(Formerly Stratton Resources Inc.)

(An exploration stage company)

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise stated)

**UNAUDITED**

# TORQ RESOURCES INC.
# (Formerly Stratton Resources Inc.)

(the "Company")

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2018 and 2017

NOTICE OF NO AUDITOR REVIEW

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

The Company’s independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

November 27, 2018

## TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)
**Condensed Consolidated Interim Statements of Financial Position**

Unaudited - (Expressed in Canadian dollars)

| | As at September 30, 2018 | As at December 31, 2017 | As at December 31, 2016 |
|---|---|---|---|
| | | (Restated - note 3) | (Restated - note 3) |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | $ 12,910,819 | $ 15,444,707 | $ 5,864,033 |
| Amounts receivable | 33,263 | 328,723 | 31,938 |
| Prepaid expenses and deposits | 236,694 | 82,737 | 291,365 |
| | 13,180,776 | 15,856,167 | 6,187,336 |
| **Non-current assets:** | | | |
| Mineral property interests (note 4c) | 84,164 | 534,344 | 216,180 |
| **Total assets** | **$ 13,264,940** | **$ 16,390,511** | **$ 6,403,516** |
| **Liabilities and Equity** | | | |
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Accounts payable and accrued liabilities | $ 311,146 | $ 201,719 | $ 633,673 |
| | 311,146 | 201,719 | 633,673 |
| **Non-current liability:** | | | |
| Gecon financial liability | 156,714 | 151,049 | 218,472 |
| | 467,860 | 352,768 | 852,145 |
| **Equity** | | | |
| Share capital | 48,977,100 | 48,977,100 | 36,103,136 |
| Share option and warrant reserve | 8,168,447 | 7,094,897 | 5,039,680 |
| Accumulated other comprehensive loss | (7,330) | (4,313) | (1,024) |
| Deficit | (44,341,137) | (40,029,941) | (35,590,421) |
| | 12,797,080 | 16,037,743 | 5,551,371 |
| **Total liabilities and equity** | **$ 13,264,940** | **$ 16,390,511** | **$ 6,403,516** |

Subsequent events (note 4)

Approved on behalf of the Board of Directors:

*"Peter Rees"*
Chief Financial Officer

*"Jeffrey Mason"*
Director

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

# TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited - (Expressed in Canadian dollars, except share amounts)

| | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|
| | | (Restated - note 3) | | (Restated - note 3) |
| **Operating expenses** | | | | |
| Exploration and evaluation costs (note 5) | $ 596,462 | $ 336,141 | $ 1,179,835 | $ 678,808 |
| Fees, salaries and other employee benefits | 336,527 | 820,416 | 1,134,993 | 1,045,801 |
| Legal and professional fees | 11,278 | 15,510 | 86,625 | 87,794 |
| Regulatory, transfer agent and shareholder information | 13,107 | 27,207 | 73,147 | 50,489 |
| Office and administration | 55,408 | 42,819 | 149,973 | 130,644 |
| Investor relations and marketing | 104,279 | 28,832 | 261,461 | 60,515 |
| Bank charges | 1,806 | 1,642 | 4,530 | 5,685 |
| | 1,118,867 | 1,272,567 | 2,890,564 | 2,059,736 |
| **Other expenses (income)** | | | | |
| Project investigation costs (note 6) | 164,381 | 537,818 | 571,569 | 818,485 |
| Interest income | (62,834) | (46,020) | (190,829) | (89,655) |
| Change in fair value of Gecon financial liability and startup costs | (1,839) | (6,972) | 5,665 | (13,171) |
| Impairment of mineral property interests (note 4c) | 1,074,919 | – | 1,074,919 | – |
| Foreign exchange loss (gain) | 31,527 | 46,394 | (40,692) | 57,168 |
| | 1,206,154 | 531,220 | 1,420,632 | 772,827 |
| **Loss for the period** | **2,325,021** | **1,803,787** | **4,311,196** | **2,832,563** |
| Other comprehensive loss, net of tax | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Unrealized currency loss on translation of foreign operations | 6,508 | – | 3,017 | 5,888 |
| **Other comprehensive loss for the period** | **6,508** | **–** | **3,017** | **5,888** |
| **Total comprehensive loss for the period** | **$ 2,331,529** | **$ 1,803,787** | **$ 4,314,213** | **$ 2,838,451** |
| Basic and diluted loss per share (note 13) | $ 0.03 | $ 0.02 | $ 0.06 | $ 0.04 |
| Weighted average number of common shares outstanding (basic and diluted) (note 13) | 77,324,164 | 77,124,164 | 77,324,164 | 72,736,985 |

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

## TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

**Condensed Consolidated Interim Statements of Changes in Equity**

Unaudited - (Expressed in Canadian dollars, except share amounts)

| | Number of shares | Share capital | Share option and warrant reserve | Accumulated other comprehensive loss | Deficit (Restated - note 3) | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2016 | 56,824,164 | $ 36,103,136 | $ 5,039,680 | $ (1,024) | $ (35,590,421) | $ 5,551,371 |
| Net loss and comprehensive loss for the period | – | – | – | (5,888) | (2,832,563) | (2,838,451) |
| Proceeds from private placement, net of share issue costs (note 7 (b)) | 20,300,000 | 12,747,964 | – | – | – | 12,747,964 |
| Share-based compensation (note 8) | – | – | 1,180,085 | – | – | 1,180,085 |
| Balance at September 30, 2017 | 77,124,164 | 48,851,100 | 6,219,765 | (6,912) | (38,422,984) | 16,640,969 |
| Balance at December 31, 2017 | 77,324,164 | $ 48,977,100 | $ 7,094,897 | $ (4,313) | $ (40,029,941) | $ 16,037,743 |
| Net loss and comprehensive loss for the period | – | – | – | (3,017) | (4,311,196) | (4,314,213) |
| Share-based compensation (note 8) | – | – | 1,073,550 | – | – | 1,073,550 |
| Balance at September 30, 2018 | 77,324,164 | $ 48,977,100 | $ 8,168,447 | $ (7,330) | $ (44,341,137) | $ 12,797,080 |

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

## TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

**Condensed Consolidated Interim Statements of Cash Flows**

Unaudited - (Expressed in Canadian dollars)

| | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|
| | | (Restated - note 3) | | (Restated - note 3) |
| **Cash (used in) provided by:** | | | | |
| **Operating activities:** | | | | |
| Loss for the period | $ (2,325,021) | $ (1,803,787) | $ (4,311,196) | $ (2,832,563) |
| Items not involving cash: | | | | |
| Share-based compensation (note 8) | 224,222 | 1,180,085 | 1,073,550 | 1,180,085 |
| Change in fair value of Gecon financial liability | (1,839) | (6,972) | 5,665 | (13,171) |
| Unrealized foreign exchange loss (gain) | 56,238 | 11,404 | (42,746) | 37,794 |
| Interest income | (62,834) | (46,020) | (190,829) | (89,655) |
| Impairment of mineral property interests (note 4c) | 1,074,919 | – | 1,074,919 | – |
| Changes in non-cash working capital: | | | | |
| Amounts receivable | 230,001 | 11,353 | 295,460 | (201,062) |
| Prepaid expenses and deposits | 26,141 | 26,006 | (153,902) | 139,868 |
| Accounts payable and accrued liabilities | (27,658) | (273,656) | (240,719) | (473,943) |
| **Cash used in operating activities** | (805,830) | (901,587) | (2,489,797) | (2,252,647) |
| **Investing activities:** | | | | |
| Mineral property acquisition costs | (3,513) | – | (134,164) | (25,000) |
| Deferred project acquisition costs | – | – | – | (32,842) |
| Acquisition of Rush Valley Exploration Inc. | (9,318) | – | (138,845) | – |
| Interest received | 62,834 | 46,020 | 190,829 | 89,655 |
| **Cash provided by (used in) investing activities** | 50,003 | 46,020 | (82,180) | 31,813 |
| **Financing activities:** | | | | |
| Shares issued for cash, net of issuance costs (note 7 (b)) | – | – | – | 12,747,964 |
| **Cash provided by financing activities** | – | – | – | 12,747,964 |
| **Effect of foreign exchange rate changes on cash** | (62,830) | (11,067) | 38,089 | (43,130) |
| **(Decrease) increase in cash** | (818,657) | (866,634) | (2,533,888) | 10,484,000 |
| **Cash, beginning of the period** | 13,729,476 | 17,214,667 | 15,444,707 | 5,864,033 |
| **Cash, end of the period** | **$ 12,910,819** | **$ 16,348,033** | **$ 12,910,819** | **$ 16,348,033** |

Supplemental cash flow information (note 11)

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

## 1. Corporate information

Torq Resources Inc. (formerly known as Stratton Resources Inc.) (the "Company" or "Torq") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer. The Company changed its name to Torq Resources Inc. effective March 15, 2017 and its shares trade under the symbol TORQ.V in Canada and on the OTCQX under the US symbol TRBMF.

The Company is principally engaged in the acquisition, exploration, and development of mineral property interests with focus in the Americas.

The head office and principal address of the Company is located at 1199 Hastings Street, Suite 600, Vancouver, British Columbia, Canada, V6E 3T5.

## 2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited consolidated financial statements for the years ended December 31, 2017 and 2016 except as follows:

- Revenue Recognition

  Effective January 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The adoption of this standard did not impact the Company's financial statements, as currently the Company does not earn revenues.

- Financial instruments

  Effective January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The adoption of this standard did not impact the Company's financial statements as currently the Company does not hold any financial instruments for which the underlying accounting was impacted.

## 2. Basis of presentation (continued)

(a) Statement of compliance (continued)

- Change in accounting policy for exploration and evaluation costs

  Effective January 1, 2018 the Company elected to change its accounting policy for exploration and evaluation costs. As a result of this voluntary change in accounting policy, the Company has retrospectively restated certain prior period amounts within these condensed consolidated interim financial statements to be in accordance with this new policy. The voluntary change in policy and the impact on prior period amounts is detailed in note 3.

  The revised accounting policy for exploration and evaluation costs and mineral property interests is as follows:

  Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties, in addition the Company does not carry mineral property title insurance. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

  The Company accounts for mineral property interests in accordance with IFRS 6 – Exploration for and evaluation of mineral properties ("IFRS 6").

  Costs directly related to acquiring the legal right to explore a mineral property including acquisition of licenses, mineral rights, and similar acquisition costs are recognized and capitalized as mineral property interests. Acquisition costs incurred in obtaining the legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral property interests. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

  Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation activities, including but not limited to researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling, payments made to contractors and consultants in connection with the exploration and evaluation of the property, are expensed in the period in which they are incurred as exploration and evaluation costs on the consolidated statement of loss and comprehensive loss.

  Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as administrative costs in the period in which they occur.

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

  When a project is deemed to no longer have commercially viable prospects to the Company, all capitalized acquisition costs in respect of that project are deemed to be impaired. As a result, those costs, in excess of the estimated recoverable amount, are written off to the consolidated statement of loss and comprehensive loss.

  The Company assesses mineral property interests for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

  Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development at which point the assets and further related costs no longer fall under the guidance of IFRS 6.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

These condensed consolidated interim financial statements were authorized for issue and approved by the Board of Directors of the Company on November 27, 2018.

**2. Basis of presentation (continued)**

(b) Basis of preparation and consolidation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, with the exception of the Gecon financial liability which is measured at fair value.

The Company's functional currency is the Canadian dollar, which is also the Company's presentation currency. These condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in Euros are denoted as EUR and in United States dollars ("USD") denoted as US$.

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries as follows:

| Subsidiary | Place of incorporation | Functional Currency | Beneficial Interest |
|---|---|---|---|
| Stratton Resources (Canada) Ltd. | BC, Canada | CAD | 100% |
| Torq USA Inc. | Nevada, USA | USD | 100% |
| Rush Valley Exploration Inc. | Nevada, USA | USD | 100% |
| Gecon OOD | Bulgaria | EUR | 100% |

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

Intercompany balances and transactions have been eliminated on consolidation.

(c) Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the condensed consolidated interim financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company's critical accounting judgments and estimates were presented in note 2 of the audited annual consolidated financial statements for the year ended December 31, 2017 and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new judgements were applied for the periods ended September 30, 2018 and 2017.

(d) New accounting standards not yet in effect

In January 2016, the IASB published a new accounting standard, IFRS 16 – Leases ("IFRS 16") which supersedes IAS 17 – Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, has also been applied. The Company does not have any material lease agreements and does not expect the adoption of this standard to materially impact its consolidated financial statements.

**3. Change in accounting policy**

Effective January 1, 2018 the Company elected to change its accounting policy for exploration and evaluation costs incurred subsequent to the acquisition of a mineral property interest. Previously the Company had capitalized these costs as part of mineral property interests in accordance with IFRS 6 which allows for mining exploration companies to either capitalize or expense such costs.

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

### 3. Change in accounting policy (continued)

Management determined that expensing exploration and evaluation costs would provide more relevant information to many of its financial statement users, as it would allow for comparisons to be drawn against its Canadian peers, many of which choose to expense such costs. Management believes that the new policy will assist users' review and analysis of the Company's financial statements as the statement of loss and comprehensive loss more fully reflects the activities and related expenditures for any given period.

The Company will continue to capitalize the costs incurred to acquire the right to explore a mineral property until the right is lost or the value of the mineral property is determined to be impaired.

See note 2 (a) for the Company's revised accounting policy on exploration and evaluation costs and mineral property interests.

The impact of this voluntary change in accounting policy on prior period amounts is outlined below:

**Statements of Financial Position**

| As at January 1, 2017 | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Mineral property interests | $ 605,232 | $ (389,052) | $ 216,180 |
| Deficit | $ 35,201,369 | $ 389,052 | $ 35,590,421 |
| **As at December 31, 2017** | **As previously reported** | **Adjustment** | **Restated** |
| Mineral property interests | $ 2,166,106 | $ (1,631,762) | $ 534,344 |
| Deficit | $ 38,398,179 | $ 1,631,762 | $ 40,029,941 |

**Statements of Loss and Comprehensive Loss**

| Three months ended September 30, 2017 | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Exploration and evaluation costs | $ - | $ 336,141 | $ 336,141 |
| Loss for the period | $ 1,467,646 | $ 336,141 | $ 1,803,787 |
| Comprehensive loss | $ 1,467,646 | $ 336,414 | $1,803,787 |
| Loss per share (basic and diluted) | $ 0.02 | $ 0.00 | $ 0.02 |

| Nine months ended September 30, 2017 | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Exploration and evaluation costs | $ - | $ 678,808 | $ 678,808 |
| Loss for the period | $ 2,153,755 | $ 678,808 | $ 2,832,563 |
| Comprehensive loss | $ 2,159,643 | $ 678,808 | $ 2,838,451 |
| Loss per share (basic and diluted) | $ 0.03 | $ 0.01 | $ 0.04 |

**Statement of Cash Flows**

| Three months ended September 30, 2017 | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Loss for the period | $ (1,467,646) | $ (336,141) | $ (1,803,787) |
| Share-based compensation | $ 1,022,021 | $ 158,064 | $ 1,180,085 |
| Changes in non-cash working capital | | | |
| Accounts payable and accrued liabilities | $ 51,571 | $ (325,227) | $ (273,656) |
| Cash used in operating activities | $ (398,283) | $ (503,304) | $ (901,587) |
| Exploration and evaluation costs | $ (503,304) | $ 503,304 | - |
| Cash (used in) provided by investing activities | $ (457,284) | $ 503,304 | $ 46,020 |

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

**3. Change in accounting policy (continued)**

**Statement of Cash Flows**

| Nine months ended September 30, 2017 | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Loss for the period | $ (2,153,755) | $ (678,808) | $ (2,832,563) |
| Share-based compensation | $ 1,022,021 | $ 158,064 | $ 1,180,085 |
| Changes in non-cash working capital | | | |
| Prepaid expenses and deposits | $ 189,868 | $ (50,000) | $ 139,868 |
| Accounts payable and accrued liabilities | $ 31,122 | $ (505,065) | $ (473,943) |
| Cash used in operating activities | $ (1,176,838) | $ (1,075,809) | $ (2,252,647) |
| Exploration and evaluation costs | $ (1,100,809) | $ 1,100,809 | $ - |
| Acquisition of mineral property interests | $ - | $ (25,000) | $ (25,000) |
| Cash (used in) provided by investing activities | $ (1,043,996) | $ 1,075,809 | $ 31,813 |

**4. Mineral property interests**

a) Newfoundland exploration projects

On October 28, 2016, the Company entered into an option agreement with Wildwood Exploration Inc. to acquire the rights to approximately 119,000 hectares in Newfoundland, Canada (the " Wildwood Option"). Effective October 19, 2018, the Company terminated the Wildwood Option and elected not to proceed with further exploration at its mineral properties in Newfoundland. As at September 30, 2018, The Company has written off the acquisition costs capitalized in relation to these mineral properties.

b) Utah exploration projects

**Speedway Gold Project**

On March 15, 2018, the Company entered a mineral lease agreement (the "Speedway Agreement") with Geological Services Inc. to acquire the rights to the Speedway gold project. Under the terms of the Speedway Agreement, the Company paid US$25,000 upon signing and will be required to pay steadily escalating annual lease payments as well as the underlying claim fees. There is no required work commitment and the Speedway Agreement can be terminated at any time after one year. The Speedway Agreement may be bought-out at any time for US$1,000,000 subject to a buyable 2% royalty to the underlying owner.

**West Mercer Gold Project**

On May 8, 2018, the Company entered a share exchange agreement with Rush Valley Exploration Inc. ("RVX") and its three principal shareholders (the "Mercur Agreement") to acquire a 100% interest in RVX and the West Mercur gold project. Under the terms of the Mercur Agreement, to acquire RVX, the Company can pay US$2.4 million in a combination of cash and common shares to RVX's shareholders, at any time within a two-year period. Prior to the date of execution, the Company had advanced a total of $398,074 of interim funding that was used to cover a shortfall in RVX's working capital.

The Company determined that, as of May 8th, 2018, the Company had effective control over RVX and has accounted for the transaction as an asset acquisition as of that date.

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

## 4. Mineral property interests (continued)

b) Utah exploration projects (continued)

The allocation of the purchase price based on the relative fair value of assets acquired and liabilities assumed is as follows:

| | |
|---|---|
| **Total purchase price:** | |
| Cash advanced to RVX as of May 8th, 2018 | $ 398,074 |
| Transaction costs associated with the acquisition | 94,246 |
| Total purchase price to allocate | $ 492,320 |
| | |
| **Cost of assets acquired and liabilities assumed:** | |
| Cash and cash equivalents[1] | $ 353,474 |
| Mineral properties | 490,830 |
| Accounts payable and accrued liabilities | (351,984) |
| | $ 492,320 |

[1] Includes $350,001 of cash advanced upon signing of the Mercur Agreement and net cash used in the acquisition of RVX was $138,846.

On October 1, 2018, the Company provided notice to RVX that it would be terminating the Mercur Agreement effective November 30, 2018. As a result, the Company has recorded an impairment against the value of these mineral properties as at September 30, 2018.

c) The following is a continuity of mineral property interest acquisition costs:

| | Newfoundland | Utah | Total |
|---|---|---|---|
| **Balance as at December 31, 2016** | **$ 216,180** | **$ -** | **$ 216,180** |
| Direct acquisition costs | 316,000 | - | 316,000 |
| Other acquisition costs | 2,164 | - | 2,164 |
| **Balance as at December 31, 2017** | **$ 534,344** | **$ -** | **$ 534,344** |
| Direct acquisition costs | 50,000 | 558,830 | 608,830 |
| Other acquisition costs | - | 16,164 | 16,164 |
| Impairment of mineral property interests | (584,344) | (490,575) | (1,074,919) |
| Currency translation adjustment | - | (255) | (255) |
| **Balance as at September 30, 2018** | **$ -** | **$ 84,164** | **$ 84,164** |

## 5. Exploration and evaluation costs

For the three months ended September 30, 2018 the Company's exploration and evaluation costs are broken down as follows:

| | Newfoundland | Utah | Total |
|---|---|---|---|
| Aircraft and travel | $ 2,134 | $ 31,037 | $ 33,171 |
| Assays | 37,966 | 79,848 | 117,814 |
| Environmental and permitting | - | 110,424 | 110,424 |
| Equipment rental and maintenance | - | 3,926 | 3,926 |
| Project support cost | 4,237 | 5,418 | 9,655 |
| Wages and consultants | 14,408 | 279,683 | 294,091 |
| Share-based compensation | 9,659 | 17,723 | 27,382 |
| **Total for the three months ended September 30, 2018** | **$ 68,404** | **$ 528,058** | **$ 596,462** |

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

## 5. Exploration and evaluation costs (continued)

For the nine months ended September 30, 2018 the Company's exploration and evaluation costs are broken down as follows:

| | Newfoundland | Utah | Total |
|---|---|---|---|
| Aircraft and travel | $ 6,946 | $ 78,797 | $ 85,743 |
| Assays | 155,314 | 82,536 | 237,850 |
| Environmental and permitting | - | 165,319 | 165,319 |
| Equipment rental and maintenance | - | 7,852 | 7,852 |
| Project support cost | 5,525 | 12,957 | 18,482 |
| Wages and consultants | 66,984 | 487,884 | 554,868 |
| Share-based compensation | 137,166 | 42,687 | 179,853 |
| Government grants received | (70,131) | - | (70,131) |
| **Total for the nine months ended September 30, 2018** | **$ 301,804** | **$ 878,031** | **$ 1,179,835** |

During the nine months ended September 30, 2018, the Company was awarded a grant from the Government of Newfoundland and Labrador in the amount of $70,131 which was recorded as an offset against the exploration and evaluation costs incurred on the Newfoundland projects.

For the three and nine months ended September 30, 2017 the Company's exploration and evaluation costs were entirely related to activities in Newfoundland broken down as follows:

| | Three months ended September 30, 2017 | Nine months ended September 30, 2017 |
|---|---|---|
| Geophysics, sampling and assays | $ 122,240 | $ 373,672 |
| Equipment rental and maintenance | 10,196 | 55,730 |
| Project support cost | 28,573 | 110,073 |
| Wages and consultants | 17,068 | 110,974 |
| Share-based payments | 158,064 | 158,064 |
| Government grants received | - | (129,705) |
| **Total for the period** | **$ 336,141** | **$ 678,808** |

During the nine months ended September 30, 2017, the Company was awarded a grant from the Government of Newfoundland and Labrador in the amount of $129,705 which was recorded as an offset against the exploration and evaluation costs incurred on the Newfoundland projects.

## 6. Project investigation costs

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Assays | $ 2,172 | $ 30,873 | $ 4,917 | $ 55,173 |
| Equipment, vehicles rent and field supplies | 529 | 10,992 | 4,985 | 28,195 |
| Geological consulting, salaries and wages | 91,531 | 148,915 | 264,222 | 345,358 |
| Project support costs | 4,270 | 4,320 | 18,870 | 12,785 |
| Share-based compensation | 47,279 | 318,508 | 226,612 | 318,508 |
| Travel, meals, accommodation | 18,600 | 24,210 | 51,963 | 58,466 |
| | **$ 164,381** | **$ 537,818** | **$ 571,569** | **$ 818,485** |

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

## 7. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Share issuances

**Nine months ended September 30, 2018:**

There were no share issuances during the nine months ended September 30, 2018.

**Nine months ended September 30, 2017:**

On February 27, 2017, the Company closed a non-brokered private placement for gross proceeds of $13,195,000 (the “February 2017 Private Placement”) pursuant to which the Company issued an aggregate of 20,300,000 common shares at a price of $0.65 per common share. Share issue costs related to the Private Placement amounted to $447,036, which included finder’s fees of $377,042 and professional and regulatory fees of $66,994. A reconciliation of the impact of the February 2017 Private Placement on share capital is as follows:

| | Number of common shares issued | Impact on share capital |
|---|---|---|
| Common shares issued at $0.65 per share | 20,300,000 | $ 13,195,000 |
| Cash share issue costs | - | (447,036) |
| | **20,300,000** | **$ 12,747,964** |

## 8. Share option and warrant reserve

Share-based options

The Company maintains a Rolling Share-based Option Plan providing for the issuance of share options up to 10% of the Company’s issued and outstanding common shares. The Company may grant from time to time share options to its directors, officers, employees and other service providers. The share options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

The continuity of the number of share options issued and outstanding is as follows:

| | Number of share options | Weighted average exercise price |
|---|---|---|
| Outstanding, December 31, 2016 | - | $ - |
| Granted | 6,500,000 | 0.85 |
| Forfeited | (60,000) | 0.85 |
| Outstanding, December 31, 2017 | 6,440,000 | $ 0.85 |
| Granted | 195,000 | 0.50 |
| Expired | (12,500) | 0.85 |
| Forfeited | (63,750) | 0.85 |
| **Outstanding, September 30, 2018** | **6,558,750** | **$ 0.84** |

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

## 8. Share option and warrant reserve (continued)

As at September 30, 2018, the number of share options outstanding and exercisable was:

| | Outstanding | | | Exercisable | | |
|---|---|---|---|---|---|---|
| Expiry date | Number of options | Exercise price | Remaining contractual life (years) | Number of options | Exercise price | Remaining contractual life (years) |
| Aug 30, 2022 | 6,363,750 | $0.85 | 3.92 | 4,815,000 | $0.85 | 3.92 |
| Sep 21, 2023 | 195,000 | 0.50 | 4.98 | 53,750 | 0.50 | 4.98 |
| | 6,558,750 | $0.84 | 3.95 | 4,868,750 | $0.84 | 3.93 |

Share-based options (continued)

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the three and nine months ended September 30, 2018 and 2017 the Company recognized share-based compensation expense as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Recognized in net loss: | | | | |
| Included in exploration and evaluation costs | $ 27,382 | $ 158,064 | $ 179,853 | $ 158,064 |
| Included in consulting fees, wages and benefits | 149,561 | 703,513 | 667,085 | 703,513 |
| Included in project investigation costs | 47,279 | 318,508 | 226,612 | 318,508 |
| | **$ 224,222** | **$ 1,180,085** | **$ 1,073,550** | **$ 1,180,085** |

The fair value of the share options granted during the three and nine months ended September 30, 2018 and 2017 was estimated using the Black-Scholes option valuation model with the following assumptions on a weighted average basis:

| | Three and nine months ended September 30, | |
|---|---|---|
| | **2018** | **2017** |
| Risk-free interest rate | 2.27% | 1.51% |
| Expected dividend yield | Nil | Nil |
| Share price volatility | 100% | 99% |
| Expected life in years | 4.1 | 4.3 |

Share purchase warrants

During the three and nine months ended September 30, 2018 and 2017, the Company did not issue share purchase warrants and has no outstanding or exercisable share purchase warrants.

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

## 9. Related party transactions

All transactions with related parties have occurred in the normal course of operations. All amounts payable and receivable are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

| | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|
| Universal Mineral Services Ltd. [1] | | | | |
| Included in the statement of loss and comprehensive loss: | | | | |
| Bank charges | $ 992 | $ 445 | $ 2,058 | $ 1,551 |
| Fees, salaries and other employee benefits | 80,976 | 42,759 | 222,806 | 126,200 |
| Office, rent and administration | 43,133 | 34,377 | 113,804 | 104,256 |
| Project investigation costs | 34,784 | 27,348 | 55,099 | 80,068 |
| Regulatory, transfer agent and shareholder information | - | 6,856 | 119 | 7,851 |
| Investor relations and marketing | 7,583 | 1,708 | 15,986 | 2,245 |
| Exploration and evaluation costs | | | | |
| Newfoundland | 13,360 | 12,948 | 55,548 | 57,619 |
| Utah | 45,260 | - | 137,512 | - |
| Included on the statement of financial position: | | | | |
| Mineral property acquisition costs | | | | |
| Utah Projects | - | - | 5,542 | - |
| Other prepaid and deferred amounts | 5,057 | - | 33,585 | - |
| **Total transactions for the periods** | **$ 231,145** | **$ 126,441** | **$ 642,059** | **$ 379,790** |

1) Universal Mineral Services Ltd., ("UMS") is a private company with two directors and one officer in common that, pursuant to an agreement dated December 30, 2015, provides office space and administrative services to the Company on a cost recovery basis.

The outstanding balance owing at September 30, 2018 was $95,043 (December 31, 2017 - $43,194). In addition, the Company had $150,000 on deposit with UMS as at September 30, 2018 (December 31, 2017 - $50,000).

Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members, being its three executives and two independent directors:

| | Three months ended September 30, 2018 | Three months ended September 30, 2017 | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|---|---|---|---|---|
| Short-term benefits | $ 107,941 | $ 60,000 | $ 231,736 | $ 173,735 |
| Share-based compensation | 100,701 | 594,582 | 494,424 | 594,582 |
| | **$ 208,642** | **$ 654,582** | **$ 726,160** | **$ 768,317** |

## 10. Financial instruments

Financial instruments are evaluated under a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – Quoted prices 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 (market prices) or indirectly (derived from market prices);

Level 3 – Inputs for the asset or liability that are not based upon observable market data.

Unaudited - (Expressed in Canadian Dollars, unless otherwise stated)

**10. Financial instruments (continued)**

As at September 30, 2018 the Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and the Gecon financial liability. The fair values of these financial assets and liabilities, with the exception of the Gecon liability, approximate their fair values due to their short-term maturity.

As at September 30, 2018, the financial instruments measured at fair value included the Gecon Financial Liability which is classified under level 3 of the fair value hierarchy. The Gecon Financial Liability was remeasured at September 30, 2018 with the change in fair value for the period then ended recognized in the statement of loss and comprehensive loss.

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks, which include foreign currency risk and interest rate risk. As at September 30, 2018 the primary risks were as follows:

(a) Market risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The significant market risk to which the Company is exposed is:

Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. As at September 30, 2018 and December 31, 2017, the Company's foreign currency exposure related to its financial assets and liabilities held in foreign currencies is as follows:

| | **September 30, 2018** | | **December 31, 2017** | |
|---|---|---|---|---|
| | US$ | EUR | US$ | EUR |
| Cash | 2,243,827 | - | 990,303 | - |
| Accounts payable and accrued liabilities | (61,393) | - | (21,538) | (2,104) |
| Gecon financial liability | (156,714) | - | (151,049) | - |
| | 2,025,720 | - | 817,715 | (2,104) |

A 10% increase or decrease in the US dollar and Euro exchange rates would result in an increase/decrease of approximately $202,572 in the Company's net loss for the nine months ended September 30, 2018.

**11. Supplemental cash flow information**

Cash and cash equivalents at September 30, 2018 included $28,750 (December 31, 2017 - $28,750) held in a guaranteed investment certificate as security against corporate credit cards.

**12. Segmented information**

The Company operates as one operating segment, being the acquisition, exploration and development of mineral resource properties. The breakdown of the Company's non-current assets, being its mineral property interests, by geographic location can be found in its mineral property interests note 4(c).

**13. Loss per share**

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2018** | **2017 (Restated – note 3)** | **2018** | **2017 (Restated – note 3)** |
| Loss attributable to ordinary shareholders | $ 2,325,021 | $ 1,803,787 | $ 4,311,196 | $ 2,832,563 |
| Weighted average number of common shares | 77,324,164 | 77,124,164 | 77,324,164 | 72,736,985 |
| **Basic and diluted loss per share** | **$0.03** | **$0.02** | **$0.06** | **$0.04** |

All of the outstanding share-purchase options at September 30, 2018 and 2017 were antidilutive for the periods then ended as the Company was in a loss position.