IDM MINING

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED OCTOBER 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
IDM Mining Ltd.

We have audited the accompanying consolidated financial statements of IDM Mining Ltd., which comprise the consolidated statements of financial position as at October 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of IDM Mining Ltd. as at October 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about IDM Mining Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

February 25, 2019

IDM MINING LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	October 31, 2018	October 31, 2017
ASSETS		
Current		
Cash	$ 1,035,775	$ 5,177,866
Short-term investments	17,250	17,250
Receivables	282,614	345,427
Exploration advances (Note 7)	500,000	-
Prepaid expenses	82,791	122,351
Marketable securities (Note 4)	1,672,770	1,995,000
	3,591,200	7,657,894
Land use deposits (Note 5)	1,098,400	1,098,400
Equipment (Note 6)	1,204,129	1,258,247
Exploration and evaluation assets (Note 7)	49,704,741	42,260,748
	$ 55,598,470	$ 52,275,289
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 2,198,043	$ 1,880,634
Mexican mining taxes and other payables (Note 7)	832,003	832,003
Flow-through premium liability (Note 9)	534,842	1,008,555
	3,564,888	3,721,192
Non-current		
Provision for site reclamation (Note 8)	1,766,653	1,725,985
Deferred tax liability (Note 12)	1,902,000	1,500,000
Total Liabilities	7,233,541	6,947,178
Shareholders' Equity		
Share capital (Note 9)	89,618,096	83,923,154
Subscription proceeds (Note 9)	253,000	-
Reserves (Note 9)	10,637,630	10,454,909
Deficit	(52,143,797)	(49,049,951)
	48,364,929	45,328,112
	$ 55,598,470	$ 31,150,401

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

Approved and authorized by the Board on February 25, 2019:

"ROB MCLEOD" Director *"ANDREE ST-GERMAIN"* Director

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

IDM MINING LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED OCTOBER 31,

		2018		2017
GENERAL EXPENSES				
Consulting fees	$	22,458	$	39,696
Depreciation (Note 6)		11,200		2,551
Director fees and related expenses (Note 10)		330,712		116,434
Foreign exchange loss (gain)		-		5,221
Investor relations and shareholder communication		274,112		664,415
Office and miscellaneous		316,501		283,178
Professional fees (Note 10)		370,174		249,796
Salaries and management fees (Note 10)		1,416,734		946,426
Share-based payments (Note 9 and 10)		164,781		1,274,958
Transfer agent and filing fees		66,748		79,662
Travel and trade shows		148,548		159,743
Loss before other income (expenses)		(3,121,968)		(3,822,080)
OTHER INCOME (EXPENSES)				
Interest income		8,753		9,964
Accretion expense (Note 8)		(40,668)		(13,556)
Recognition of flow-through premium liability (Note 9)		715,199		3,119,453
Unrealized gain/(loss) from marketable securities (Note 4)		(182,601)		(2,055,000)
Loss on sale of marketable securities (Note 4)		(70,561)		-
Gain on sale of exploration and evaluation assets (Note 7)		-		3,444,846
Income/(loss) before income taxes		(2,691,846)		683,627
Deferred income tax expense (Note 12)		(402,000)		(1,500,000)
Loss and comprehensive loss for the year	$	(3,093,846)	$	(816,373)
Loss per share				
Basic and Diluted	$	(0.01)	$	(0.00)
Weighted average common shares outstanding				
Basic and Diluted		**426,255,181**		**339,573,803**

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

IDM MINING LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED OCTOBER 31

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (3,093,846)	$ (816,373)
Items not affecting cash:		
Depreciation	11,200	2,551
Accretion expense	40,668	13,556
Recognition of flow-through premium liability	(715,199)	(3,119,453)
Share-based payments	164,781	1,274,958
Gain on sale of exploration and evaluation assets	-	(3,444,846)
Unrealized loss from marketable securities	182,601	2,055,000
Realized loss on sale of marketable securities	70,561	-
Deferred income tax expense	402,000	1,500,000
Change in non-cash working capital items:		
Receivables	62,813	295,390
Prepaid expenses	39,560	145,118
Accounts payable and accrued liabilities	190,234	(142,362)
Net cash used in operating activities	(2,644,627)	(2,236,461)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(7,113,453)	(22,206,971)
Acquisition of exploration and evaluation assets	-	150,000
Exploration advances	(500,000)	-
Land use deposits	-	(1,013,000)
Purchase of equipment	(160,447)	(1,086,745)
Proceeds from the sale of marketable securities	69,068	-
Net cash used in investing activities	(7,704,832)	(24,156,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of share capital	6,246,510	22,083,036
Share issuance costs	(292,142)	(383,056)
Subscription proceeds	253,000	-
Net cash provided by financing activities	6,207,368	21,699,980
Change in cash during the year	(4,142,091)	(4,693,197)
Cash, beginning of year	5,177,866	9,871,063
Cash, end of year	$ 1,035,775	$ 5,177,866

Supplemental disclosure with respect to cash flows (Note 11)

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

IDM MINING LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share capital					
	Number	**Amount**	**Subscription Proceeds**	**Reserves**	**Deficit**	**Total**
Balance at October 31, 2016	282,972,850	$66,290,507	$ -	$9,166,812	$(48,233,578)	$27,223,741
Issued for:						
Private placement	29,400,000	4,998,000	-	-	-	4,998,000
Flow-through private placement	79,709,676	16,250,000	-	-	-	16,250,000
Warrants exercised	5,725,993	835,036	-	-	-	835,036
Share issue costs	-	(383,056)	-	-	-	(383,056)
Share-based payments	-	-	-	1,274,958	-	1,274,958
Agent warrants	-	(13,139)	-	13,139	-	-
Flow-through premium liability	-	(4,054,194)	-	-	-	(4,054,194)
Loss for the year	-	-	-	-	(816,373)	(816,373)
Balance at October 31, 2017	397,808,519	83,923,154	-	10,454,909	(49,049,951)	45,328,112
Issued for:						
Private placement	58,849,999	4,106,000	-	-	-	4,106,000
Flow-through private placement	24,148,556	2,140,510	-	-	-	2,140,510
Subscription proceeds	-	-	253,000	-	-	253,000
Share issue costs	-	(292,142)	-	-	-	(292,142)
Share-based payments	-	-	-	164,781	-	164,781
Agent warrants	-	(17,940)	-	17,940	-	-
Flow-through premium liability	-	(241,486)	-	-	-	(241,486)
Loss for the year	-	-	-	-	(3,093,846)	(3,093,846)
Balance at October 31, 2018	480,807,074	$ 89,618,096	$ 253,000	$10,637,630	$ (52,143,797)	$ 48,364,929

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

1. NATURE AND CONTINUANCE OF OPERATIONS

IDM Mining Ltd. (the "Company") is an exploration company incorporated on July 14, 2009 under the laws of the Province of British Columbia, Canada. The Company's shares were voluntary delisted from the Toronto Stock Exchange after close of trading on December 29, 2015 and were listed on the TSX Venture Exchange ("TSXV") on open of trading on December 30, 2015 and trades under the symbol IDM. In January 2019, the Company entered into an agreement with Ascot Resources Ltd ("Ascot") pursuant to which Ascot will acquire all of the issued and outstanding common shares of the Company (refer to Subsequent Events Note 16).

The Company's head office and principal address is 1800 – 555 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M9.

The Company is in the business of acquiring and exploring economically viable mineral resource deposits on its mineral properties. The recoverability of the amounts shown for mineral property acquisition costs and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. The Company will continue to have to raise funds beyond its current working balance in order to continue to advance its properties. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PREPARATION (cont'd…)

Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates and judgments which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant estimates and assumptions relate to the recognition of deferred income tax amounts, impairment assessments, the provision for site reclamation and the calculation of share-based payments. Share-based payments, as measured with respect to stock options and compensation warrants, are estimated by reference to the Black-Scholes Pricing Model; a detailed disclosure of management's estimates with respect to the pricing model is found in Note 9. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there is no such indication. The recognition of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes. A detailed disclosure of management's estimates with respect to the provision for site reclamation is found in Note 8.

The most significant judgments relate to the recoverability of capitalized amounts, the functional currency of the Company and its subsidiaries, recognition of deferred tax assets and liabilities and the determination of the economic viability of a project and the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 10). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the corporate group is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash, short-term investments and marketable securities are classified as FVTPL. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At October 31, 2018 and 2017, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Short-term investments

Short-term investments consist of highly liquid investments held as collateral on other short-term obligations included in accounts payable and accrued liabilities.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Field and computer equipment are depreciated at 20% declining balance. The Company reviews residual value amortization methods and useful lives annually. Any changes in estimates that arise from this review are accounted for prospectively.

Exploration and evaluation assets

Costs directly related to the acquisition, exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Government assistance

When the Company is entitled to recover mineral exploration tax credits, this government assistance is recognized as a recovery against the related exploration expenditures where there is reasonable assurance of recovery.

Provisions

a) *Environmental rehabilitation provisions*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

b) *Other provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

The issuance of flow-through common shares results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. Under IFRS, on the issuance of such shares, the Company bifurcates the flow-through shares into: a flow-through shares premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as liability, and share capital. As the related qualifying exploration expenditures are incurred, the Company derecognizes the liability and the premium is recognized as other income.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

Net income/(loss) per share

Basic net income/(loss) per share is computed by dividing net income/(loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted net income/(loss) per share is computed similar to basic net income/(loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for those relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards, interpretations and amendments not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended October 31, 2018:

a) IFRS 9 – New financial instrument standard that replaces IAS 39 for classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most the requirement in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than profit or loss. The new standard also requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not expect adoption of this standard to have any material impact on the consolidated financial statements.

b) IFRS 15 – New revenue from contracts with customers that specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more information, relevant disclosures. This standard supercedes IAS 18- Revenue, IAS 11, Construction Contracts and a number of revenue related interpretations. Application of the standard is mandatory for all IFRS reports and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. The Company does not expect adoption of this standard to have any material impact on the consolidated financial statements.

c) IFRS 16 – New financial instrument standard that replaces IAS 17 as well as some lease related interpretations. With certain exception for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use assets and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but the recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company does not expect adoption of this standard to have any material impart on the consolidated financial statements.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURIITES

At October 31, 2018, the Company's marketable securities were comprised of common shares of Strikepoint Gold Inc. ("Strikepoint"), a public company traded on the TSXV, which were recorded in the consolidated statement of financial position at their fair value. The fair value of these marketable securities has been determined by reference to their quoted closing bid price at the reporting date. At October 31, 2018 the Company has 10,138,000 (2017 – 10,500,000) common shares of Strikepoint with a fair value of $1,672,770 (2017 – $1,995,000). The Strikepoint shares were initially received at a fair value of $4,050,000 (Note 7). During the year ended October 31, 2018 the Company sold 362,000 shares and recognized a loss on sale of $70,561.

The Company has been granted certain anti-dilution rights for so long as the Company continues to hold at least 9.9% of the issued and outstanding shares of Strikepoint. The Company also has the right, but not obligated, to appoint two members of Strikepoint's board of directors. The Company has appointed Susan Neale to Strikepoint's board of directors as the Company's representative.

5. LAND USE DEPOSITS

The Company has provided deposits as security for land use and potential future reclamation work related to its mineral properties. As at October 31, 2018 a total of $1,098,400 (2017 – $1,098,400) has been lodged with the British Columbia Ministry of Energy and Mines.

6. EQUIPMENT

		Computer Equipment		Field equipment		**Total**
Cost						
Balance, October 31, 2016	$	22,353	$	319,360	$	**341,713**
Acquisitions for the year		24,982		1,061,763		**1,086,745**
Balance, October 31, 2017		47,335		1,381,123		**1,428,458**
Acquisitions for the year		35,768		124,679		**160,447**
Balance, October 31, 2018	$	83,103	$	1,505,802	$	**1,588,905**
Accumulated depreciation						
Balance, October 31, 2016	$	22,353	$	6,223	$	**28,576**
Depreciation for the year		3,233		138,402		**141,635**
Balance, October 31, 2017		25,586		144,625		**170,211**
Depreciation for the year		11,200		203,365		**214,565**
Balance, October 31, 2018	$	36,786	$	347,990	$	**384,776**
Carrying amounts						
As at October 31, 2017	$	21,749	$	1,236,498	$	**1,258,247**
As at October 31, 2018	**$**	**46,317**	**$**	**1,157,812**	**$**	**1,204,129**

7. EXPLORATION AND EVALUATION ASSETS

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all its properties and, to the best of its knowledge, title to all of its properties is in good standing.

Red Mountain (B.C., Canada)

In April 2014, the Company entered into an option agreement with Seabridge Gold Inc. ("Seabridge") to acquire a 100% interest in the Red Mountain gold project located near Stewart, B.C.

Under the terms of the option agreement, the Company issued 4,955,500 common shares valued at $1,214,098, paid $2,000,000 and incurred $7,500,000 in exploration and development expenditures. In May 2017, the Company exercised its option to acquire 100% and completed the acquisition of the mineral claims and certain other assets and assumed the decommissioning and restoration liability related to the Red Mountain property (Note 8).

Pursuant to the option agreement, the Company is required to make an additional one-time $1,500,000 cash payment upon commercial production to Seabridge, and Seabridge also retained a gold metal stream on the Red Mountain project to acquire 10% of the annual gold production from the property at a cost of US$1,000 per ounce up to a maximum of 500,000 ounces produced (50,000 ounces to Seabridge). Alternatively, Seabridge may elect to receive a one-time cash payment of $4,000,000 at the commencement of production in exchange for the buyback of the gold metal stream. The property is also subject to payment of production royalties and the payment of a minimum annual pre-production royalty of $50,000 (Total pre-production royalty paid to date - $1,100,000) to Wotan Resources Corp. ("Wotan"). Production from the claims, which contain the Red Mountain gold deposit are subject to two separate royalties aggregating 3.5% net smelter return royalty (Franco-Nevada Corp – 1% and Wotan - 2.5%).

Yukon Properties (YK, Canada)

In February 2016, the Company acquired from Osisko Mining Corporation ("Osisko") a portfolio of properties located in the Yukon. As consideration, the Company issued 7,188,889 common shares valued at $647,000 and granted a 1% net smelter royalty over the Yukon properties.

In March 2017, the Company sold its Yukon properties to Strikepoint in exchange for consideration of $150,000 in cash and 10,500,0000 common shares of Strikepoint with a fair value of $4,050,000. The Company recognized gain on sale $3,444,846, net of costs to transfer the properties.

Mexico Property Portfolio

The Company has commenced the process to place its two Mexican subsidiaries into liquidation. The Company through its wholly owned entity Minera Golondrina returned a portion of its Mexico properties to the government authorities. Minera Golondrina has accrued $832,003 (2017 - $832,003) for concession fees, penalties and interest payable from July 2013 to the date these properties were returned.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

		October 31, 2018 Red Mountain
Exploration costs:		
Balance, beginning of year	$	37,161,114
Project administration		496,878
Baseline studies		322,719
Permitting		1,582,943
First Nations and public engagement		176,234
Field personnel		1,537,760
Field equipment maintenance and rental		552,018
Camp		598,669
Drilling		447,149
Assaying		126,254
Fuel		307,155
Helicopter		625,728
Metallurgical		6,003
Reports		138,859
Site geotechnical and engineering		475,624
Advance royalties		50,000
		7,443,993
Balance, end of year		44,605,107
Acquisition costs:		
Balance, beginning of year		5,099,634
Acquisition costs during the year		-
Balance, end of year		5,099,634
Balance, October 31, 2018	$	49,704,741

As at October 31, 2018, the Company had made advance payments of $500,000 (2017 – $Nil) to be applied against invoices for services to be incurred subsequent to year end.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

	October 31, 2017		
	Red Mountain	Yukon	Total
Exploration costs:			
Balance, beginning of year	$ 15,886,558	$ 34,502	$ 15,921,060
Project administration	678,948	-	678,948
Baseline studies	819,925	-	819,925
Permitting	2,252,986	-	2,252,986
First Nations and public engagement	132,161	-	132,161
Field personnel	2,684,224	-	2,684,224
Field equipment maintenance and rental	1,424,858	-	1,424,858
Camp	1,731,340	-	1,731,340
Drilling	3,621,013	-	3,621,013
Assaying	548,424	-	548,424
Fuel	446,717	-	446,717
Helicopter	2,241,292	-	2,241,292
Hydrogeology	10,677	-	10,677
Metallurgical	618,593	-	618,593
Reports	2,276,804	-	2,276,804
Site geotechnical and engineering	2,007,214	-	2,007,214
Site preparation	70,579	-	70,579
Advance royalties	50,000	60,000	110,0000
Mineral exploration tax credit	(341,199)	-	(341,199)
	21,274,556	60,000	21,334,556
Disposal	-	(94,502)	(94,502)
Balance, end of year	37,161,114	-	37,161,114
Acquisition costs:			
Balance, beginning of year	3,387,205	647,000	4,034,205
Acquisition/(disposition) costs during the year	1,712,429	(647,000)	1,065,429
Balance, end of year	5,099,634	-	5,099,634
Balance, October 31, 2017	$ 42,260,748	$ -	$ 42,260,748

(Expressed in Canadian Dollars)

8. DECOMMISSION AND RESTORATION PROVISIONS

As part of the acquisition and transfer of mineral claims and permits relating to the Red Mountain property (Note 7), the Company, assumed the liability for remediation of past disturbances associated with the exploration and development activities on the property. The decommissioning and restoration provision is as follows:

		October 31, 2018		October 31, 2017
Opening balance	$	1,725,985	$	-
Decommissioning and restoration liabilities assumed on the acquisition of the Red Mountain property (Note 7)		-		1,712,429
Accretion of decommissioning and restoration provision		40,668		13,556
Closing balance	$	1,766,653	$	1,725,985

The Company used an inflation rate of 2.0% (2017 – 2.0%) and a discount rate of 2.2% (2017 – 2.2%) in calculating the estimated obligation. The liability for retirement and remediation on an undiscounted basis before inflation is $1,699,044 (2017 – $1,699,044).

9. SHARE CAPITAL AND RESERVES

Authorized share capital

As at October 31, 2018, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

Private placements:

During the year ended October 31, 2018, the Company:

a) completed a non-brokered private placement in April 2018 for gross proceeds of $4,325,500, consisting of 28,750,000 common units at $0.08 per common unit and 22,505,556 flow-through common unit at a price of $0.09 per flow-through unit. Each common and flow-through unit consist of one common share and one-quarter warrant, with each whole warrant exercisable for a period of 24 months at $0.12 per share.

   Finders' fees payable in connection with the financing consisted of $257,100 and 2,032,222 finders' warrants exercisable for a period of 12 months at $0.12 per share. The finders' warrants have been recorded at a fair value of $17,940, which is included in reserves. The fair value of the finders' warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 1.87%, expected life of 1.00 year, expected volatility rate of 59.74% and a dividend rate of 0.00%. The Company incurred $22,378 in other share issue costs.

9. SHARE CAPITAL AND RESERVES (cont'd…)

b) completed the first tranche of non-brokered private placement in October 2018 for gross proceeds of $1,921,010, consisting of 30,099,999 common units at $0.06 per common unit and 1,643,000 flow-through shares at a price of $0.07 per flow-through share. Each common unit consisted of one common share and one-half warrant, with each whole warrant exercisable for a period of 24 months at $0.085 per share.

   Finders' fees payable in connection with the financing consisted of $3,060 and 51,000 finders' warrants exercisable for a period of 12 months at $0.085 per share. The fair value of the finder's warrants was immaterial. The Company incurred $9,605 in other share issue costs.

c) received subscription proceeds of $253,000 towards the second tranche of a non-brokered private placement completed in November 2018 (refer to Subsequent Events Note 16).

During the year ended October 31, 2017, the Company:

a) completed a non-brokered private placement in two tranches in August and September 2017 for gross proceeds of $6,000,000 consisting of 38,709,676 flow-through shares at $0.155 per flow-through share.

   Finder's fees payable in connection with the financing consisted of $233,952 and 1,470,655 finders' warrants exercisable for a period of 12 months at $0.23 per share. The finder's warrants have been recorded at a fair value of $13,139, which is included in reserves. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 1.27%, expected life of 1.00 year, expected volatility rate of 57.56% and a dividend rate of 0.00%. The Company incurred $38,186 in other share issue costs.

b) completed a non-brokered private placement in March 2017 for gross proceeds of $15,248,000, consisting of 29,400,000 common shares at $0.17 per share and 41,000,000 flow-through common shares at a price of $0.25 per flow-through share. The Company incurred $110,918 in other share issue costs.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Flow-Through Premium Liability:

The following is a continuity schedule of the liability portion of the flow-through share issuances:

Balance as of October 31, 2016	$ 73,814
Flow-through premium liability	4,054,194
Settlement of flow through share premium liability pursuant to qualified expenditures	(3,119,453)
Balance as of October 31, 2017	1,008,555
Flow-through share premium liability	241,486
Settlement of flow through share premium liability pursuant to qualified expenditures	(715,199)
Balance as of October 31, 2018	$ 534,842

Stock options and warrants:

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, October 31, 2016	111,995,591	$0.18	18,800,834	$0.19
Granted	1,470,655	0.23	12,000,000	0.15
Exercised	(5,725,993)	0.15	-	0.00
Forfeited	(10,262,721)	0.18	(45,834)	2.58
Outstanding, October 31, 2017	97,477,532	0.18	30,755,000	0.17
Granted	29,947,111	0.10	1,700,000	0.08
Exercised	-	0.00	-	0.00
Forfeited	(77,477,532)	0.18	(1,625,000)	0.17
Outstanding, October 31, 2018	49,947,111	0.14	30,830,000	0.16
Number currently exercisable	49,947,111	$0.14	28,730,000	$0.17

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options and warrants outstanding (cont'd...)

The following incentive stock options and warrants were outstanding at October 31, 2018:

Number	Exercise price	Expiry date
Stock options		
2,825,000	$ 0.24	July 3, 2019
150,000	0.30	October 10, 2019
1,080,000	0.11	April 27, 2020
2,825,000	0.10	October 27, 2020
10,050,000	0.19	May 11, 2021
350,000	0.23	July 19, 2021
250,000	0.19	August 26, 2021
7,150,000	0.15	February 2, 2022
1,300,000	0.17	February 9, 2022
200,000	0.155	May 1, 2022
2,950,000	0.14	October 18, 2022
1,700,000	0.08	April 27, 2023
30,830,000		
Warrants		
2,032,222	$ 0.12	April 17, 2019
12,813,889	0.12	April 17, 2020
51,000	0.085	October 22, 2019
15,050,000	0.085	October 22, 2020
20,000,000	0.20	July 31, 2020*
49,947,111		

*These warrants are subject to an accelerated expiry in the event that the Company's common shares trade at a closing price greater than $0.40 per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice via press release; in such case, the warrants will expire 30 days from the date of notice.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

During the year ended October 31, 2018, the Company granted 1,700,000 (2017 – 12,000,000) stock options with a weighted fair value of $0.06 (2017 - $0.12) per option for options granted to directors, officers and consultants. Total share-based payments recognized for the year ended October 31, 2018 was $164,781 (2017 - $1,274,958) pursuant to vesting incentive options. This amount was also recorded as reserves on the statement of financial position.

The following weighted-average assumptions were used in the Black-Scholes valuation of stock options granted during the year:

	2018	2017
Risk free interest rate	2.08%	1.08%
Expected life of Option	5 years	5 years
Annualized volatility	152.55%	118.03%
Dividend rate	0.00	0.00
Forfeiture rate	0.00	0.00

10. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and its 100% owned subsidiaries Minera Revolution, S.A. de C.V. (Mexico) and Minera Golondrina S.de R.L. de C.V. (Mexico).

As of October 31, 2018, key management includes the Company's directors (executive and non-executive) and executive officers including its Chairman, its Chief Executive Office and President, Chief Financial Officer and Vice-President Project Development.

During the year ended October 31, 2018, the Company paid or accrued the following amounts as compensation to key management personnel:

a) Salaries and/or management fees of $945,000 (2017 - $679,800) to officers of the Company.

b) Director fees of $299,000 (2017 - $104,500) to non-executive directors of the Company and a company controlled by a director of the Company.

c) Professional advisory fees of $4,987 (2017 - $6,265) to a company controlled by a director of the Company.

d) Share based compensation expense for the year ended October 31, 2018 includes compensation to directors and officers of $80,499 (2017 - $916,834) for stock options vested during the year.

Included in accounts payable is $318,992 (2017 - $130,260) due to directors and officers of the Company.

10. RELATED PARTY TRANSACTIONS (cont'd…)

The Company formerly operated from the premises of a group of public and private companies with common directors. Certain companies provide office and administrative services to the Company and various other public companies. During the year ended October 31, 2018, the Company paid or accrued $17,818 (2017 - $86,493) for office and administrative expenditures.

Falkirk Resource Consultants Ltd ("Falkirk"), is a private company, controlled by a director of the Company. During the year ended October 31, 2018, the Company paid or accrued $303,792 (2017 - $698,535) to Falkirk for services relating to the environmental baseline studies, permitting and government issues associated with the Red Mountain property.

Catana Consulting Ltd ("Catana"), is a private company, controlled by a former close family member to the CEO and President of the Company. During the year ended October 31, 2018, the Company paid or accrued $195,198 (2017 - $332,359) to Catana for services related to first nation consultation and public engagement, environment assessment process and permitting.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended October 31, 2018, include;

a) Issued 2,083,222 finder warrants with a fair value of $17,940 as finder's fees in relation to private placement.

b) Included in accounts payable and accrued liabilities as at October 31, 2018 were $1,694,380 in expenditures related to exploration and evaluation expenditures.

c) Included in exploration and evaluation expenditures is $203,365 of depreciation relating to field and computer equipment.

Significant non-cash transactions for the year ended October 31, 2017, include:

a) Issuing 1,470,655 finder's warrants with a fair value of $13,139 as finder's fees in relation to the private placements.

b) Receiving 10,500,000 common shares of Strikepoint valued at $4,050,000 as partial consideration for sale of the Yukon properties.

c) The assumption of decommissioning and restoration liabilities with a value of $1,712,429 in relation to acquiring 100% of the Red Mountain Property.

d) Included in accounts payable and accrued liabilities as at October 31, 2017 were $1,567,205 in expenditures related to exploration and evaluation expenditures.

e) Included in exploration and evaluation expenditures is $139,084 of depreciation relating to field and computer equipment.

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2018	2017
Income/(Loss) for the year before income tax	$(2,691,846)	$ 683,627
Expected income tax (recovery)	$(727,000)	$ 178,000
Permanent differences	(114,000)	(212,000)
Impact of flow-through shares	1,079,000	3,361,000
Change in tax rates and other	(121,000)	(813,000)
Share issue cost	(79,000)	(103,000)
Change in unrecognized deductible temporary differences	364,000	(911,000)
Total income tax expense (recovery)	$ 402,000	$ 1,500,000
Consisting of:		
Current income tax (recovery)	$ -	$ -
Deferred income tax (recovery)	$ 402,000	$1,500,000
Total income tax expense (recovery)	$ 402,000	$ 1,500,000

Significant components of the Company's deferred tax assets (liabilities) recognized in the statement of financial position are as follows:

Deferred tax assets (liabilities)	2018	2017
Exploration and evaluation assets	$(10,192,000)	$ (8,732,000)
Property and equipment and asset retirement obligation	625,000	613,000
Share issue costs	303,000	375,000
Non-capital losses available for future period	7,362,000	6,244,000
Net deferred tax assets (liabilities)	$(1,902,000)	$(1,500,000)

Significant components of the Company's temporary differences, unused tax losses and unused credits that have not been included in the statement of financial position are as follows:

Temporary differences	2018	2017	Expiry Dates
Share issuance costs	$ -	$ -	2038 – 2041
Marketable securities	2,273,000	2,055,000	Not applicable
Exploration and evaluation assets	-	-	Not applicable
Non-capital losses	-	-	2029 – 2037
Equipment	-	-	Not applicable

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Cash, short-term investments and marketable securities are carried at fair value using a level 1 fair value measurement. The carrying value of receivables, and accounts payable and accrued liabilities and other payables approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2018, the Company had a cash balance of $1,035,775, receivables of $782,614 to settle accounts payables and accrued liabilities of $2,198,043.

Subsequent to year end the Company closed the second tranche of a non-brokered private placement for gross proceeds of $2,457,167 and a $3,350,000 secured convertible bridge loan (the "Loan") (refer to Subsequent Events Note 16).

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the exercise of outstanding warrants and the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

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 liquid financial assets including cash, short-term investments and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and short-term investments with high-credit quality financial institutions. Receivables consist mainly of GST receivable from the Government of Canada. The Company has been successful in recovering input tax credits and believes credit risk with respect to receivables to be insignificant.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and short-term investments balances. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at October 31, 2018, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

The majority of the Company's business is conducted in Canada and accordingly is not exposed to foreign currency exchange risk.

c) Price risk

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond control of the Company may affect the marketability of any minerals discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the Company's control. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company holds certain marketable securities which were measured at fair value being the closing share price of each marketable security, at the balance sheet date. The Company is exposed to changes in share prices which would result in gain and losses being recognized through profit or loss.

14. CAPITAL MANAGEMENT

The Company considers capital to be the elements of shareholders' equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There has been no changes to the management of capital during the current fiscal year.

15. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral property concessions. All the Company assets are located in Canada.

16. SUBSEQUENT EVENTS

a) The Company completed the second tranche of a non-brokered private placement in November 2018 for gross proceeds of $2,457,167, consisting of 26,449,671 common units at $0.06 per common unit and 12,431,242 flow-through shares at a price of $0.07 per flow-through share. Each common unit consisted of one common share and one-half warrant, with each whole warrant exercisable for a period of 24 months at $0.085 per share. As of October 31, 2018, the Company had received subscription proceeds of $253,000 towards this private placement.

   Finders' fees payable in connection with the financing consisted of $49,700 and 667,142 finders' warrants exercisable for a period of 12 months at $0.085 per share.

b) In January 2019, the Company entered into a definitive arrangement agreement (the "Definitive Agreement") with Ascot Resources Ltd ("Ascot") pursuant to which Ascot will acquire all of the issued and outstanding common shares of the Company (the "Transaction"). Each shareholder of the Company will be entitled to receive 0.0675 of a common share of Ascot for each common share of the Company held. Each warrant of the Company will be converted into an Ascot warrant per the terms of the warrant certificate. Each stock option of the Company will be exchanged in accordance with the plan of arrangement (the "Plan of Arrangement"). The Definitive Agreement includes customary provisions, including non-solicitation, right to match and fiduciary out provisions, as well as certain representations, covenants and conditions which are customary for a transaction of this nature. The Definitive Agreement provides for $2.0 million termination fee payable by the Company to Ascot in certain circumstances and a reciprocal expense reimbursement fee of $500,000 payable under certain circumstances. The Transaction is expected to be completed by way of a court approved Plan of Arrangement under the Business Corporations Act (British Columbia) (the "Arrangement").

c) In January 2019, Ascot provided the Company with a $3,350,000 secured convertible bridge loan (the "Loan"). The Loan has an interest rate of CDOR plus 9.0% per annum and is convertible into common shares of the Company at $0.0857 per share. The Loan will become payable within 30 days after the Definitive Agreement is terminated as a result of the Company having approved or recommending an acquisition proposal or entering into a superior proposal or six months if the required approval of the Arrangement is not obtained or conditions precedent are not satisfied. If Ascot converts the Loan into common shares of the Company, Ascot will not be entitled to vote its shares in the Company at the Company's shareholder meeting to approve the Transaction.

   Closing of the Transaction is subject to the receipt of applicable regulatory approvals and the satisfaction of certain other closing conditions customary in transactions of this nature.