Financial Statements

For the Three Months Ended November 30, 2017

(in Canadian dollars)

Melkior Resources Inc.
207 - 66 Brousseau Ave., Timmins, Ontario, Canada P4N 5Y2
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NOTICE OF NO AUDITOR REVIEW OF CONDENSED 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 condensed interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

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

January 24, 2018

Melkior Resources Inc.
Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)

	November 30, 2017	August 31, 2017
Assets		
Current		
Cash	$ 55,908	$ 156,477
Sales tax receivable and other receivables (note 6)	41,227	69,672
Prepaid expenses	2,700	4,725
Marketable securities (note 7)	494,082	662,070
	593,917	892,944
Prepaid Expenses	5,000	10,652
Exploration and Evaluation Assets (note 8)	7,777,866	7,571,498
	$ 8,376,783	$ 8,475,094
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	$ 95,022	$ 67,668
Shareholders' Equity		
Share Capital (note 9)	43,650,061	43,559,061
Contributed Surplus (note 9)	4,500,148	4,524,148
Deficit	(39,868,448)	(39,675,783)
	8,274,761	8,407,426
	$ 8,376,783	$ 8,475,094

Going Concern (note 2)
Subsequent Event (note 13)

Approved on behalf of the Board:

(s) Norman Farrell

Norman Farrell
Director

(s) Keith James Deluce

Keith James Deluce
Chief Executive Officer and Director

The accompanying notes are an integral part of the financial statements.

Melkior Resources Inc.

Condensed Interim Statements of Comprehensive Loss
For the Three Months Ended November 30
(Unaudited – Expressed in Canadian dollars)

		2017		2016
Expenses				
Consulting and management fees (note 10)	$	15,000	$	18,245
General exploration		-		2,902
Office and general		5,398		9,824
Regulatory fees		4,279		4,250
Salaries and benefits (note 10)		-		5,687
Travel and promotion		-		5,213
Loss Before Other Items		(24,677)		(46,121)
Other Items				
Interest and dividend income		-		569
Loss on marketable securities (note 7)		(167,988)		(175,844)
Net Loss and Comprehensive Loss for the Period	$	(192,665)	$	(221,396)
Basic and Diluted Loss Per Share	$	(0.00)	$	(0.00)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted		147,045,800		141,409,537

The accompanying notes are an integral part of the financial statements.

Melkior Resources Inc.

Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited – Expressed in Canadian dollars)

	Share Capital				
	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance August 31, 2016	**141,409,537**	**$ 43,278,823**	**$ 4,524,148**	**$ (39,512,277)**	**$ 8,290,694**
Net loss and comprehensive loss for the period	-	-	-	(221,396)	(221,396)
Balance, November 30, 2016	**141,409,537**	**43,278,823**	**4,524,148**	**(39,733,673)**	**8,069,298**
Shares issued for settlement of debt	3,271,428	190,238	-	-	190,238
Shares issued for exploration and evaluation assets	1,500,000	90,000	-	-	90,000
Net loss and comprehensive income for period	-	-	-	57,890	57,890
Balance, August 31, 2017	**146,180,965**	**43,559,061**	**4,524,148**	**(39,675,783)**	**8,407,426**
Shares issued for exploration and evaluation assets	100,000	7,000	-	-	7,000
Warrants exercised	1,200,000	60,000	-	-	60,000
Fair value of warrants exercised	-	24,000	(24,000)	-	-
Net loss and comprehensive loss for period	-	-	-	(192,665)	(192,665)
Balance, November 30, 2017	**147,480,965**	**$ 43,650,061**	**$ 4,500,148**	**$ (39,868,448)**	**$ 8,281,761**

The accompanying notes are an integral part of the financial statements.

Melkior Resources Inc.

Condensed Interim Statements of Cash Flows
For the Three Months Ended November 30
(Unaudited – Expressed in Canadian dollars)

	2017	2016
Operating Activities		
Net loss for the period	$ (192,665)	$ (221,396)
Items not involving cash		
Loss on marketable securities	167,988	175,844
Interest accrued on short-term investments	-	(568)
Changes in non-cash working capital		
Sales tax receivable and other receivables	28,445	16,878
Prepaid expenses	2,025	(11,289)
Accounts payable and accrued liabilities	35,257	14,780
Cash Provided By (Used in) Operating Activities	41,050	(25,751)
Investing Activity		
Exploration and evaluation asset expenditures	(201,619)	(21,309)
Cash Used in Investing Activity	(201,619)	(21,309)
Financing Activity		
Shares issued for cash	60,000	-
Cash Provided by Financing Activity	60,000	-
Outflow of Cash	(100,569)	(47,060)
Cash, Beginning of Period	156,477	154,225
Cash, End of Period	$ 55,908	$ 107,165

Supplemental Disclosure with Respect to Cash Flows (note 11)

The accompanying notes are an integral part of the financial statements.

1. NATURE OF OPERATIONS

Melkior Resources Inc. (the ''Company''), incorporated under the *Business Corporations Act* (Canada), is a junior mining exploration company operating in Canada. The Company's operations include the acquisition and exploration of mineral properties in Canada. The address of the registered office is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6, and its principal place of business is 207 - 66 Brousseau Avenue, Timmins, Ontario, Canada, P4N 5Y2. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "MKR", on the OTCQX Exchange in the United States under the symbol "MKRIF" and on the Frankfurt Stock Exchange under the symbol "MEK".

2. GOING CONCERN

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred a loss during the three months ended November 30, 2017 of $192,665 (2016 - $221,396) and has a deficit at November 30, 2017 of $39,868,448 (2016 - $39,675,783), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these condensed interim financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the condensed interim statement of financial position classifications used. Such adjustments could be material.

3. BASIS OF PRESENTATION

a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The condensed interim financial statements of the Company should be read in conjunction with the Company's 2017 annual financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 24, 2018.

3. BASIS OF PRESENTATION (Continued)

b) Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale and fair value through profit or loss ("FVTPL"). These condensed interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 4 to the audited financial statements for the year ended August 31, 2017.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

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 condensed interim financial statements within the next financial year are discussed below.

a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures 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 an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

b) 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

c) Income taxes

Significant judgment is required in determining the provision for 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 they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

d) Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in note 2.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the condensed interim financial statements.

a) Decommissioning liabilities

Rehabilitation provisions are created based on the Company's internal estimates. Assumptions, based on the current economic environment, are made that 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 year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at November 30, 2017, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

(Unaudited – Expressed in Canadian dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Share-based payments

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 stock option, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9c.

6. SALES TAX RECEIVABLE AND OTHER RECEIVABLES

	November 30, 2017	August 31, 2017
Sales tax receivable	$ 21,834	$ 50,279
Other receivables	19,393	19,393
Total sales tax receivable and other receivables	$ 41,227	$ 69,672

As at November 30, 2017, other receivables consisted of a Junior Exploration Assistance Grant from the Ontario Prospectors Association of $19,393 (August 31, 2017 - $19,393).

7. MARKETABLE SECURITIES

All of the marketable securities held by the Company were acquired through current and prior year's property option and sales transactions with the below listed companies. The Company does not purchase shares of publicly-listed companies on the open market. As at November 30, 2017, the following securities were included in marketable securities:

	Number of Shares	Acquisition Cost	Fair Value Adjustment	Fair Value
Kontrol Energy Corp.	125	$ 3,840	$ (3,758)	$ 82
Northcore Resources Inc.	50,000	60,000	(60,000)	-
CBLT Inc.	1,800,000	180,000	(36,000)	144,000
Lineage Grow Company	62,500	52,500	(52,500)	-
Beaufield Resources Inc.	2,500,000	500,000	(150,000)	350,000
Zara Resources Inc.	212,600	74,825	(74,825)	-
Tempus Capital Inc.	90,000	-	-	-
		$ 871,165	**$ (377,083)**	**$ 494,082**

(Unaudited – Expressed in Canadian dollars)

7. MARKETABLE SECURITIES (Continued)

As at August 31, 2017, the following securities were included in marketable securities:

	Number of Shares	Acquisition Cost	Fair Value Adjustment	Fair Value
Kontrol Energy Corp.	125	$ 3,840	$ (3,770)	$ 70
Northcore Resources Inc.	50,000	60,000	(60,000)	-
CBLT Inc.	1,800,000	180,000	(18,000)	162,000
Lineage Grow Company	62,500	52,500	(52,500)	-
Beaufield Resources Inc.	2,500,000	500,000	-	500,000
Zara Resources Inc.	212,600	74,825	(74,825)	-
Tempus Capital Inc.	90,000	-	-	-
		$ 871,165	**$ (209,095)**	**$ 662,070**

During the year ended August 31, 2017:

- The Company sold 40,500 shares of Kontrol Energy Corp. for proceeds of $24,146 and a gain of $11,996;
- Green Swan Capital Corp. changed the company name to CBLT Inc.;
- Lakeside Minerals Inc. consolidated its shares on a 1 new share for 3 old shares basis and changed the company name to Lineage Grow Company;
- The Company sold 3,000,000 shares of Beaufield Resources Inc. ("Beaufield") for proceeds of $369,751 and a gain of $9,751;
- The Company received 2,500,000 shares of Beaufield valued at $500,000 on the sale of the Launay project (note 8b);
- The Company received 45,500 common shares of Zara Resources Inc. ("Zara") as payment for the accrued dividends on the Zara preferred shares. These shares were initially recorded at $1,895, which is equal to the accrued dividends receivable at August 31, 2016;
- The Company received 90,000 common shares of Zara on the conversion of 45,500 post-consolidation preferred shares;
- The Company sold 22,500 shares of Leo Resources Inc. for proceeds of $2,601 and a gain of $2,489; and
- The Company recognized unrealized loss of $2,802 from the change in fair value of the marketable securities.

(Unaudited – Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	Quebec				Ontario				
	Urban	**Launay**	**Valliant**	**Tiblemont**	**Carscallen**	**Big Marsh**	**Hemlo**	**Bristol**	**Total**
Property Acquisition Costs									
Balance, August 31, 2016	$ -	$ 2,091	$ 3,300	$ 12,003	$ 158,383	$ -	$ -	$ -	$ 175,777
Acquisitions	21,471	-	-	-	31,820	5,000	143,157	-	201,448
Claim maintenance	-	-	-	-	85	-	65	3,200	3,350
Recoveries/sale of property	-	(2,091)	-	-	-	-	-	-	(2,091)
Impairment	-	-	(3,300)	(12,003)	-	-	-	-	(15,303)
Balance, August 31, 2017	21,471	-	-	-	190,288	5,000	143,222	3,200	363,181
Acquisitions	-	-	-	-	19,500	-	-	-	19,500
Claim maintenance	-	-	-	-	26	-	-	54	80
Balance, November 30, 2017	$ 21,471	$ -	$ -	$ -	$ 209,814	$ 5,000	$ 143,222	$ 3,254	$ 382,761
Property Exploration Costs									
Balance, August 31, 2016	$ -	$ 514,547	$ -	$ 4,743	$ 6,806,049	$ -	$ -	$ -	$ 7,325,339
Drilling	-	-	-	-	235,062	-	-	-	235,062
Geochemistry	16,344	-	-	-	12,364	-	-	5,921	34,629
Geology and prospecting	953	796	-	-	98,118	-	4,306	885	105,058
Geophysics	-	-	-	-	28,315	-	-	-	28,315
Recoveries/sale of property	-	(515,343)	-	-	-	-	-	-	(515,343)
Impairment	-	-	-	(4,743)	-	-	-	-	(4,743)
Balance, August 31, 2017	17,297	-	-	-	7,179,908	-	4,306	6,806	7,208,317
Assays	24,710	-	-	-	39,782	-	3,357	-	67,849
Drilling	-	-	-	-	93,855	-	-	-	93,855
Geochemistry	-	-	-	-	-	-	20,052	-	20,052
Geology and prospecting	804	-	-	-	4,182	-	46	-	5,032
Balance, November 30, 2017	$ 42,811	$ -	$ -	$ -	$ 7,317,727	$ -	$ 27,761	$ 6,806	$ 7,395,105
Total Exploration and Evaluation Assets									
August 31, 2017	$ 38,768	$ -	$ -	$ -	$ 7,370,196	$ 5,000	$ 147,528	$ 10,006	$ 7,571,498
November 30, 2017	**$ 64,282**	**$ -**	**$ -**	**$ -**	**$ 7,527,541**	**$ 5,000**	**$ 170,983**	**$ 10,060**	**$ 7,777,866**

8. EXPLORATION AND EVALUATION ASSETS (Continued)

Quebec

a) Urban

During the year ended August 31, 2017, the Company acquired claims in the Urban area of Quebec through map staking. The Company has a 100% ownership in the claims and there is no net smelter return royalty ("NSR").

b) Launay

On March 21, 2016, the Company sold an undivided 50% interest in Launay to Beaufield for $150,000 and 3,000,000 common shares of Beaufield, valued at $240,000. This agreement terminated a previous agreement signed in November 2013. The proceeds of the sale were accounted for as a reduction in exploration and evaluation assets of $390,000.

On July 14, 2017, the Company sold the remaining 50% interest in Launay to Beaufield for $125,000 and 2,500,000 common shares of Beaufield, valued at $500,000. The proceeds of the sale were accounted for as a reduction in exploration and evaluation assets of $517,434 and a gain on sale of exploration and evaluation assets of $107,566.

The Company retains a 1.5% NSR on the property, of which one-half may be purchased by Beaufield for $750,000.

c) Valliant (Raglan)

On April 16, 2013, the Company acquired claims located in the Ungava nickel, copper and platinum group belt of northern Quebec by map staking. The Company has a 100% ownership in the claims and there is no NSR. The Company has no exploration plans for this property at this time, and accordingly, capitalized costs of $3,300 were written off during the year ended August 31, 2017.

d) Tiblemont

The Company owns a 100% interest in three mineral claims in Tiblemont Township, Quebec. The Company owns a 100% interest in adjacent claims. On May 12, 2014, three claims were acquired for 200,000 common shares (valued at $8,000) and a 2% NSR with an optional buy back of 1% for $1,000,000. The Company has no exploration plans for this property at this time, and accordingly, capitalized costs of $16,746 were written off during the year ended August 31, 2017.

Ontario

***e)* Carscallen**

The Company holds a 100% interest in the Carscallen property, west of Timmins. Some claims are subject to a 1.5% NSR while another group of claims is subject to a 2% NSR, of which the Company may buy back one-half for $1,000,000.

In October and November 2010, the Company signed three agreements to acquire 100% interests in additional mining claims in consideration of $10,000 cash and two 2% NSR royalties, of which 1% can be repurchased for $500,000 each.

8. EXPLORATION AND EVALUATION ASSETS (Continued)

e) Carscallen (continued)

In October 2013, the Company signed a memorandum of understanding ("MOU") with the Mattagami First Nation. As part of the MOU, the Company issued 200,000 common shares (valued at $8,000) on December 23, 2013. The Company will pay 2% of all exploration costs eligible for assessment credit to the Mattagami First Nation.

On April 7, 2016, the Company issued 210,000 common shares (valued at $8,400) for the acquisition of a 100% interest in an additional mining claim, totaling 64 hectares, from an arm's length party.

During the year ended August 31, 2017, the Company acquired additional claims through cash purchase agreements and staking. One of the claims is subject to a 2% NSR.

During the three months ended November 30, 2017, the Company entered into three agreements for the purchase of 6 additional claims for the Carscallen property. The Company paid $12,500 and issued 100,000 common shares (valued at $7,000) as consideration. Two of the claims are subject to a 2% NSR.

f) Big Marsh

During the year ended August 31, 2017, the Company paid $5,000 for a 100% interest in a claim located in the Carscallen Township. This claim is part of the Big Marsh property, where the Company has existing claims. The previous claims were deemed impaired during the year ended August 31, 2016.

g) Hemlo

On May 12, 2017, the Company entered into an agreement to acquire a 100% interest in the Hemlo property. The Company paid $5,000 and issued 1,500,000 common shares (valued at $90,000) as consideration. The vendor holds a 3% NSR, of which one-third may be purchased by the Company for $1,000,000.

During the year ended August 31, 2017, the Company acquired additional claims through cash purchase agreements and staking.

h) Bristol

The Company holds a 100% interest in claims forming the Bristol property acquired through staking during the year ended August 31, 2017.

9. SHARE CAPITAL

a) Authorized

i) an unlimited number of common shares without par value, voting and participating; and
ii) an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at the request of the Company at paid-up capital.

9. SHARE CAPITAL (Continued)

b) Issued

During the three months ended November 30, 2017

On October 24, 2017, the Company issued 100,000 common shares (valued at $7,000) for the acquisition of mining claims forming part of the Carscallen property (note 8e).

During the three months ended November 30, 2017, the Company issued 1,200,000 common shares for gross proceeds of $60,000 on the exercise of 1,200,000 warrants. The Company transferred $24,000 from contributed surplus to share capital upon exercise of the warrants.

During the year ended August 31, 2017

On May 24, 2017, the Company issued 1,333,333 common shares (valued at $93,333) in settlement of accounts payable and accrued liabilities of $70,000, resulting in a loss on settlement of debt of $23,333.

On June 1, 2017, the Company issued 1,500,000 common shares (valued at $90,000) for the acquisition of the Hemlo property (note 8g).

On August 23, 2017, the Company issued 1,938,095 common shares (valued at $96,905) in settlement of accounts payable and accrued liabilities of $96,905.

c) Stock options

The Company maintains a stock option plan (the "Plan") pursuant to which options to purchase common shares may be granted for its eligible directors, officers and employees of the Company, as well as persons providing ongoing services to the Company.

The number of shares to be delivered upon the exercise of all options granted under the Plan shall not exceed 10,948,000.

Unless indicated otherwise by the Board at the time of grant, one-sixth of options granted shall vest every three months from the date of the grant.

In the event that an optionee ceases to be an eligible person prior to the expiry date of their respective options, the options shall expire 12 months after the termination date or on the expiry date, whichever comes first (except for persons providing investor relations activities who will remain subject to a 30-day expiry period). In the event of termination with cause, the options of an eligible person shall expire on the date of notice of termination.

The purchase price of the common shares, upon exercise of each option granted under the Plan, shall be a price fixed for such option by the Board of Directors upon grant of each such option, but such price shall not be less than the market price at closing of transactions the day prior to the grant or any other regulations by the TSX-V. Each option, unless sooner terminated in accordance with the terms, conditions and limitations thereof, or unless sooner exercised, shall expire on the date determined by the Board of Directors when the option is granted or, failing such determination, not later than upon the fifth anniversary of the grant of the option.

(Unaudited – Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

c) Stock options (continued)

The total number of options granted to any one individual in any 12-month period will not exceed 5% of the issued common shares. The total number of options granted to a consultant in any 12-month period will not exceed 2% of the issued common shares at the time of grant. The total number of options granted to persons providing investor relations activities in any 12-month period will not exceed 2% of the issued common shares at the time of grant. These options must vest in stages over a 12-month period from the date of grant with no more than 25% of the options vesting in any three-month period.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

A summary of changes of the Company's common share purchase options is presented below for the three months ended November 30, 2017 and the year ended August 31, 2017:

	Three Months Ended November 30, 2017		**Year Ended August 31, 2017**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	5,400,000	$ 0.10	7,400,000	$ 0.10
Expired	(400,000)	$ 0.10	(2,000,000)	$ 0.10
Outstanding, end of period	5,000,000	$ 0.10	5,400,000	$ 0.10

The following stock options were outstanding and exercisable at November 30, 2017:

Expiry Date	**Weighted Average Remaining Contractual Life in Years**	**Exercise Price**	**Outstanding**	**Exercisable**
April 30, 2018	0.41	$ 0.10	1,500,000	1,500,000
December 18, 2018	1.05	$ 0.10	600,000	600,000
May 31, 2021	3.50	$ 0.10	2,900,000	2,900,000
	2.28	$ 0.10	5,000,000	5,000,000

(Unaudited – Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Three Months Ended November 30, 2017		Year Ended August 31, 2017	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Outstanding, beginning of period	20,610,000	$ 0.07	20,610,000	$ 0.07
Exercised	(1,200,000)	$ 0.05	-	-
Expired	(2,200,000)	$ 0.05	-	-
Outstanding, end of period	17,210,000	$ 0.07	20,610,000	$ 0.07

On October 3, 2016, the Company extended the life of 7,810,000 existing warrants expiring October 20, 2016, for two additional years. The pricing of the warrants remained unchanged.

The following warrants were outstanding and exercisable at November 30, 2017:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
March 24, 2018	0.31	$ 0.07	1,200,000	1,200,000
March 24, 2018	0.31	$ 0.10	700,000	700,000
March 28, 2018	0.32	$ 0.07	2,000,000	2,000,000
March 28, 2018	0.32	$ 0.10	5,500,000	5,500,000
October 20, 2018	0.89	$ 0.05	7,810,000	7,810,000
	0.58	$ 0.07	17,210,000	17,210,000

e) Finders' warrants

Finders' warrant transactions and the number of warrants outstanding are summarized as follows:

	Three Months Ended November 30, 2017		Year Ended August 31, 2017	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Outstanding, beginning of period	840,000	$ 0.09	1,395,750	$ 0.07
Expired	-	-	(555,750)	$ 0.05
Outstanding, end of period	840,000	$ 0.09	840,000	$ 0.09

(Unaudited – Expressed in Canadian dollars)

9. SHARE CAPITAL (Continued)

e) Finders' warrants (continued)

The following finders' warrants were outstanding and exercisable at November 30, 2017:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
March 28, 2018	0.32	$ 0.07	290,000	290,000
March 28, 2018	0.32	$ 0.10	550,000	550,000
	0.32	$ 0.09	840,000	840,000

10. RELATED PARTY TRANSACTIONS

The Company's related parties include companies controlled by officers and close family members of former directors and key management, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

a) Key management compensation

The Company's key management personnel are members of the Board of Directors (of which the president of the Company is a member), as well as the current and former chief financial officers and the corporate secretary. Key management compensation is as follows:

	November 30, 2017	November 30, 2016
Consulting and management fees	$ 15,000	$ 18,245
Total key management compensation	$ 15,000	$ 18,245

b) Transactions with other related parties

As at November 30, 2017, the balance due to related parties amounted to $21,000 (August 31, 2017 - $5,250) and was recorded in accounts payable and accrued liabilities.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	November 30, 2017	November 30, 2016
Common shares issued for exploration and evaluation assets	$ 7,000	$ -
Exploration and evaluation expenditures included in prepaid expenses	$ 5,000	$ -
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	$ 7,903	$ 17,932
Fair value of warrants exercised	$ 24,000	$ -

(Unaudited – Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The carrying values of cash, other receivables, marketable securities, and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

November 30, 2017	Level 1	Level 2	Level 3	Total
Marketable securities	$ 494,082	$ -	$ -	$ 494,082

August 31, 2017	Level 1	Level 2	Level 3	Total
Marketable securities	$ 662,070	$ -	$ -	$ 662,070

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) 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 manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company is also exposed to credit risk with respect to other receivables. The Company's maximum exposure to credit risk at November 30, 2017 was $75,301 (August 31, 2017 - $175,870).

b) 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of November 30, 2017 equal $95,022 (August 31, 2017 - $67,668). All of the liabilities presented as accounts payable are due within 30 days of November 30, 2017. The cash available is sufficient to meet the Company's financial obligations at period-end.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) Currency risk – The Company has no funds held in a foreign currency, and as a result is not exposed to significant currency risk on its financial instruments at year-end.

12. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued)

ii) Interest rate risk – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk with respect to its marketable securities.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the three months ended November 30, 2017. The Company is not subject to externally imposed capital requirements.

13. SUBSEQUENT EVENT

On December 22, 2017, the Company closed a private placement of 7,692,307 flow-through common shares at a price of $0.065 for gross proceeds of $500,000. The Company paid finders' fees of $40,000 and issued 461,538 finders' warrants. Each finders' warrant is exercisable into one common share of the Company for a period of two years at a price of $0.065.