ROTATION MINERALS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

November 30, 2017

(Stated 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 interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim 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 condensed interim financial statements.

ROTATION MINERALS LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
November 30, 2017 and August 31, 2017
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

ASSETS

	November 30, 2017	August 31, 2017
Current assets		
Cash	$ 330,493	$ 339,819
GST recoverable	15,846	9,379
BC METC recoverable – Note 5	107,219	107,219
Prepaid expenses	10,550	10,933
	464,108	467,350
Non-current assets		
Reclamation bonds	78,246	78,246
Exploration and evaluation assets – Notes 5 and 6	1,677,632	1,628,249
	1,755,878	1,706,495
	$ 2,219,986	**$ 2,173,845**

LIABILITIES AND SHAREHOLDERS' EQUITY

	November 30, 2017	August 31, 2017
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 102,883	$ 52,018
Due to related parties – Note 6	27,791	153,002
	130,674	205,020
Shareholders' Equity		
Share capital – Note 7	4,112,451	3,874,048
Contributed surplus	711,030	672,030
Deficit	(2,734,169)	(2,577,253)
	2,089,312	1,968,825
	$ 2,219,986	**$ 2,173,845**

APPROVED AND AUTHORIZED BY THE BOARD:

"Bradley Rourke"	Director	*"Brent Petterson"*	Director
Bradley Rourke		Brent Petterson	

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

ROTATION MINERALS LTD.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three months ended November 30, 2017 and 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

	2017	2016
General and administrative expenses		
Accounting and audit – Note 6	$ 1,500	$ 3,750
Consulting	72,000	-
Filing fees	1,250	4,075
Insurance	1,666	-
Legal fees	7,773	1,442
Management fees – Note 6	25,500	12,000
Office and miscellaneous	1,743	94
Share-based payments – Note 8	39,000	-
Transfer agent	1,416	2,250
Travel and promotion	5,068	-
	(156,916)	(23,611)
Net and comprehensive loss	**$ (156,916)**	**$ (23,611)**
Loss per share - basic and diluted	**$ (0.00)**	**$ (0.00)**
Weighted average number of shares outstanding	48,123,969	37,158,303

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

ROTATION MINERALS LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the three months ended November 30, 2017 and 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

	# of Issued Common Shares	Amount	Contributed Surplus	Deficit	Total
Balance, August 31, 2016	**37,044,017**	**$ 2,463,528**	**$ 581,945**	**$ (2,032,461)**	**$ 1,013,012**
Shares issued for cash:					
Exercise of stock options – Note 7	400,000	20,000	-	-	20,000
Reclassification on exercise of stock options – Note 10	-	51,915	(51,915)	-	-
Net loss and comprehensive loss	-	-	-	(23,611)	(23,611)
Balance, November 30, 2016	**37,444,017**	**$ 2,535,443**	**$ 530,030**	**$ (2,056,072)**	**$ 1,009,401**
Balance, August 31, 2017	**46,940,685**	**$ 3,874,048**	**$ 672,030**	**$ (2,577,253)**	**$ 1,968,825**
Shares issued for cash:					
Private placement – Note 7	1,631,498	244,725	-	-	244,725
Less: share issue costs – Note 7	-	(6,322)	-	-	(6,322)
Share-based payments – Note 8	-	-	39,000	-	39,000
Net loss and comprehensive loss	-	-	-	(156,916)	(156,916)
Balance, November 30, 2017	**48,572,183**	**$ 4,112,451**	**$ 711,030**	**$ (2,734,169)**	**$ 2,089,312**

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

ROTATION MINERALS LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the three months ended November 30, 2017 and 2016
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

	2017	2016
Operating Activities		
Net loss	$ (156,916)	$ (23,611)
Add (deduct) items not affecting cash:		
Share-based payments	39,000	-
	(117,916)	(23,611)
Changes in working capital balances related to operations:		
GST recoverable	(6,467)	(4,188)
Prepaid expenses	383	1,300
Accounts payable and accrued liabilities	50,865	16,717
Due to related parties	(125,211)	-
	(198,346)	(9,782)
Investing Activity		
Exploration and evaluation assets	(49,383)	(61,078)
	(49,383)	(61,078)
Financing Activities		
Shares issued for cash	244,725	-
Share issuance costs	(6,322)	-
Proceeds from exercise of stock options	-	20,000
	238,403	20,000
Change in cash	(9,326)	(50,860)
Cash, beginning	339,819	53,581
Cash, ending	$ 330,493	$ 2,721
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

Non-cash Transactions – Note 10

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

1. Corporate Information

Rotation Minerals Ltd. (the "Company") is an exploration stage company incorporated on November 24, 2009, in British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in British Columbia, Canada. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "ROT".

The Company's business address is PO Box 48202 Bentall, Vancouver, British Columbia, V7X 1H8.

2. Basis of Preparation

a) Statement of Compliance

These condensed interim 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 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 financial statements should be read in conjunction with the Company's audited annual financial statements for the years ended August 31, 2017 and 2016.

These condensed interim financial statements were authorized for issue on January 29, 2018 by the directors of the Company.

b) Basis of Measurement

These condensed interim financial statements have been prepared using the historical cost basis except for financial instruments that have been measured at fair value.

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. Basis of Preparation – (cont'd)

c) Going Concern

As at November 30, 2017, the Company has not generated revenue from operations, has an accumulated deficit of $2,734,169 and expects to incur further losses in the exploration and development of its mineral properties. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company's ability to obtain adequate financing to develop the reserves, and its ability to commence profitable operations in the future. These conditions indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Company has been able to fund operations and mineral property exploration through equity financings. Uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make it more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

These 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.

3. Significant Accounting Policies

These condensed interim financial statements have, in management's opinion, been properly and consistently prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

3. Significant Accounting Policies – (cont'd)

a) Mineral Exploration and Evaluation Expenditures – (cont'd)

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

b) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss.

c) Financial Instruments

Financial Assets

The Company has classified its cash as fair value through profits and loss ("FVTPL") and reclamation bonds as loans and receivables.

3. Significant Accounting Policies – (cont'd)

c) Financial Instruments (cont'd)

Financial Assets (cont'd)

Financial assets are classified as 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.

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of accounts payables and advances from related parties. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Company's financial liabilities comprise of accounts payable and due to related parties.

3. Significant Accounting Policies – (cont'd)

c) Financial Instruments (cont'd)

Impairment of Financial Assets

The Company assesses at each reporting date 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.

d) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. At August 31, 2017 and 2016, the Company did not have any rehabilitation provisions.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

3. Significant Accounting Policies – (cont'd)

e) Income Taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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

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

f) Government Grants

B.C. Mining Exploration Tax Credits (BC METC) for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective exploration and evaluation assets. If there is significant uncertainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt, otherwise estimated BC METC amounts are accrued as tax credits recoverable. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

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 are classified as equity instruments.

Costs directly attributable to the issue of new shares are recognized in equity as a deduction from the proceeds. Costs attributable to the listing of existing shares are expensed as incurred.

3. Significant Accounting Policies – (cont'd)

h) Loss per Share

Basic loss per share is computed by dividing the net loss applicable to the common shares by the weighted average number of common shares outstanding for the period.

Diluted loss per share is computed by dividing the net loss applicable to the common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When losses are incurred, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

i) Share-Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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 equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

3. Significant Accounting Policies – (cont'd)

i) Share-Based Payments – (cont'd)

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

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.

j) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

k) Recent Accounting Pronouncements

There was no impact on the Company's financial statements from the following new accounting standard adopted effective September 1, 2016:

IAS 1 – Presentation of Financial Statements

In December 2014, amendments to IAS 1 were issued to address perceived impediments to preparers exercising their judgement in presenting their financial statements. The amendments clarify the definition of materiality, the presentation of items on the statement of financial position and statement of profit or loss and other comprehensive income, and ordering of notes in the financial statements.

3. Significant Accounting Policies – (cont'd)

k) Recent Accounting Pronouncements – (cont'd)

There was no impact on the Company's financial statements from the following new accounting standard adopted effective September 1, 2017:

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.

l) Accounting Standards and Amendments Issued But Not Yet Effective

New accounting standards effective September 1, 2018:

The following standards have not been adopted by the Company. The Company is currently evaluating the impact these amendments are expected to have on its financial statements.

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.

3. Significant Accounting Policies – (cont'd)

l) Accounting Standards and Amendments Issued But Not Yet Effective – (cont'd)

New accounting standards effective September 1, 2019:

The following standards have not been adopted by the Company. The Company is currently evaluating the impact these amendments are expected to have on its financial statements.

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.

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.

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 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 judgments 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 financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that 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 that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Rehabilitation Provisions

Rehabilitation provisions have been determined to be $Nil based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

c) Share-Based Payments

The Company uses the Black Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

d) Valuation of Deferred Tax Assets

The Company makes a determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

5. Exploration and Evaluation Assets

a) Four J's

By an option agreement with a company with a director in common with the Company dated August 9, 2010, and last amended on September 8, 2017, the Company has the option to acquire a 50% interest in the Four J's Property which consists of 5 claims located in the Golden Triangle near Stewart, British Columbia. Consideration to earn the 50% interest is $180,000 in cash and exploration expenditures of $1,800,000 as follows:

Cash Payments:

i) $20,000 on execution of the agreement (paid);
ii) a further $25,000 on or before August 9, 2011 (paid);
iii) a further $30,000 on or before August 9, 2012 (paid);
iv) a further $15,000 on or before August 9, 2016 (paid);
v) a further $20,000 on or before August 9, 2017 (paid);
vi) a further $30,000 on or before August 9, 2018; and
vii) a further $40,000 on or before August 9, 2019.

Cumulative Exploration Expenditures:

i) $397,716 on or before September 30, 2016 (incurred);
ii) a further $100,000 on or before December 31, 2016 (incurred);
iii) a further $500,000 on or before December 31, 2018 (incurred $41,072); and
iv) a further $802,284 on or before December 31, 2019.

Upon earning the 50% interest, the Company has been granted the option to earn an additional 20% interest by completing the necessary exploration work, studies and reports to deliver a feasibility study on the property.

On September 8, 2017, the Company amended the option agreement and paid an extension fee of $10,000. The terms detailed above include this amendment.

b) Black Hills

On January 17, 2013, the Company purchased a 100% interest in 6 claims located in the Skeena Mining Division of British Columbia for $10,000 from a company that is managed by a director of the Company. The claims are collectively known as the Black Hills Property.

5. Exploration and Evaluation Assets – (cont'd)

c) Scottie

On September 27, 2012, the Company entered into an agreement with a company with directors in common with the Company to purchase an 80% interest in the Scottie Property. The Scottie property consists of 2 located claims and 14 Crown-granted mineral claims located in the Golden Triangle near Stewart, British Columbia.

The Company purchased the 80% interest for $370,000. The Company paid $20,000 upon signing the agreement with the remaining $350,000 payable within one year of signing the agreement. The due date of the $350,000 payment was extended a number of times.

On August 31, 2016, the vendor of the Scottie property agreed to transfer the remaining 20% interest in the Scottie property to the Company at no cost provided that the Company pay the $350,000 on or before November 30, 2016. The Company and the vendor then negotiated an extension of that due date to September 1, 2017. The $350,000 balance owing was paid in full on August 24, 2017.

The property is subject to a 3% net smelter return royalty. The Company has the right to purchase 2% for $600,000.

d) Stock

On February 20, 2017, the Company staked a 100% interest in 3 mineral claims at a cost of $7,225 known as the Stock property. The Stock property is located south of the Company's Scottie property in the Golden Triangle near Stewart, British Columbia.

On August 28, 2017, the Company entered into a binding letter of intent with Jaxon Minerals Inc. ("Jaxon") to option a 75% interest in the Stock property to Jaxon. The terms of the letter of intent require Jaxon to spend up to $375,000 on the Stock property over four years.

e) Placer Lease 372720

On March 1, 2016, the Company was granted a three-year option on Placer Lease 372720 located in the Cariboo Mining District of Central British Columbia. Placer Lease 372720 was optioned from the former Chief Executive Officer ("CEO") of the Company. The Company will pay a 2% net smelter return royalty to the CEO on any gold produced during the option period. The Company agreed to incur a minimum work commitment of $30,000 on or before December 31, 2016 (incurred).

During the year ended August 31, 2017, the Company abandoned its option on Placer Lease 372720 and recorded a write-off of $79,263.

(Stated in Canadian Dollars)

5. Exploration and Evaluation Assets – (cont'd)

Three Months ended November 30, 2017:

	Four J's	Scottie	Black Hills	Stock	Total
Property acquisition costs					
Balance, August 31, 2017	$ 110,000	$ 370,000	$ 10,000	$ 7,225	$ 497,225
Cash – Note 6	10,000	-	-	-	10,000
Legal	-	2,569	-	-	2,569
Balance, November 30, 2017	120,000	372,569	10,000	7,225	509,794
Exploration and evaluation costs					
Balance, August 31, 2017	502,978	745,821	5,805	-	1,254,604
Field costs	2,278	-	-	-	2,278
Geological – Note 6	33,532	1,004	-	-	34,536
Balance, November 30, 2017	538,788	746,825	5,805	-	1,291,418
BC mining exploration tax credits					
Balance, August 31, 2017	(52,801)	(70,203)	(576)	-	(123,580)
Exploration tax credits	-	-	-	-	-
Balance, August 31, 2017	(52,801)	(70,203)	(576)	-	(123,580)
Totals	**$ 605,987**	**$ 1,049,191**	**$ 15,229**	**$ 7,225**	**$ 1,677,632**

(Stated in Canadian Dollars)

5. Exploration and Evaluation Assets – (cont'd)

Year ended August 31, 2017:

	Four J's	Scottie	Black Hills	Stock	Placer Lease	Total
Property acquisition costs						
Balance, August 31, 2016	$ 90,000	$ 20,000	$ 10,000	$ -	$ -	$ 120,000
Cash – Note 6	20,000	350,000	-	-	-	370,000
Staking	-	-	-	7,225	-	7,225
Balance, August 31, 2017	110,000	370,000	10,000	7,225	-	497,225
Exploration and evaluation costs						
Balance, August 31, 2016	397,716	396,727	2,923	-	16,174	813,540
Assays	3,860	42,105	2,018	-	-	47,983
Drilling – Note 6	42,420	140,925	-	-	-	183,345
Equipment rental – Note 6	21,530	29,505	-	-	69,861	120,896
Field costs	3,596	21,340	864	-	9,000	34,800
Geological – Note 6	15,631	96,994	-	-	-	112,625
Labour – Note 6	12,425	12,425	-	-	-	24,850
Supervision – Note 6	5,800	5,800	-	-	-	11,600
Balance, August 31, 2017	502,978	745,821	5,805	-	95,035	1,349,639
BC mining exploration tax credits						
Balance, August 31, 2016	(31,749)	(384)	-	-	-	(32,133)
Exploration tax credits	(21,052)	(69,819)	(576)	-	(15,772)	(107,219)
Balance, August 31, 2017	(52,801)	(70,203)	(576)	-	(15,772)	(139,352)
Write-off mineral property costs	-	-	-	-	(79,263)	(79,263)
Totals	**$ 560,177**	**$ 1,045,618**	**$ 15,229**	**$ 7,225**	**$ -**	**$ 1,628,249**

(Stated in Canadian Dollars)

6. Related Party Transactions

The Company incurred the following charges by companies with directors in common with the Company, by a company managed by a director of the Company and by a public company with a director in common with the Company during the three months ended November 30, 2017 and 2016:

	2017	2016
Accounting	$ -	$ 3,750
Exploration and evaluation assets – acquisition costs	10,000	16,000
Exploration and evaluation assets – equipment rental	-	43,060
Exploration and evaluation assets – geological	-	9,000
Share-based payments	39,000	-
Management fees	25,500	12,000
	$ 74,500	$ 83,810

The Company considers all of its directors and executive officers to be key management. The Company incurred the following key management compensation charges during the three months ended November 30, 2017 and 2016:

	2017	2016
Accounting	$ -	$ 3,750
Share-based payments	39,000	-
Management fees	25,500	12,000
	$ 64,500	$ 15,750

At November 30, 2017, due to related parties includes $27,791 (August 31, 2017: $153,002) due to directors of the Company and to a company with a director in common with the Company for fees, expenses and cash advances.

The amounts due to related parties are unsecured, non-interest bearing and have no fixed term of repayment.

7. Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

During the Three Months Ended November 30, 2017:

On September 26, 2017, the Company issued 1,631,498 common shares at $0.15 per share for gross proceeds of $244,725 pursuant to the private placement of 1,631,498 units at $0.15 per unit. Each unit contained one common share and one share purchase warrant entitling the holder to purchase an additional common share at $0.25 until September 26, 2019. No finders' fees were paid with respect to this private placement. The Company incurred share issue costs of $6,322 with respect to this private placement.

During the Year Ended August 31, 2017:

The Company issued 1,350,000 common shares at pursuant to the exercise of stock options for proceeds of $67,500.

The Company issued 1,000,000 common shares at $0.05 per share pursuant to the exercise of share purchase warrants for proceeds of $50,000.

On January 24, 2017, the Company issued 760,000 common shares at $0.25 per share for gross proceeds of $190,000 pursuant to the private placement of 760,000 units at $0.25 per unit. Each unit contained one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at $0.40 until January 24, 2019. No finders' fees were paid with respect to this private placement. The Company incurred share issue costs of $1,700 with respect to this private placement.

On August 1, 2017, the Company issued 3,333,334 common shares at $0.15 per share for gross proceeds of $500,000 pursuant to the private placement of 3,333,334 units at $0.15 per unit. Each unit contained one common share and one share purchase warrant entitling the holder to purchase an additional common share at $0.25 until August 1, 2019. No finders' fees were paid with respect to this private placement. The Company incurred share issue costs of $3,195 with respect to this private placement.

On August 30, 2017, the Company issued 3,453,334 common shares at $0.15 per share for gross proceeds of $518,000 pursuant to the private placement of 3,453,334 units at $0.15 per unit. Each unit contained one common share and one share purchase warrant entitling the holder to purchase an additional common share at $0.25 until August 30, 2019. No finders' fees were paid with respect to this private placement.

(Stated in Canadian Dollars)

7. Share Capital – (cont'd)

c) Commitments:

Share Purchase Warrants:

A summary of share purchase warrant activity for the three months ended November 30, 2017 and for the year ended August 31, 2017 is presented below:

	Three months ended November 30, 2017		Year ended August 31, 2017	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	18,166,668	$0.13	12,000,000	$0.05
Issued	1,631,498	$0.25	7,166,668	$0.26
Exercised	-	-	(1,000,000)	$0.05
Outstanding, end of period	19,798,166	$0.14	18,166,668	$0.13

At November 30, 2017, the Company had 19,798,166 share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
4,000,000	$0.05	April 7, 2018
7,000,000	$0.05	June 22, 2018
380,000	$0.40	January 24, 2019
3,333,334	$0.25	August 1, 2019
3,453,334	$0.25	August 30, 2019
1,631,498	$0.25	September 26, 2019
19,798,166		

At November 30, 2017, the outstanding share purchase warrants had a weighted average remaining contractual life of 1.06 years.

(Stated in Canadian Dollars)

8. Share-based Payments

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 granted under the Plan is limited to 20% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The exercise price of options granted under the Plan may not be less than the fair market value of the Company's common shares at the date the options are granted. Options granted under the Plan have a maximum life of five years and vest on the date of grant or over periods determined by the directors.

During the Three Months Ended November 30, 2017:

On October 26, 2017, the Company granted 150,000 stock options entitling the holder to purchase one common share for each option held at $0.26 per share until October 26, 2022. The fair value of the stock options of $39,000 was calculated using the Black Scholes option valuation model with the following assumptions:

Risk-free interest rate	1.60%
Expected life of options	5 years
Annualized volatility	220%
Dividend rate	0%
Share price on grant date	$ 0.26

During the Year Ended August 31, 2017:

On May 24, 2017, the Company granted 900,000 stock options entitling the holders to purchase one common share for each option held at $0.20 per share until May 24, 2022. The fair value of the stock options of $180,000 was calculated using the Black Scholes option valuation model with the following assumptions:

Risk-free interest rate	1.13%
Expected life of options	5 years
Annualized volatility	208%
Dividend rate	0%
Share price on grant date	$ 0.20

(Stated in Canadian Dollars)

8. Share-based Payments – (cont'd)

A summary of stock option activity for the three months ended November 30, 2017 and for the year ended August 31, 2017 is presented below:

	Three months ended November 30, 2017		Year ended August 31, 2017	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,900,000	$0.12	4,550,000	$0.05
Granted	150,000	$0.26	900,000	$0.20
Expired	-	-	(2,200,000)	$0.05
Exercised	-	-	(1,350,000)	$0.05
Outstanding, end of period	2,050,000	$0.13	1,900,000	$0.12

At November 30, 2017, the Company had 2,050,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Options	Exercise Price	Expiry Date
1,000,000	$0.05	May 16, 2021
900,000	$0.20	May 24, 2022
150,000	$0.26	October 26, 2022
2,050,000		

At November 30, 2017, the outstanding stock options had a weighted average remaining contractual life of 4.01 years.

9. Financial Instruments

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

Financial instruments measured at fair value are classified into one of 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 Company's financial instruments consist of cash, reclamation bonds, accounts payable and due to related parties. Cash is classified as FVTPL, reclamation bonds are classified as loans and receivables, and accounts payable and advances from related parties are classified as other financial liabilities.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and advances from related parties are all current and due within 90 days of the balance sheet date.

10. 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 transaction has been excluded from the statements of cash flows:

For the three months ended November 30, 2016:

- At August 31, 2016, the Company had paid exploration advances of $82,500 which were applied to exploration and evaluation costs incurred on Placer Lease 372720 during the three months ended November 30, 2016.