in the United States:

	September 30, 2018			September 30, 2017		
	Canada $	USA $	Total $	Canada $	USA $	Total $
Current assets	187,677	-	187,677	46,816	-	46,816
Investment	35,641	-	35,641	40,501	-	40,501
Reclamation bond	-	7,358	7,358	-	6,220	6,220
Exploration and evaluation assets	-	261,073	261,073	-	53,294	53,294
Total assets	223,318	268,431	491,749	87,317	59,514	146,831

19. SUBSEQUENT EVENTS

a) Caldera Extension Property

On August 15, 2018, as amended September 19, 2018, the Company signed a Letter of Intent with a non-arm’s length party (the “Vendor”) to acquire a 100% interest in the Caldera Extension gold property located in Nye County, Nevada for consideration of 2,000,000 common shares of the Company. The Vendor is a related party by virtue of holding beneficial ownership of over 10% of the common shares of the Company. The acquisition is subject to the acceptance of the TSX Venture Exchange.

b) Caldera Property

On November 12, 2018, the Company made the second anniversary advance royalty payment of US $50,000 ($66,300) to Genesis Gold Corporation pursuant to the Caldera property option agreement described in Note 7(a).