
BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2018 AND 2017
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Note	January 31, 2018	October 31, 2017
ASSETS			
Current assets			
Cash		\$ 830,934	\$ 1,148,122
Receivables	4	3,081	5,102
Prepaid expenses		7,287	11,502
Total current assets		841,302	1,164,726
Non-current assets			
Exploration and evaluation advance		61,691	13,831
Reclamation deposits		64,132	26,500
Exploration and evaluation assets	5	5,738,970	5,577,246
Total non-current assets		5,864,793	5,617,577
TOTAL ASSETS		\$ 6,706,095	\$ 6,782,303
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 38,681	\$ 34,190
Due to related party	10	10,500	17,370
Flow-through share premium liability	8	19,990	19,990
Total current liabilities		69,171	71,550
Non-current liabilities			
Due to related party	10	151,897	148,086
Total non-current liabilities		151,897	148,086
Total liabilities		221,068	219,636
SHAREHOLDERS' EQUITY			
Share capital	8	26,543,731	26,543,731
Equity reserves	8	4,100,526	4,100,526
Deficit		(24,159,230)	(24,081,590)
Total shareholders' equity		6,485,027	6,562,667
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 6,706,095	\$ 6,782,303

Nature of operations (Note 1)

Subsequent event (Note 13)

"Michael S. Carr"
Michael S. Carr, Director

"George W. Sanders"
George W. Sanders, Director

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Note	Three months ended January 31,	
		2018	2017
EXPENSES			
Depreciation	6	\$ -	\$ 166
Foreign exchange loss (gain)		16,311	(1,227)
Interest expense	7,10	3,811	1,616
Management fees	10	30,000	30,000
Office and printing		15,775	19,037
Professional fees		9,813	10,759
Project investigation		-	7,030
Regulatory fees		205	-
Share-based payments	8,10	-	10,306
Shareholder information		262	2,097
Transfer agent fees		1,463	3,114
Loss and comprehensive loss for the period		\$ (77,640)	\$ (82,898)
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding			
-basic and diluted		35,780,478	20,459,367

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Three months ended January 31,	
	2018	2017
Cash flows from operating activities		
Loss for the period	\$ (77,640)	\$ (82,898)
Items not involving cash:		
Depreciation	-	166
Interest expense	3,811	1,616
Share-based payments	-	10,306
Changes in non-cash working capital items:		
Prepaid expenses	4,215	1,184
Receivables	2,021	(3,380)
Accounts payable and accrued liabilities	1,336	29,587
Due to related party	(6,870)	43,021
Cash used in operating activities	(73,127)	(398)
Cash flows from investing activities		
Exploration and evaluation assets expenditures	(158,569)	(115,988)
Exploration and evaluation advance	(47,860)	-
Reclamation deposit	(37,632)	-
Cash used in investing activities	(244,061)	(115,988)
Cash flows from financing activities		
Loans from related party	-	120,448
Cash provided by financing activities	-	120,448
Change in cash during the period	(317,188)	4,062
Cash, beginning of period	1,148,122	232
Cash, end of period	\$ 830,934	\$ 4,294

Supplemental disclosure with respect to cash flows (Note 9).

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Equity reserves	Deficit	Total
Balance – October 31, 2016	20,459,367	\$23,811,182	\$ 3,802,214	\$ (23,356,007)	\$ 4,257,389
Share-based payments	-	-	10,306	-	10,306
Loss for the period	-	-	-	(82,898)	(82,898)
Balance – January 31, 2017	20,459,367	\$23,811,182	\$ 3,812,520	\$ (23,438,905)	\$ 4,184,797
Balance – October 31, 2017	35,780,478	\$26,543,731	\$ 4,100,526	\$ (24,081,590)	\$ 6,562,667
Loss for the period	-	-	-	(77,640)	(77,640)
Balance – January 31, 2018	35,780,478	\$26,543,731	\$ 4,100,526	\$ (24,159,230)	\$ 6,485,027

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

BITTERROOT RESOURCES LTD.
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1. NATURE OF OPERATIONS

Bitterroot Resources Ltd. (the “Company”) is in the exploration stage and its principal business activity is the sourcing and exploration of resource properties.

The Company was incorporated on March 13, 1951 under the Laws of British Columbia. The Company’s head office address is Suite 206-B – 1571 Bellevue Avenue, West Vancouver, BC, V7V 1A6, Canada and its registered office address is Suite 900 – 900 West Hastings Street, Vancouver, BC, V6C 1E5, Canada. The Company is listed on the TSX Venture Exchange (“Exchange”) under the symbol “BTT”.

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is the functional currency, unless otherwise indicated.

2. BASIS OF PREPARATION

Statement of compliance and basis of measurement

These unaudited condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of January 31, 2018.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements were approved for issuance by the Board of Directors on March 29, 2018.

Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

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2. BASIS OF PREPARATION (cont'd)

Use of estimates and judgments (cont'd)

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Exploration and evaluation assets

Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiaries is the Canadian dollar.

Going concern of operations

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends on its ability to raise adequate financing and to develop profitable operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues. The Company expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which may cast substantial doubt on the Company's ability to continue as a going concern.

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3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at October 31, 2017. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended October 31, 2017.

New accounting standards and interpretations

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2018 or later periods. The following new standards, amendments and interpretations that have not been early adopted in these condensed consolidated interim financial statements and, are not expected to have a material effect on the Company's future results and financial position:

Effective for annual years beginning on or after January 1, 2018:

IFRS 9, Financial Instruments – Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 15, Revenue from Contracts with Customers. IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

Effective for annual years beginning on or after January 1, 2019:

IFRS 16, Leases. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The extent of the impact of adoption has not yet been determined.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

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4. RECEIVABLES

The Company's receivables arise from goods and services tax ("GST") receivable due from the Canadian taxation authorities.

	January 31, 2018	October 31, 2017
GST receivable	\$ 3,081	\$ 5,102
	\$ 3,081	\$ 5,102

5. EXPLORATION AND EVALUATION ASSETS

	Michigan Lands, Michigan, USA	Hackberry Silver Property, Arizona, USA	North Brenda Property, BC, Canada	Total
Balance – October 31, 2016	\$ 4,418,045	\$ -	\$ -	\$ 4,418,045
Acquisition costs - cash	-	90,814	-	90,814
Acquisition costs - shares	-	438,400	-	438,400
Claims, leases, and permits	6,457	179,230	-	185,687
Consulting and professional	-	222,237	7,331	229,568
Drilling	-	247,605	-	247,605
Field supplies	-	17,702	-	17,702
Fuel	-	1,762	-	1,762
Geochemistry	-	12,786	-	12,786
Geophysics	6,913	76,621	-	83,534
Ground transportation	-	11,158	375	11,533
Other	16,200	23,393	-	39,593
Room & board	-	21,285	367	21,652
Travel and freight	-	12,136	-	12,136
Expenditures during the year	29,570	1,355,129	8,073	1,392,772
Write-off of resource property	(211,371)	-	-	(211,371)
Recovery of costs	(22,200)	-	-	(22,200)
Balance – October 31, 2017	\$ 4,214,044	\$ 1,355,129	\$ 8,073	\$ 5,577,246
Consulting and professional	-	34,803	575	35,378
Drilling	-	102,313	-	102,313
Field supplies	-	14	-	14
Fuel	-	533	-	533
Geochemistry	-	2,256	-	2,256
Ground transportation	-	3,778	-	3,778
Other	-	2,832	-	2,832
Room and board	-	11,563	-	11,563
Travel and freight	-	3,057	-	3,057
Expenditures during the period	-	161,149	575	161,724
Balance – January 31, 2018	\$ 4,214,044	\$ 1,516,278	\$ 8,648	\$ 5,738,970

Title to exploration and evaluation assets involves certain inherent risks due to difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge, title to its exploration and evaluation assets are in good standing.

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

Michigan Lands, Michigan, U.S.A.

Mineral Rights

The Company owns a 49.9% interest in certain mineral rights in the Upper Peninsula of Michigan, U.S.A. On some of the mineral rights the vendor retains a 2% net smelter return royalty (“NSR”) and the Joint Venture Partner Altius Minerals Corporation (“Altius”), which owns 50.1% of the interest, has the option to purchase one half of this NSR by paying \$1,000,000 U.S. on or before December 31, 2048. The Company’s remaining wholly-owned mineral rights are subject to a 2% NSR payable to a subsidiary of Altius.

Mineral Rights Leased from the State of Michigan

During the year ended October 31, 2015, the Company released its remaining state leases held at that time covering 880 acres of State of Michigan mineral rights. During the year ended October 31, 2015, and following the release of all of its metallic minerals leases, the Company recovered a cash bond from the State of Michigan in the amount of US\$30,000 (CAD\$37,026). During the year ended October 31, 2016, the Company (49.9%) and Altius (50.1%) acquired new State of Michigan metallic minerals leases covering 3,050.87 acres. A cash bond of US\$30,000 has been posted by a subsidiary of Altius.

LM Property

During the year ended October 31, 2014, the Company’s Michigan subsidiary entered into an agreement whereby it purchased an arms-length company’s entire interest in a 40-acre minerals lease in Baraga County, Michigan, known as the LM Property. The Company issued 50,000 units (valued at \$7,500), with each unit consisting of one common share and one common share purchase warrant, exercisable for two years at \$1.00, plus made a one-time \$7,500 cash payment to the arms-length company. The lease required annual advance royalty payments of US\$100 per acre and the lessor retains a 3% NSR.

During the year ended October 31, 2015, the Company and the lessors of the LM Property agreed to amend the terms of their mineral leases. The amendment gives the Company the option to reduce the current 3% net smelter returns royalty (NSR) to a 2% NSR by paying US\$1,000,000 at any time prior to December 31, 2064. The option was purchased for US\$4,000 (paid), plus issuing 100,000 common shares of the Company to the lessors (issued at a value of \$3,500). The common shares bear legends defining other resale restrictions, as per the regulations of the Exchange and US securities regulations.

During to the year ended October 31, 2016, the Company and the lessors agreed to a second amendment which extends the term of the LM Property minerals lease by 41 years to December 31, 2064. In consideration for extending the term, the next annual advance royalty payment will be increased to US\$110/acre/year, commencing May 31, 2016 (paid 2016 royalty payment). The advance royalty payments will increase by \$10/acre/year for each subsequent year that the lease is in effect. The LM Property is not subject to the Altius transaction described below.

Altius Transaction

During the year ended October 31, 2015, the Company and its wholly-owned subsidiaries entered into an agreement with Altius Minerals Corporation (ALS, TSX) and its wholly-owned subsidiaries, (“Altius”), whereby the parties closed a strategic transaction (the “Transaction”) under which Altius has the option to finance future mineral exploration on the Company’s Voyageur Lands and Copper Range Lands in the Upper Peninsula of Michigan (the “Properties”).

As part of the Transaction, Altius acquired a 50.1% interest in the Properties by funding \$600,000 of exploration expenditures on the Properties. Altius has the right to acquire an additional 19.9% of the Properties by completing \$2.5 million in exploration spending by September 29, 2021, plus the right to acquire an additional 10% of the Properties by completing exploration spending of a further \$5 million, or completing an NI 43-101 compliant pre-feasibility study on a mineral resource on the Properties, before September 29, 2025. The Company also granted to Altius a 2% net smelter returns (NSR) royalty on the Voyageur Lands (covering approximately 250 square miles of mineral rights) and assigned to Altius its right to repurchase a 1% NSR held by a third party on the Copper Range Lands.

Altius also subscribed for a private placement of 4,051,514 post-consolidation common shares of the Company, priced at \$0.0987 per share for gross proceeds of \$400,000. Upon completion of the share consolidation, the share issuance to Altius and the shares-for-debt settlements in September 2015, Altius owned 19.9% of the outstanding common shares of the Company. Subsequent share issuances have reduced Altius’ ownership below reporting thresholds.

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5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Hackberry Silver Property, Arizona, U.S.A.

During the year ended October 31, 2017, the Company, through its US subsidiary, Trans Superior Resources, Inc., acquired an option (the "Option") from the Hughes Family Trust ("Hughes") to purchase a 100% interest in 12 patented lode mining claims comprising the core of the Hackberry property, a former silver producer in Mohave County, Arizona. Under the terms of the Option, the Company has made an initial payment of US\$50,000 (paid at the equivalent of \$65,652) and issued 1,500,000 common shares to Hughes (issued at a value of \$382,500 (Note 8)). To complete the exercise of the Option and acquire a 100% interest in the patented claims, the Company is required to pay, on or before each of the next four (4) anniversary dates of Exchange acceptance, US\$62,500 and issue to Hughes 1,250,000 shares, for total consideration of US\$300,000 and 6,500,000 shares of the Company. Hughes will also retain a 3% NSR on the patented claims and 13 of the Company's unpatented claims. Following exercise of the Option, the Company can buy half (1.5%) of the NSR for US\$1,500,000. Upon commencement of commercial production, Hughes will also receive minimum advance royalty payments of US\$940,000 per year for 5 years. On or before the fourth anniversary, the Company must have incurred or spent a cumulative minimum of US\$1,000,000 on exploration expenditures.

During the year ended October 31, 2017, the Company entered into an option agreement with Ely Gold & Minerals Inc. ("Ely", symbol ELY, TSX-V) and Ely's wholly-owned subsidiary Nevada Select Royalty Inc. ("Nevada Select") to acquire a 100% interest in the North Hackberry claims (the "Option"). Under the terms of the Option, the Company will pay US\$20,000 (paid at the equivalent of \$25,162) and issue 200,000 common shares to Ely (issued at a value of \$43,000 (Note 8)). On or before the first anniversary date of Exchange acceptance, the Company will pay US\$30,000 and issue Ely 100,000 shares. On or before the second anniversary date of Exchange acceptance, the Company will pay US\$50,000 and issue Ely 100,000 shares. On or before the third anniversary date of Exchange acceptance, the Company will pay US\$50,000 and issue Ely 200,000 shares for total consideration of US\$150,000 and 600,000 of the Company's shares to exercise the Option and acquire a 100% interest in the unpatented claims. Nevada Select will also retain a 3% NSR on precious metals (defined as silver, gold and platinum), a 2% NSR on all other products sold from the property and a 0.5% NSR on any unpatented lands, excluding those subject to the Hughes Option, which the Company acquires within a 2.66-mile radius of the North Hackberry claims. On the first three anniversaries of the Option exercise, the Company will pay Nevada Select advance minimum royalty payments of US\$10,000 per year. On each of the fourth through tenth anniversaries of the Option exercise, the Company will pay Nevada Select advance minimum royalty payments of US\$15,000 per year. As a result of completion of the transaction with Ely and Nevada Select, the Company paid a finder's fee to an arms-length party, consisting of 60,000 common shares of the Company (issued at a value of \$12,900 (Note 8)), to be followed by a second 60,000 common share payment on the first anniversary of Exchange acceptance.

North Brenda Property, B.C., Canada

The Company owns a 100% interest in certain claims located on the North Brenda Property.

During the year ended October 31, 2015 and 2014, the Company performed minimal exploration work on the North Brenda claims and as a result wrote off all costs associated with the property. The Company has continued to keep certain claims in good standing and during the year ended October 31, 2017, the Company resumed work on the property and capitalized \$8,073 of exploration and evaluation costs.

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6. EQUIPMENT

	Computer hardware	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance – January 31, 2018, October 31, 2017 and 2016	\$ 11,111	\$ 9,381	\$ 10,646	\$ 31,138
Accumulated depreciation				
Balance – October 31, 2016	10,511	8,177	9,420	28,108
Additions	600	1,204	1,226	3,030
Balance – October 31, 2017 and January 31, 2018	\$ 11,111	\$ 9,381	\$ 10,646	\$ 31,138
Carrying amounts				
October 31, 2016	\$ 600	\$ 1,204	\$ 1,226	\$ 3,030
October 31, 2017 and January 31, 2018	\$ -	\$ -	\$ -	\$ -

7. LOAN PAYABLE TO RELATED PARTY

During the period ended January 31, 2018, the Company received loan proceeds of \$Nil (year ended October 31, 2017 - \$121,722) from a non-arm's length party and recorded interest expense of \$Nil (year ended October 31, 2017 - \$2,353). The loan proceeds are unsecured, bear interest at a rate of 12% per annum and are payable on demand. During the year ended October 31, 2017, the Company repaid the loan payable and accrued interest in the amount of \$138,840 (Note 10).

8. SHARE CAPITAL AND EQUITY RESERVES

The authorized share capital consists of an unlimited number of common shares without par value.

There were no share issuances during the period ended January 31, 2018.

During the year ended October 31, 2017, the Company issued common shares pursuant to the following:

- (i) Issued 1,500,000 shares at a value of \$382,500 and 260,000 at a value of \$55,900 for exploration and evaluation assets (Note 5).
- (ii) Issued 70,000 shares for stock options exercised for proceeds of \$7,000.
- (iii) Closed a non-brokered private placement of 7,160,611 units priced at \$0.18 per unit for gross proceeds of \$1,288,910. Each unit consists of one common share and one-half common share purchase warrant which is exercisable at \$0.30 until February 14, 2019. Finders' fees paid in conjunction with the private placement consist of \$65,010 in cash and the issuance of 301,770 warrants with a fair value of \$66,250 exercisable at \$0.30 for two years.
- (iv) Closed a non-brokered private placement of 5,331,000 units priced at \$0.20 per unit for gross proceeds of \$1,066,200. Each unit consists of one common share and one half common share purchase warrant which is exercisable at \$0.30 until September 19, 2019. Finder's fees paid in conjunction with the private placement consist of \$68,992 in cash and the issuance of 277,830 warrants with a fair value of \$60,572 exercisable at \$0.30 for two years.
- (v) Issued 999,500 flow-through shares priced at \$0.22 per flow-through share for gross proceeds of \$219,890. Finder's fees paid in conjunction with the private placement consist of \$9,709 in cash. On the transaction \$19,990 was recorded as a flow-through share premium liability.

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8. **SHARE CAPITAL AND EQUITY RESERVES (cont'd)**

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance - October 31, 2016	-	\$ -
Issued	6,825,405	0.30
Balance – October 31, 2017 and January 31, 2018	6,825,405	\$ 0.30

As at January 31, 2018, the following share purchase warrants were issued and outstanding:

Expiry Date	Number of Warrants	Exercise Price
February 14, 2019	3,882,075	\$ 0.30
September 19, 2019	2,943,330	\$ 0.30
	6,825,405	\$ 0.30

The weighted average remaining life of the warrants at January 31, 2018 is 1.29 years (2017 – Nil).

During the year ended October 31, 2017, the Company issued 301,770 brokers' warrants with a fair value of \$66,250 and 277,830 broker's warrants with a fair value of \$60,572. The following weighted average assumptions were used for the Black-Scholes valuation of the broker's warrants:

	Three months ended <u>January 31, 2018</u>	Year ended <u>October 31, 2017</u>
Risk-free interest rate	-	1.14%
Expected life of warrant	-	2 years
Expected dividend yield	-	0%
Expected stock price volatility	-	175.91%

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8. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

Stock options

The Company, in accordance with the policies of the TSX Venture Exchange, has a stock option plan in place under which it is authorized to grant options to directors, employees, and consultants, to acquire up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Pursuant to the stock option plan, vesting restrictions may be applied to certain other options grants, at the discretion of the directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number Of Options	Weighted Average Exercise Price
Balance – October 31, 2016	1,914,000	\$ 0.44
Granted	1,070,000	0.26
Exercised	(70,000)	0.10
Expired	(409,000)	1.02
Balance – October 31, 2017 and January 31, 2018	2,505,000	\$ 0.28

As at January 31, 2018, the following stock options were issued and outstanding:

Number of Options	Exercise Price (\$)	Expiry Date
45,000	1.00	March 24, 2018*
80,000	1.05	August 28, 2018
20,000	1.00	January 23, 2019
160,000	1.00	June 19, 2019
1,200,000	0.10	January 21, 2021
200,000	0.10	January 16, 2022
800,000	0.32	April 20, 2022
2,505,000		

*subsequently expired unexercised

The weighted average remaining life of the options at January 31, 2018 is 3.21 years (2017 – 3.49 years).

The weighted average fair value of each stock option granted during the period was \$Nil (2017 - \$0.03), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Period ended January 31, 2018	Period ended January 31, 2017
Volatility	-	193.94%
Risk-free interest rate	-	1.01%
Dividend yield	-	-
Forfeiture rate	-	-
Expected life	-	5.00 years

Share-based payments

Total share-based payments recognized for stock options granted during the period ended January 31, 2018 was \$Nil (2017 - \$10,306).

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9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended January 31, 2018 included:

- (a) Included in exploration and evaluation assets is \$13,635 which relates to accounts payable and accrued liabilities.

Significant non-cash transactions during the period ended January 31, 2017 included:

- (a) Included in exploration and evaluation assets is \$53,733 which relates to accounts payable and accrued liabilities.

- (b) Included in exploration and evaluation assets is \$1,659 which relates to due to related party.

10. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

The following is a summary of related party transactions and balances during the period ended January 31, 2018, not disclosed elsewhere in the condensed consolidated interim financial statements:

- (a) Management fees of \$30,000 (2017 - \$30,000) were incurred from a company controlled by a director of the Company.
- (b) Share-based payments include stock options granted to directors and officers recorded at a fair value of \$Nil (2017 - \$7,634).

During the year ended October 31, 2017, the Company received loan proceeds of \$121,722 from a non-arm's length party and recorded interest expense of \$2,353. The loan proceeds are unsecured, bear interest at a rate of 12% per annum and are payable on demand. During the year ended October 31, 2017, the Company repaid the outstanding loan payable and accrued interest in balance of \$138,840.

As at January 31, 2018, the Company owed \$10,500 (October 31, 2017 - \$17,370) in current liabilities and \$151,897 (October 31, 2017 - \$148,086) in non-current liabilities to a company controlled by a director in common for management fees and reimbursable expenses. During the year ended October 31, 2017, the company controlled by a director in common agreed to postpone the payment due date of \$126,000 management fees for the period November 2015 to October 2016 until March, 2020. The amounts owing are unsecured and bear simple interest at a rate of 12% per annum. As at January 31, 2018, the Company accrued interest expense of \$25,897 (October 31, 2017 - \$22,086) which is classified as non-current liabilities on the condensed consolidated statements of financial position.

11. SEGMENTED INFORMATION

Industry information

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets.

Geographic information

The Company operates in both Canada and the United States. The Company's reclamation deposits and exploration and evaluation assets are located in the Canada and the United States.

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12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Capital management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses and private placements, or return capital to shareholders. As at January 31, 2018, the Company is not subject to externally imposed capital requirements.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash consists of cash deposited in business accounts and redeemable guaranteed investment certificates held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash, receivables and reclamation deposits. The Company limits exposure to credit risk by maintaining its cash and reclamation deposits with high-credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The receivables balance consists of amounts due from an unrelated third party and GST recoverable. There is ongoing review to evaluate the credit worthiness of these counterparties. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash, receivables and reclamation deposits.

Currency risk

The Company's operations are in Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. A strengthening (weakening) of the Canadian dollar against the US dollar of 10% would not have a significant effect on net loss.

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions.

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12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'd)

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Fair value

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 fair value of cash is measured based on level 1 inputs of the fair value hierarchy. The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments.

13. SUBSEQUENT EVENT

Subsequent to the period ended January 31, 2018, the Company granted incentive stock options to acquire 1,000,000 common shares at \$0.08 per share, expiring March 1, 2023.