



UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2018 and 2017

Expressed in Canadian dollars

PREPARED BY MANAGEMENT

Evolving Gold Corp.

Unaudited - Expressed in Canadian Dollars

For the three-month period ended June 30, 2018

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Notice to Reader

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

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of management.

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

Evolving Gold Corp.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars

As at

	Note	June 30, 2018	March 31, 2018
Assets			
Current Assets			
Cash and cash equivalents	5	\$ 79,830	\$ 243,823
Available-for-sale securities	6	22,000	152,000
GST receivable		1,528	2,388
Prepaid expenses		42,671	51,117
		<u>146,029</u>	<u>449,328</u>
Non-Current Assets			
Property, plant and equipment	8	3,059	4,050
Reclamation bonds	9	19,245	18,900
		<u>22,304</u>	<u>22,950</u>
Total Assets		<u>\$ 168,333</u>	<u>\$ 472,278</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	10	\$ 608,818	\$ 648,462
		<u>608,818</u>	<u>648,462</u>
Other Liabilities			
Asset retirement obligation	9	19,245	18,900
Other liability	11	-	-
		<u>19,245</u>	<u>18,900</u>
Shareholders' Equity			
Share Capital	11	85,230,416	85,230,416
Reserves	11	342,707	342,707
Deficit		(84,972,932)	(84,708,286)
Accumulated Other Comprehensive Loss		(1,059,921)	(1,059,921)
Total Equity (Deficit)		<u>(459,730)</u>	<u>(195,084)</u>
Total Liabilities and Shareholders' Equity		<u>\$ 168,333</u>	<u>\$ 472,278</u>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

"R. Bruce Duncan"

Director

"Robert Horsley"

Director

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

Evolving Gold Corp.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Expressed in Canadian Dollars

For the three-month periods ended June 30, 2018 and 2017

		Three-month period ended June 30,	
	Note	2018	2017
Expenses			
Amortization	8	\$ 991	\$ 529
Bank charges and interest		526	1,085
Legal		524	2,931
Management fees	15	37,500	37,500
Mineral properties	7	14,715	83,559
Office, rent and salaries		65,894	54,724
Transfer agent and filing fees		2,388	2,074
		<u>(122,538)</u>	<u>(182,402)</u>
Other Items			
Recovery on disposal of mineral property		-	3,615
Gain on settlement of debt		-	5,621
Change in fair value of held-for-trading securities		-	19,500
Change in fair value of available-for-sale securities	6	(130,000)	20,681
Flow-through premium recognized		-	1,999
Gain on disposition of available-for-sale securities		-	154
Foreign exchange		(12,108)	3,166
		<u>\$ (264,646)</u>	<u>\$ (127,666)</u>
Net and Comprehensive loss for the period			
Loss per share:			
basic and diluted		<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding			
basic and diluted		<u>15,722,378</u>	<u>15,497,378</u>

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

Evolving Gold Corp.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Canadian Dollars

For the three-month periods ended June 30, 2018 and 2017

	Note	Share Capital		Reserves	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity (deficit)
		Number of Shares	Amount				
Balance at March 31, 2017		15,497,378	\$ 85,207,747	\$ 294,303	\$ (83,671,201)	\$ (1,091,764)	\$ 739,085
Loss for the period		-	-	-	(127,666)	-	(127,666)
Balance at June 30, 2017		15,497,378	\$ 85,207,747	\$ 294,303	\$ (83,798,867)	\$ (1,091,764)	\$ 611,419
Stock options exercised		225,000	11,250	-	-	-	11,250
Reserve adjustment re options		-	11,419	(11,419)	-	-	-
Share-based payments	12	-	-	59,823	-	-	59,823
Change in fair value of available-for-sale securities		-	-	-	-	31,843	31,843
Loss for the period		-	-	-	(909,419)	-	(909,419)
Balance at March 31, 2018		15,722,378	\$ 85,230,416	\$ 342,707	\$ (84,708,286)	\$ (1,059,921)	\$ (195,084)
Loss for the period		-	-	-	(264,646)	-	(264,646)
Balance at June 30, 2018		15,722,378	\$ 85,230,416	\$ 342,707	\$ (84,972,932)	\$ (1,059,921)	\$ (459,730)

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

Evolving Gold Corp.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars

For the three-month period ended June 30, 2018 and 2017

	Three-month period ended June 30,	
	2018	2017
Operating Activities		
Net loss for the year	(264,646)	(127,666)
Items not involving cash		
Amortization	991	529
Flow-through premium recognized	-	(1,999)
Change in fair value of held-for-trading securities	-	(20,680)
Gain on sale of available-for-sale securities	130,000	(19,001)
Changes in assets and liabilities		
Accounts Receivable	860	1,542
Prepaid expenses	8,446	(60,575)
Accounts payable and accrued liabilities	(39,644)	(4,851)
Cash used in operating activities	<u>(163,993)</u>	<u>(232,701)</u>
Investment Activities		
Acquisition of property and equipment	-	(3,818)
Cash provided by investment activities	<u>-</u>	<u>(3,818)</u>
Net change in cash and cash equivalents	(163,993)	(236,519)
Cash and cash equivalents, beginning balance	<u>243,823</u>	<u>1,452,477</u>
Cash and cash equivalents, ending balance	<u>79,830</u>	<u>1,215,958</u>

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

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three-month periods ended June 30, 2018 and 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

Evolving Gold Corp. (the “Company” or “Evolving”) was incorporated as 6109527 Canada Ltd. on June 19, 2003, under the *Canada Business Corporation Act* and is in the business of acquiring, exploring and evaluating mineral properties. The Company is in the exploration stage and has interests in mineral properties located in Canada.

Effective December 7, 2010, the common shares of the Company were listed on the Toronto Stock Exchange (“TMX”) and trade under the symbol EVG. On July 25, 2014, the Company announced its listing on the Canadian Stock Exchange (“CSX”) and its delisting from the TMX. The head office, principal address and records office of the Company are located at Suite 605, 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

These unaudited condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future. The Company has an accumulated deficit of \$84,972,932 since inception and expects to incur losses from operations for the foreseeable future. These conditions indicate the existence of material uncertainty, which casts significant doubt about the Company’s ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company’s operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. Such adjustments have not been included in these unaudited condensed consolidated interim financial statements and could be material.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 29, 2018.

b) Basis of Measurement

The unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis, except for available-for-sale and held-for-trading financial assets and derivative liabilities, which are accounted for at fair value. The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency, unless otherwise indicated. The preparation of unaudited condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the unaudited condensed consolidated interim financial statements are disclosed in Note 4.

The unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Details of subsidiaries are as follows:

	Incorporation Jurisdiction	Percentage owned	
		June 30, 2018	March 31, 2018
Evolving Gold Corporation ("Evolving US")	USA	100%	100%
Rattlesnake Mining Corporation	Canada	100%	100%
Rattlesnake Mining Company (Wyoming)	USA	100%	100%

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in Note 3 to the annual audited Consolidated Financial Statements as of and for the year ended March 31, 2018, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

These condensed consolidated interim financial statements as at and for the three-month period ended June 30, 2018 have been prepared in accordance with the policies described in the annual audited Consolidated Financial Statements, which have been applied consistently to these financial statements.

Recent Accounting Pronouncements

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Company. However, management has yet to assess the impact on the Company's operations.

IFRS 9 *Financial Instruments*

<i>Issued by IASB</i>	July 24, 2014 (final version)
<i>Incorporated into CPA Canada Handbook</i>	February 2014 (final version)
<i>Effective for annual periods beginning on or after</i>	January 1, 2018

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the

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credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

IFRS 16 Leases

Issued by IASB

January 13, 2016

Incorporated into CPA Canada Handbook

June 2016

Effective for annual periods beginning on or after

January 1, 2019

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the 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. Information about critical estimates and 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 unaudited condensed consolidated interim financial statements within the next financial year are discussed below.

The estimates and assumptions of the Company are set out in Note 4 to the annual audited Consolidated Financial Statements as of and for the year ended March 31, 2018, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

Evolving Gold Corp.

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Expressed in Canadian Dollars

For the three-month periods ended June 30, 2018 and 2017

5. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earn interest at floating rates based on daily bank deposit rates. As at June 30, 2018, cash and cash equivalents included \$79,830 (March 31, 2018: \$243,823) held in commercial deposit accounts with a Canadian chartered bank.

6. AVAILABLE-FOR-SALE SECURITIES

Available for sale securities consist of investments in the common shares of various public companies and therefore have no fixed maturity date or coupon rate.

	Fair Value	
	June 30, 2017	March 31, 2018
NV Gold Corporation – Listed Company		
June 2018 – 160,000 shares; March 2018 – 160,000 shares	22,000	152,000
	\$ 22,000	\$152,000

The fair values of NVX have been determined directly by reference to published price quotations in an active market. During the three-month period ended June 30, 2018 and the year ended March 31, 2017, the Company recognized an unrealized loss on the fair value of its available-for-sale securities of \$130,000 (2017 – gain of \$117,246).

7. EXPLORATION AND EVALUATION EXPENDITURES

a) Expenditures During the Year

The Company's exploration and evaluation expenditures for the three-month period ended June 30, 2018 and the year ended March 31, 2018 are summarized as:

	Lithium Lakes	Nicobi	Oxen	Toro	Jake Creek	June 30, 2018
Acquisition and land maintenance	\$ 431	\$ -	\$ -	\$ 11,055	\$ -	\$ 11,486
Administration	-	-	-	-	-	-
Assaying	-	-	-	-	-	-
Consulting - geological	-	-	-	443	-	443
Field expenses and other	-	-	-	290	-	290
Reclamation	-	-	-	-	2,496	2,496
	\$ 431	\$ -	\$ -	\$ 11,788	\$ 2,496	\$ 14,715

	Lithium Lakes	Nicobi	Oxen	Toro	Jake Creek	March 31, 2018
Acquisition and land maintenance	\$ 13,977	\$ -	\$ 2,369	\$ 13,809	\$ -	\$ 30,155
Administration	-	-	-	-	-	-
Assaying	21,530	2,409	4,139	32,451	-	60,529
Consulting - geological	99,108	16,307	9,426	111,315	-	236,156
Field expenses and other	58,458	5,334	-	178,615	-	242,407
Reclamation	-	-	-	-	16,103	16,103
	\$ 193,073	\$ 24,050	\$ 15,934	\$ 336,190	\$ 16,103	\$ 585,350

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three-month periods ended June 30, 2018 and 2017

b) Transactions During the Period

During the three-month period ended June 30, 2018, the Company evaluated its existing properties and conducted minimal work, including property expenditures noted related to Jake Creek to allow for the return of bonds held by various regulatory bodies, and general administrative costs of maintaining the subsidiary while the remaining bonds are outstanding.

c) Properties

Lithium Lakes and related Properties

Lithium Lakes

On June 16, 2016, the Company purchased the Lithium Lakes Property in Quebec, Canada. Pursuant to the purchase agreement, the Company issued to the vendor a total of 300,000 common shares fair valued at \$0.31 per share (\$93,000) (Note 12(a)). The Company also paid the vendor \$40,000. The Lithium Lakes claims are subject to a 1% net smelter returns royalty, whereby the Company will have the right, at any time, to acquire one-half of the royalty by paying \$500,000 to the royalty holder. During the year ended March 31, 2017, the Company increased its land position by staking several claims adjacent to its existing mineral claims.

Toro

On October 21st, 2016, the company claimed the Toro Property in the James Bay area of the Quebec province (Canada). It consists in 324 generally contiguous claims in nine blocks, covering about 17,224 hectares. The area is prospective for gold and base metals. During the year ended March 31, 2017, the Company increased its land position by staking several claims adjacent to its existing mineral claims.

Nicobi

On January 27th, 2017, the Company claimed the Nicobi Property in the Abitibi area of the Quebec province (Canada). It consists in 57 contiguous claims, covering about 3,193 hectares. The area is prospective for gold and base metals.

Oxen

On February 7th, 2017, the Company acquired the Oxen Property in the Ungava Bay area of the Quebec province (Canada). It consists in 17 contiguous claims, covering about 788 hectares. The area is prospective for gold and base metals.

Jake Creek Property

The Jake Creek Property was located in northern Humboldt County, Nevada, approximately 45 miles northeast of Winnemucca, and consisted of 699 generally contiguous, unpatented mining claims covering approximately 14,405 acres. The Company was the sole owner of the Jake Creek Property claim block and held an undivided 100% interest. As of September 30, 2016, the Company allowed the claims to lapse, and accordingly the Company no longer has any interest in these claims.

Rattlesnake Property

On July 28, 2015, Rattlesnake Mining (Wyoming) Company, a wholly owned subsidiary of the Company, sold the Rattlesnake property to GFG, a private company incorporated in the United States. Rattlesnake Mining (Wyoming) Company retains a 2% net smelter return royalty with 1% available for purchase for US\$1,000,000 on production arising from the mining claims, save and except for 30 claims that are already subject to a pre-existing royalty. Rattlesnake Mining (Wyoming) Company may be entitled to an additional 1,500,000 common shares of GFG in the event an independent National Instrument 43-101 resource report defines an aggregate mineral resource (including the "inferred mineral resource" category within the meaning of National Instrument 43-101) for Rattlesnake Hills of at least 1,000,000 ounces of gold within four years of closing.

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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For the three-month periods ended June 30, 2018 and 2017

8. PROPERTY, PLANT AND EQUIPMENT

	Office furniture and equipment	Computer equipment and software	Leasehold improvements	Total
Cost:				
March 31, 2018	\$ 50,043	\$ 16,520	\$ -	\$ 66,563
Additions	-	-	-	-
Disposals	-	(12,346)	-	(12,346)
June 30, 2018	\$ 50,043	\$ 4,174	\$ -	\$ 54,217
Depreciation:				
March 31, 2018	\$ (50,043)	\$ (12,470)	\$ -	\$ (62,513)
Additions	-	(991)	-	(991)
Disposals	-	12,346	-	12,346
June 30, 2018	\$ (50,043)	\$ (1,115)	\$ -	\$ (51,158)
Net book value: At June 30, 2018	\$ -	\$ 3,059	\$ -	\$ 3,059

	Office furniture and equipment	Computer equipment and software	Leasehold improvements	Total
Cost:				
March 31, 2017	\$ 50,043	\$ 12,702	\$ -	\$ 62,745
Additions	-	3,818	-	3,818
March 31, 2018	\$ 50,043	\$ 16,520	\$ -	\$ 66,563
Depreciation:				
March 31, 2017	\$ (50,043)	\$ (9,561)	\$ -	\$ (59,604)
Additions	-	(2,909)	-	(2,909)
March 31, 2018	\$ (50,043)	\$ (12,470)	\$ -	\$ (62,513)
Net book value: At March 31, 2018	\$ -	\$ 4,050	\$ -	\$ 4,050

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9. ASSET RETIREMENT OBLIGATIONS

The Company continues to maintain reclamation bonds on deposit related to its former United States properties. The full repayment of the bonds may take up to three years, as the refund of the balance of the bond held is dependent upon the regrowth of native flora. The Company may be required to engage in additional reclamation work to complete said regrowth. The Company fulfills its site restoration obligations as required when a drill site is abandoned, and accordingly, no discounted present value was calculated due to the expected short-term nature of the obligation.

The reclamation bond balances and asset retirement obligations vary due to the effects of foreign exchange, and are as follows:

	June 30, 2018	March 31, 2018
Reclamation bonds	<u>\$ 19,245</u>	<u>\$ 18,900</u>
Asset retirement obligations	<u>\$ 19,245</u>	<u>\$ 18,900</u>

10. ACCOUNTS PAYABLE AND DEBT SETTLEMENTS

Accounts payable and accrued liabilities consists of trade payables, accruals and other non-trade payables.

11. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, issuable in series. The holders of common shares are entitled to receive dividends, which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regard to the Company's residual assets.

The changes to share capital during the three-month period ended June 30, 2018 and the year ended March 31, 2018 are summarized in the consolidated statement of shareholders' equity.

During the three-month period ended June 30, 2018, the Company did not complete any share capital transactions.

During the year ended March 31, 2018, the Company completed the issuance of 225,000 shares for gross proceeds of \$11,250 as a result of the exercise of 225,000 stock options at \$0.05 per share.

b) Share Purchase Warrants

The following is a summary of changes in warrants for the three-month period ended June 30, 2018 and the year ended March 31, 2018:

	June 30, 2018		March 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	1,000,000	\$ 0.15	1,000,000	\$ 0.15
Issued	-	\$ -	-	\$ -
Expired	-	\$ -	-	\$ -
Warrants outstanding, end of period	<u>1,000,000</u>	<u>\$ 0.15</u>	<u>1,000,000</u>	<u>\$ 0.15</u>

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As at June 30, 2018 and March 31, 2018, following the consolidation of common shares, the Company had total outstanding warrants as follows:

	Number of warrants	Exercise price	Expiry
Share purchase warrants	1,000,000	\$0.15	April 22, 2019
	<u>1,000,000</u>		

12. SHARE-BASED PAYMENTS

The Company established a share purchase option plan (the "Plan") in September 2004. In September 2007, shareholder approval was obtained to adopt a "rolling" stock option plan. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant, from time to time, incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants or advisors. All options granted under the Plan shall expire not later than the tenth anniversary of the date the options were granted. The exercise price of an option is determined by the Board of Directors, but shall not be less than the market price of the common shares of the Company on the CSX on the last business day before the date on which the options are granted, less any discount permitted by the rules of the exchange. Vesting and terms are at the discretion of the Board of Directors. The vesting of options range from vested immediately, a vesting period of three months to a two-year period from the date of the grant at 25% and 20%, respectively. Options granted for investor relations vest in accordance with CSX regulation.

Details of options outstanding as at June 30, 2018 and March 31, 2018 are as follows:

	June 30, 2018		March 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	1,549,000	\$ 0.31	1,549,000	\$ 0.31
Options granted	-	\$ -	225,000	\$ 0.20
Options exercised	-	\$ -	(225,000)	\$ 0.05
Options outstanding, end of period	1,549,000	\$ 0.33	1,549,000	\$ 0.33
Options exercisable, end of period	1,174,333	\$ 0.30	1,174,333	\$ 0.30

As at June 30, 2018 and March 31, 2018, the following options were outstanding:

Expiry Date	Exercise Price	Options Outstanding
December 19, 2019	\$0.05	425,000
July 25, 2021	\$0.50	750,000
September 30, 2021	\$0.50	149,000
September 5, 2022	\$0.20	225,000
		<u>1,549,000</u>

Fair Value of Options Granted During the Period

There were no options granted during the period, and no share-based payments.

During the year ended December 31, 2018, the Company granted 225,000 stock options at an exercise price of \$0.20 per share to a director. The options vest upon grant and expire in five years from the grant date. Stock-based compensation of \$59,823 was recognized as a result of the grant as well as previously issued grants which vested during the period.

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Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

Amounts Capitalized Arising from Share-based Payment Transactions

No amounts were capitalized during the three-month period ended June 30, 2018 and the year ended March 31, 2018.

The fair value pricing model inputs for options granted and vested during the three-month period ended June 30, 2018 and the year ended March 31, 2018 included:

	June 30, 2018	March 31, 2018
Share price on grant date	\$ -	\$.0195
Exercise price	\$ -	\$0.20
Risk-free interest rate	-	0.75%
Expected life (years)	-	5
Volatility	-	215%
Dividend rate	-	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these unaudited condensed consolidated interim financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

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Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Interest Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short term to maturity of its financial instruments.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in commodity prices. The Company is not exposed to significant commodity price risk as the Company does not hold significant marketable securities.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company has significant exposure to foreign exchange rate fluctuation. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company holds balances in US dollars that could give rise to exposure to foreign exchange risk.

Sensitivity to a plus or minus 10% change in the foreign exchange rate of the US dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately \$36,549 (March 31, 2018: \$26,358) as detailed below:

United States Dollar Denominated Balances	June 30,2017	March 31, 2018
Cash	\$ 52,734	\$ 152,643
Accounts receivable	-	-
Available-for-sale securities	-	-
Accounts payable	(418,223)	(418,478)
	\$ (365,489)	\$ (263,580)
10% change in exchange rate impact	\$ (36,549)	\$ (26,358)

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at June 30, 2018 and March 31, 2017 relating to cash and cash equivalents of \$79,830 and \$243,823 held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date

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Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditures.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Accounts payable and other liabilities	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Over 5 years	Total
June 30, 2018	\$ 608,819	\$ -	\$ -	\$ -	\$ 608,819
March 31, 2018	\$ 648,462	\$ -	\$ -	\$ -	\$ 648,462

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statement of financial position carrying amounts for cash and cash equivalents and trade and other payables approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale securities are based on quoted prices and are therefore considered to be Level 1.

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14. CAPITAL MANAGEMENT

The Company monitors its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements nor were there any changes in the Company's capital management processes during the three-month period ended June 30, 2018 or the year ended March 31, 2018.

15. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include the Company's CEO and CFO. Payments to key management are recorded as management fees. Share-based payments were incurred for both key management and directors. No directors' fees were paid during the applicable years.

The following key management compensation was incurred:

	Three Months ended June 30,	
	2018	2017
Management fees and salaries	\$ 37,500	\$ 37,500
	<u>\$ 37,500</u>	<u>\$ 37,500</u>

Management fees are payable in Canadian dollars. After allowing for offsetting accruals, write-downs, expense allocations and disbursements, unpaid and accrued management fees as of June 30, 2018 were \$nil (March 31, 2018 \$52,250).

16. COMMITMENT

The Company had a lease expiring August 31, 2016 for office space occupied by its head office, which was renewed during the year ended March 31, 2017 for an additional three-year term. Future minimum payments under the operating lease as at the end of the indicated periods are as follows:

	June 30, 2018	March 31, 2018
Within one year	\$ 82,721	\$ 82,721
After one year, but no more than two years	14,477	36,192
More than two years	-	-
	<u>\$97,198</u>	<u>\$118,913</u>

17. LOSS PER SHARE

Basic loss per share amounts is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The basic and diluted loss per share is the same, as there are no instruments that have a dilutive effect on earnings. Diluted loss per share for each of years presented excludes the effect of potentially dilutive securities, including 1,549,000 share purchase options (March 31, 2018: 1,549,000 options) and 1,000,000 share purchase warrants (March 31, 2018: 1,000,000 warrants), as their inclusion in the calculation of diluted loss per share would have been anti-dilutive.

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18. EVENTS SUBSEQUENT TO THE YEAR END

The Company has evaluated its activities subsequent to June 30, 2018 and has determined that there are no material events to be reported.