Consolidated Financial Statements

Pele Mountain Resources Inc.

For the Years Ended September 30, 2018 and 2017
(Stated in Canadian Dollars)

INDEX

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and other financial information for this annual report were prepared by the management of Pele Mountain Resources Inc., reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with International Financial Reporting Standards. Management has included amounts in the Company's financial statements based on estimates, judgments, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

RSM Canada LLP, Chartered Professional Accountants were appointed as auditors by the shareholders of the Company.

Signed "Martin Cooper"
President and CEO

Signed "Paul Andersen"
CFO and Vice President Finance

Toronto, Ontario
January 28, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pele Mountain Resources Inc.

We have audited the accompanying consolidated financial statements of Pele Mountain Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2018, and September 30, 2017, and the consolidated statements of comprehensive loss, changes in equity, and cash flow for the years ended September 30, 2018 and September 30, 2017 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, the consolidated financial statements present fairly, in all material respects, the financial position of Pele Mountain Resources Inc. and its subsidiaries as at September 30, 2018, and September 30, 2017 and its financial performance and its cash flows for the years ended September 30, 2018 and September 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

RSM Canada LLP

Licensed Public Accountants
Chartered Professional Accountants
Toronto, Ontario
January 28, 2019

Pele Mountain Resources Inc.

Consolidated Statements of Financial Position
As at September 30, 2018 and 2017
Stated in Canadian Dollars

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 52,597	$ 173,892
Prepaid expenses and other assets	38,176	52,191
	90,773	226,083
Property, Plant and Equipment (note 4)	-	10,629
	$ 90,773	$ 236,712
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 347,965	$ 1,510,962
Other loans payable - current portion (note 7)	-	102,334
	347,965	1,613,296
Shareholders' Equity		
Capital Stock (note 9)	38,324,374	37,315,374
Contributed Surplus	7,921,178	7,921,178
Accumulated Deficit	(46,502,744)	(46,613,136)
	(257,192)	(1,376,584)
	$ 90,773	$ 236,712

Basis of Presentation and Going Concern (note 2)
Resource Properties (note 5)
Commitments (note 13)
Subsequent Events (note 18)

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

Approved on behalf of the Board

Signed "Richard Cooper" , Director

Signed "Martin Cooper" , Director

Pele Mountain Resources Inc.

Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended September 30, 2018 and 2017
Stated in Canadian Dollars

	2018	2017
Expenses		
Salaries and benefits	$ 51,831	$ 320,382
Publicity and investor relations	6,117	26,324
Listing and filing fees	25,236	62,824
Administrative	51,284	193,262
Professional fees	231,219	225,410
Directors' fees	-	25,350
Share-based compensation (note 11)	-	63,823
Energy project expenditures	-	35,060
Exploration and evaluation expenditures	(43,740)	109,931
Income on disposal of resource properties (note 5)	-	(380,000)
Finance charges	-	65,872
Amortization	675	4,692
Less:		
Interest income	(766)	-
Dividend income	-	(2,384)
Consulting income		(25,000)
Gain on settlement of debt (notes 7, 8, 9(ii), 9(iii) and 15(a))	(246,760)	(797,841)
Non-refundable deposits from letters of intent (note 14)	(97,280)	(20,000)
Loss on portfolio investments (note 6)	-	227,750
Write-off of accounts payable	(96,591)	-
Loss on disposition of property and equipment	8,383	2,354
	110,392	(137,809)
Income (Loss) Before Income Taxes	110,392	(137,809)
Deferred Income Tax Recovery (note 12(ii))	-	-
Net Income (Loss) and Comprehensive Income (Loss)	$ 110,392	$ (137,809)
Earnings (Loss) per Share - basic and diluted	$ 0.003	$ (0.007)
Weighted Average Number of Common Shares Outstanding - basic and diluted	32,270,630	20,995,956

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

Pele Mountain Resources Inc.

Consolidated Statements of Changes in Equity
For the Years Ended September 30, 2018 and 2017
Stated in Canadian Dollars

	Capital Stock		Contributed	Accumulated	
	Shares	Amount	Surplus	Deficit	Total
Balance - October 1, 2016	20,959,353	$ 37,305,374	$ 7,857,355	$ (46,475,327)	$ (1,312,598)
Shares issued pursuant to loan payable (note 9(ii))	40,000	10,000	-	-	10,000
Share-based compensation expense (note 11)	-	-	63,823	-	63,823
Net loss for the year	-	-	-	(137,809)	(137,809)
Balance - September 30, 2017	20,999,353	$ 37,315,374	$ 7,921,178	$ (46,613,136)	$ (1,376,584)

	Capital Stock		Contributed	Accumulated	
	Shares	Amount	Surplus	Deficit	Total
Balance - October 1, 2017	20,999,353	$ 37,315,374	$ 7,921,178	$ (46,613,136)	$ (1,376,584)
Shares issued pursuant to settlement of debt (note 9(iii))	15,143,843	1,009,000	-	-	1,009,000
Net income for the year	-	-	-	110,392	110,392
Balance - September 30, 2018	36,143,196	$ 38,324,374	$ 7,921,178	$ (46,502,744)	$ (257,192)

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

Pele Mountain Resources Inc.

Consolidated Statements of Cash Flow
For the Years Ended September 30, 2018 and 2017
Stated in Canadian Dollars

	2018	2017
Cash Flows from Operating Activities		
Cash paid to suppliers and employees	$ (214,007)	$ (534,311)
Cash received from client	-	25,000
Gross proceeds on sale of resource property	-	380,000
Resource property expenditures	(6,138)	-
Proceeds from letters of intent (note 14)	97,280	20,000
	(122,865)	(109,311)
Cash Flows from Investing Activities		
Proceeds from property, plant and equipment	1,570	-
Proceeds from sale of investments	-	225,894
Purchase of investments	-	(17,695)
	1,570	208,199
Cash Flows from Financing Activities		
Proceeds from loans	-	97,368
Repayment of loans	-	(58,000)
	-	39,368
Change in cash	(121,295)	138,256
Cash and cash equivalents - beginning of year	173,892	35,636
Cash and cash equivalents - end of year	$ 52,597	$ 173,892
Significant Non-Cash Transactions Not Disclosed Above		
Dividend payment in kind	$ -	$ 2,375
Gain on settlement of debt	$ 246,760	$ 797,841
Write-off of accounts payable	$ 96,591	$ -
Recovery of exploration and evaluation expenditures	$ 44,878	$ -

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

1. Nature of Operations

Pele Mountain Resources Inc. (the "Company") is a publicly listed company incorporated in Canada and continued under the Ontario Corporations Act. The Company's common shares trade on the TSX Venture Exchange under the symbol "GEM".

The registered address, principal address and records office of the Company is located at 66 Wellington Street West, Suite 4100, Toronto, Ontario.

The Company is a Canadian mineral company that was formed to acquire mineral resource properties in Canada and to carry out mineral exploration and development activities thereon in search of economic deposits of metals and minerals and has focused on generating and selling interests in mineral projects in Northern Ontario since 1996. The Company, either directly or through its wholly-owned subsidiaries, holds a number of mineral properties.

2. Basis of Presentation and Going Concern

These consolidated financial statements include the accounts of the Company and those of its wholly owned subsidiaries, Eco Ridge Development Corporation ("ERDC"), (formerly known as First Canadian Uranium Inc.), Pele Diamond Corporation ("Pele Diamond"), Pele Gold Corporation ("Pele Gold"), Mountain Pass Resources, Inc. ("Mountain Pass") and Sage Power Corporation ("Sage"). All intercompany accounts and transactions have been eliminated.

The Company's consolidated financial statements reflect the results of operations for the years ended September 30, 2018 and 2017, and the assets, liabilities and shareholders' equity as at September 30, 2018 and September 30, 2017.

a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company follows accounting policies under IFRS as disclosed in Note 3.

The policies applied in the Company's consolidated financial statements are based on IFRS effective as of September 30, 2018. The date the Board of Directors approved the statements is January 28, 2019.

2. Basis of Presentation and Going Concern (continued)

b) Going Concern

The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to fund its exploration and development programs and general and administrative expenses, maintain its resource properties, discharge its liabilities as they become due and generate positive cash flows from operations. There is no certainty that the Company will be successful in raising financing given the current condition of the financial markets, and as such there is significant uncertainty the Company will be able to continue as a going concern.

The consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business. Accordingly, these consolidated financial statements do not give effect to adjustments that may be necessary, should the Company be unable to continue as a going concern. If the going concern assumption is not used then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to these consolidated financial statements.

c) Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value.

d) Functional and Presentation Currency

The Company and its subsidiaries' functional currency is Canadian dollars and the consolidated financial statements are presented in Canadian dollars.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Foreign Currency Transactions

The Company translates monetary assets and liabilities at the rate of exchange in effect at the statement of financial position date and non monetary assets and liabilities at historical exchange rates. Income and expenses are translated at average rates in the month they occur. Gains and losses on translation are recorded in the statement of comprehensive loss.

3. Significant Accounting Policies (continued)

b) Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid short-term money market investments such as bankers acceptance notes, treasury bills and guaranteed investment certificates. As at September 30, 2018 and 2017, the Company did not have any cash equivalents.

c) Property, Plant and Equipment

Property, plant and equipment ("PPE") are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets on the following basis and rates per annum:

Exploration equipment	30%, declining balance basis
Computer equipment	30%, declining balance basis
Computer software	30%, declining balance basis
Furniture and equipment	20%, declining balance basis
Leasehold improvements	straight line over term of lease

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in income or loss for the period.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

d) Impairment of Long Lived Assets

At the end of each reporting period, the Company reviews the carrying amounts of its PPE to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant Accounting Policies (continued)

d) Impairment of Long Lived Assets (continued)

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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 so that the increased carrying amount 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.

e) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the statement of financial position and their corresponding tax value, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity.

Deferred tax liabilities are recognized for all temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

3. Significant Accounting Policies (continued)

f) Share-based Payments

Equity-settled share based payments to employees (including directors and senior executives) and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the share-based payment is measured by reference to the fair value of the equity instrument granted, which in turn is determined using the Black-Scholes option-pricing model on the date of the grant, with management's assumptions for the risk-free rate, dividend yield, volatility factors of the expected market price of the Company's common shares, expected forfeitures and the life of the options.

The fair value of the equity-settled share based payments is expensed over the period in which the performance and/or service conditions are fulfilled, ending on the date in which the grantee becomes fully entitled to the award, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. Vesting assumptions are reviewed at each reporting date to ensure they reflect current expectations.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service. When the Company settles outstanding debts with equity, the equity is valued at the fair value on the date the equity is issued. Any difference in the value of the debt settled and the fair value of equity issued is recognized as a gain or loss on settlement of debt on the consolidated statement of comprehensive loss.

When the terms of equity-settled options previously granted are modified, the minimum expense recognized is the expense as if the terms had not been modified. The entity shall recognize the effects of modifications that increase the total fair value of the share-based payment arrangement.

3. Significant Accounting Policies (continued)

g) Decommissioning Liabilities

The Company's mining exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations or constructive obligations.

Accrued site closure costs are recorded at the time an environmental disturbance occurs, and are measured at the Company's best estimate of the expected value of future cash flows required to reclaim the disturbance upon site closure, discounted to their net present value. The net present value is determined using a pre-tax discount rate that is specific to the liability. The estimated net present value is re-measured on an annual basis or when changes in circumstances occur and/or new material information becomes available. Increases or decreases to the provision arise due to changes in legal or regulatory requirements, the extent of environmental remediation required and cost estimates. The net present value of the estimated costs of these changes is recorded in the period in which the change is identified and quantifiable.

Upon initial recognition of site closure costs, there is a corresponding increase to the carrying amounts of related assets and the cost is amortized as an expense on a unit-of-production basis over the life of the related assets. The value of the provision is progressively increased over the life of the operation as the effect of discounting unwinds, such increase is recognized as interest expense.

As at September 30, 2018 and September 30, 2017, the Company has not incurred and is not committed to any material decommissioning obligations in respect of its mineral exploration properties.

h) Other Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and 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 risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. Significant Accounting Policies (continued)

i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognized as a finance lease obligation within long-term debt.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are included in the capitalized value of the asset.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

j) Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing the earnings (loss) for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings (loss) per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. During the years ended September 30, 2018 and 2017, all the outstanding stock options, warrants and brokers' compensation warrants were anti-dilutive.

k) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Significant Accounting Policies (continued)

l) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the consolidated Statement of Comprehensive Income (Loss).

Financial Assets

The Company recognizes all financial assets initially at fair value and classifies them into one of the following specified categories: fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”), held for trading ("HFT"), available-for-sale (“AFS”) and loans and receivables. HTM instruments and loans and receivables are measured at amortized cost. AFS and HFT instruments are measured at fair value with AFS unrealized gains and losses recognized in other comprehensive income while unrealized gains and losses on HFT instruments are recognized in profit or loss for the period. Investments in AFS and HFT securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period.

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) is based on quoted market prices at the date of the Statement of Financial Position. The quoted market price used for financial assets held by the Company is the current bid price.

3. Significant Accounting Policies (continued)

l) Financial Instruments (continued)

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. When impairment has incurred, the cumulative loss is recognized in the statement of comprehensive income (loss). For financial assets carried at cost or amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the recoverable amount, determined as the higher of the estimated fair value and the discounted future cash flows generated from use. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of comprehensive income (loss) in the year. Impairment losses may be reversed in subsequent years.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period. Other financial liabilities including borrowings are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

The effective interest 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 exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company's financial assets and liabilities are classified and subsequently measured as follows:

Asset/Liability	Classification	Subsequent Measurement
Cash and cash equivalents	FVTPL	Fair value through profit or loss
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Other loans payable	Other financial liabilities	Amortized cost

3. Significant Accounting Policies (continued)

m) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the consolidated Statement of Comprehensive Income (Loss) on the purchase, sale, issue or cancellation of the Company's own equity instruments. In situations where the Company issues an equity instrument that includes a common share and warrant component, the Company estimates the fair value of the warrant component at the issuance date using the Black Scholes pricing model. The estimated fair value of the warrants is recognized as contributed surplus in the consolidated statement of financial position.

n) Critical Accounting Judgments and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the consolidated financial statements.

Property, Plant and Equipment - Estimated Useful Lives

Management estimates the useful lives of PPE based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of PPE for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's PPE in the future.

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, forfeiture rate and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 11.

3. **Significant Accounting Policies** (continued)

n) Critical Accounting Judgments and Estimation Uncertainties (continued)

Deferred Taxes

The Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which it is probable the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include costs which are directly attributable to acquisition, surveying, geological, geochemical, geophysical, exploration and resource drilling, land maintenance, sampling and assessing technical feasibility and commercial viability. These expenditures are expensed as incurred.

Fair Value of Common Shares Issued Pursuant to Settlement of Debt

The Company estimates the fair value of common shares issued pursuant to settlement of debt based on the quoted market price of the Company's shares on the date the common shares are issued.

o) Future Accounting Policies

IFRS 9, Financial instruments (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: recognition and measurement” (“IAS 39”). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. Final amendments released in July 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

3. Significant Accounting Policies (continued)

o) Future Accounting Policies (continued)

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

4. Property, Plant and Equipment

	Exploration Equipment	Computer Equipment	Computer Software	Furniture & Equipment	Leasehold Improvements	Total
Cost						
Balance - September 30, 2016	$ 152,659	$ 52,569	$ 9,612	$ 27,951	$ 95,409	$ 338,200
Additions	-	-	-	-	-	-
Disposals	(152,659)	-	-	-	(95,409)	(248,068)
Balance - September 30, 2017	-	52,569	9,612	27,951	-	90,132
Additions	-	-	-	-	-	-
Disposals	-	(52,569)	(9,612)	(27,951)	-	(90,132)
Balance - September 30, 2018	$ -	$ -	$ -	$ -	$ -	$ -
Accumulated Amortization						
Balance - September 30, 2016	$ 149,295	$ 44,929	$ 9,038	$ 21,854	$ 95,409	$ 320,525
Amortization for the period	1,010	2,290	172	1,220	-	4,692
Disposals	(150,305)	-	-	-	(95,409)	(245,714)
Balance - September 30, 2017	-	47,219	9,210	23,074	-	79,503
Amortization for the period	-	401	30	244	-	675
Disposals	-	(47,620)	(9,240)	(23,318)	-	(80,178)
Balance - September 30, 2018	$ -	$ -	$ -	$ -	$ -	$ -
Net Book Value						
As at September 30, 2017	$ -	$ 5,350	$ 402	$ 4,877	$ -	$ 10,629
As at September 30, 2018	$ -	$ -	$ -	$ -	$ -	$ -

During the year ended September 30, 2018, the Company disposed of all of its property, plant and equipment with an aggregate net book value of $9,953 for proceeds of $1,570 resulting in a loss on disposition of $8,383.

5. Resource Properties

The cumulative spending on each of the Company's properties is as follows:

	October 1, 2017	Net Additions (Recoveries)	Dispositions	September 30, 2018
Eco Ridge Project (i)	$ 50,189	$ (44,878)	$ -	$ 5,311
Ardeen Gold Project (ii)	-	-	-	-
Mountain Pass Project (v)	-	1,138	-	1,138
	$ 50,189	$ (43,740)	$ -	$ 6,449
Timmins Project (iii)[1]	$ (122,796)	$ -	$ -	$ (122,796)
Sudbury Project (iv)[1]	(78,720)	-	-	(78,720)
	$ (201,516)	$ -	$ -	$ (201,516)

	October 1, 2016	Net Additions (Recoveries)	Dispositions	September 30, 2017
Eco Ridge Project (i)	$ 16,420,706	$ (271,628)	$(16,098,889)	$ 50,189
Ardeen Gold Project (ii)	-	-	-	-
Mountain Pass Project (v)	672,529	1,559	(674,088)	-
	$ 17,093,235	$ (270,069)	$(16,772,977)	$ 50,189
Timmins Project (iii)[1]	$ (122,796)	$ -	$ -	$ (122,796)
Sudbury Project (iv)[1]	(78,720)	-	-	(78,720)
	$ (201,516)	$ -	$ -	$ (201,516)

[1] The Company had received consideration from its joint venture partners or optionees in excess of its costs incurred to date.

(i) Eco Ridge Mine Project (Elliot Lake, Ontario)

The Eco Ridge Project, owned 100% by Eco Ridge Development Corporation, a wholly owned subsidiary of the Company, was located in Elliot Lake, Ontario. The Eco Ridge property included over 8,600 contiguous hectares comprised of 394 mining claim units and three Mining Leases.

Following an internal review of its Eco Ridge project, the Company's Board concluded that due to continuing weak uranium and rare earth prices, Eco Ridge remained uneconomic and offered limited short or mid-term benefit to shareholders. Moreover, due to prevailing weak rare earth prices, the Company had also been unable to generate the necessary support for its proposed monazite processing facility in Elliot Lake. Therefore, the Company entered into a sale agreement with an arm's-length purchaser to sell the claims, surface rights and leases comprising Eco Ridge for gross proceeds of $380,000 payable in cash, which closed on June 1, 2017.

5. Resource Properties (continued)

(ii) Ardeen Gold Project (Moss Lake, Thunder Bay, Ontario)

During the year ended September 30, 2016, the Company entered into a purchase agreement, along with Chalice Gold Mines ("Chalice"), whereby their respective operating subsidiaries sold their respective interests in the Ardeen Gold Project to Kesselrun Resources Ltd. In consideration for the sale, Kesselrun has agreed to issue Chalice and the Company 4,000,000 common shares of Kesselrun and a package of Net Smelter Return (NSR) royalties. In addition, the Company (and Chalice) was granted certain NSR royalties over certain mining claims. In combination with preexisting NSRs, the property will be subject to an overall 2.5% NSR royalty over certain mining claims and a 2% NSR royalty on the remaining mining claims. The NSRs are subject to certain buyback clauses, which going forward will be for the benefit of Kesselrun. On August 9, 2016, the transaction closed and as 49% owner of the Ardeen Gold Project, the Company received 1,960,000 shares of Kesselrun and a pro rata share of the royalty package. Following the issuance of the Kesselrun shares, the Company held approximately 5.5% of the issued and outstanding shares of Kesselrun which has subsequently been sold (see note 6(b)).

Under the terms of the purchase and sale agreement pursuant to which the Company acquired its interest in the Ardeen Gold Project, the Company is required to issue an aggregate of 24,000 common shares to the vendors contingent on the property going into commercial production.

(iii) Timmins Project (Timmins, Ontario)

The Company has a 100% registered interest in 2 mining claims (September 30, 2017 - 3 mining claims) located 35 kilometres south of Timmins in northern Ontario. These mining claims are comprised of 11 mining claim units (September 30, 2017 - 11 mining claim units).

During the year ended September 30, 2008, the Company entered into a purchase and sale agreement with Fletcher Nickel Inc. (“Fletcher”) to sell its 100% interest in the Timmins Project to Fletcher. As at September 30, 2009, the Company had received cash payments totaling $175,000 and 600,000 Fletcher shares with a total fair value of $420,000 as at the time of issuance, and these amounts had been recorded as a reduction to the carrying value of the Timmins Project.

However, Fletcher failed to make the remaining payments that were due pursuant to the purchase and sale agreement. During the year ended September 30, 2010, Fletcher and the Company agreed to terminate the purchase and sale agreement and the Timmins Project continues to be 100% owned by the Company.

5. Resource Properties (continued)

(iv) Sudbury Project (Sudbury, Ontario)

During the year ended September 30, 2005, the Company acquired by way of purchase and staking, a 100% undivided legal and beneficial interest in certain mining claims in the Sudbury Mining Camp of northern Ontario. It includes 4 mining claims (September 30, 2017 - 4 mining claims) comprised of 52 mining claim units (September 30, 2017 - 52 mining claim units) covering approximately 830 hectares. The vendor was reimbursed for the costs of staking and recording these claims and was granted a 1.5% NSR. The Company may, at its option, repurchase 1% of the NSR from the vendor for $1,000,000.

During the year ended September 30, 2006, the Company entered into an option agreement with Wallbridge Mining Company Ltd. ("Wallbridge"). Wallbridge has the right to earn a 60% interest by issuing 1,050,000 common shares to the Company (of which all 1,050,000 shares have been issued) and incurring $1,200,000 in exploration expenditures by December 31, 2009. Wallbridge has the right to increase its interest to 72.5% by completing a bankable feasibility study and arranging the financing for the project through to commercial production.

Wallbridge has fulfilled its commitments under the Option Agreement and, accordingly, a new Joint Venture with the Company was established January 1, 2010, with Wallbridge owning 60% and the Company owning a 40% interest in the Joint Venture. Wallbridge has incurred exploration expenditures to increase its ownership interest in the Joint Venture to 64% as of September 30, 2018 (September 30, 2017 - 64%), and accordingly, the Company owns a 36% interest (September 30, 2017 - 36%).

Subsequent to the year ended September 30, 2018, the Company entered into a termination and release agreement with Wallbridge, pursuant to which the Company transferred its 36% interest in and to the underlying mining claims and interests to Wallbridge in exchange for a mutual termination of the Option Agreement and Joint Venture and mutual full and final releases in respect of same.

(v) Mountain Pass Project (Mountain Pass, California)

During the year ended September 30, 2012, the Company acquired mining claims comprising 75 contiguous hectares located in south-eastern California in exchange for 4,000,000 common shares of the Company. The seller agreed to a 12 month contractual hold period on its shares after closing. The seller has retained a 2% production royalty (the "Production Royalty") on all minerals mined on the property, subject to the right of the Company to buy back 1% of the Production Royalty for 2,000,000 United States Dollars, escalated annually by a factor equal to the Producer Price Index.

In addition to a Phase 1 Exploration Program completed during the year ended September 30, 2014, the Company must complete a total of 2,000,000 United States Dollars of exploration work on the property by September 26, 2017. The Phase 1 Exploration Program includes: compilation of historic data, geological mapping, radiometric survey, sampling of pits and trenches, surface sampling, petrological analysis, mineralogical analysis and drill program planning.

As Mountain Pass failed to meet its 2,000,000 United States Dollars expenditure requirement by September 26, 2017, and as a consequence of ongoing discussions with the previous owner since 2016, the claims are in the process of being transferred back to the original owner.

5. Resource Properties (continued)

(vi) Festival Project (Wawa, Ontario)

In 2004, Goldcorp Inc. and Company began exploring the Festival Project, north of Wawa. The Festival Project is owned by the Company and Goldcorp Inc. under a joint venture that was entered into in 2006 with each company owning 50%. In 2010 the original 101 square kilometre exploration license for the Festival Project expired and the Project was consequently written off by the Company due to inactivity.

In 2013, the Company and Goldcorp Inc. reactivated the joint venture on the Festival Project. Goldcorp entered into a License Agreement on behalf of the joint venture for a Licensed Area covering a total area of 52 square kilometres. The Licensed Area straddles the interpreted western extension of the Goudreau Localsh Deformation Zone (“GLDZ”), host to Richmont’s Island Gold Mine as well as several past-producing gold mines including Argonaut’s Magino Mine. The term of the License is for five years commencing on January 1, 2013 and may be extended for an additional 5-year term. All minerals produced and marketed from the Licensed Area are subject to a 3% royalty payable to the Licensor.

Goldcorp is funding and operating the Festival Project Joint Venture with the Company electing not to contribute its pro rata share. Accordingly, Goldcorp’s interest has increased to approximately 55% of the joint venture and the Company’s interest is approximately 45%. The License expired on January 1, 2018 without being renewed. Goldcorp and the Company are in the process of terminating the Festival Project joint venture pending final reconciliation of the joint venture accounts. In this regard, to the extent there is any funding shortfall on the Company's behalf, the Company shall exercise its right to elect to satisfy its obligations, if any, though further dilution of its joint venture interest as it has done in the past.

6. Portfolio Investments

a) Zara Resources Inc.

During the year ended September 30, 2013, the Company acquired 2,250,000 common shares of Zara Resources Inc. ("Zara") and 4,750,000 non-voting convertible 5% Preference Shares of Zara Resources Inc. in satisfaction of the purchase price of $700,000 related to the divestiture of the Pigeon River project. During the year ended September 30, 2013, the Company sold all 2,250,000 of the common shares at a realized loss of $102,508. The Preference Shares are convertible at the exclusive option of Zara at an exchange ratio equal to the original issue price of the Zara common shares of $0.10 per share, divided by the current market price of the Zara common shares, which is defined as being its 10 day weighted average closing price (the "Exchange Ratio").

6. Portfolio Investments (continued)

a) Zara Resources Inc. (continued)

The 5% dividends declared on the Preference Shares rank in priority to dividends payable on any other class of shares issued by Zara, and any accumulation of dividends will bear interest at 5% per annum. The 5% dividends are payable in common shares of Zara based on the Exchange Ratio.

During the year ended September 30, 2015, the Company determined the Preferred Shares to be fully impaired.

Zara is a junior resource company based in Toronto, Ontario, whose common shares are listed for trading on the Canadian National Stock Exchange (CNSX). As the common shares of Zara are thinly traded and there is no public market for the Preference Shares which are not listed, posted or quoted for trading on any exchange or quotation system, these securities are illiquid.

During the period ended March 31, 2017, the Company received an additional 475,000 common shares of Zara as a dividend payment in kind on its Zara preferred shares. The 475,000 preferred shares held by the Company were then converted into 950,000 common shares. The Company sold all 1,425,000 common shares for proceeds of $20,000.

The Company's holdings are summarized below:

Zara Preferred Shares

	Number of Shares	Cost	Fair Value
Balance - September 30, 2016	475,000	475,000	-
Conversion to common shares	(475,000)	(475,000)	-
Balance -September 30, 2017 and September 30, 2018	-	$ -	$ -

6. Portfolio Investments (continued)

a) Zara Resources Inc. (continued)

Zara Common Shares

	Number of Shares	Cost	Fair Value
Balance - September 30, 2016	475,000	11,875	2,375
Sale at $0.005 per share	(475,000)	(11,875)	(2,240)
Dividend payment in kind	475,000	2,375	2,375
Conversion of preferred shares	950,000	475,000	4,750
Sale at $0.014 per share	(1,425,000)	(477,375)	(20,000)
Gain on sale	-	-	12,740
Balance - September 30, 2017 and September 30, 2018	-	$ -	$ -

b) Kesselrun Resources Ltd.

During the year ended September 30, 2017, the company sold its shares in Kesselrun Resources Ltd. The shares originated to the Company as part of the consideration received in the purchase agreement for the Ardeen Project in Note 5 (ii):

	Number of Shares	Cost	Fair Value
Balance - September 30, 2016	1,960,000	527,400	431,200
Sale of shares	(1,960,000)	(527,400)	(185,960)
Loss on sale	-	-	(245,240)
Balance - September 30, 2017 and September 30, 2018	-	$ -	$ -

c) Manulife Premium Investment Savings Account

	Number of Units	Cost	Fair Value
Balance - September 30, 2016	1,770	$ 17,695	$ 17,695
Sale of units at $10	(1,770)	(17,695)	(17,695)
Balance - September 30, 2017 and September 30, 2018	-	$ -	$ -

7. Other Loans Payable

a) During the year ended September 30, 2016, the Company entered into a $100,000 loan agreement with an arm's length lender. The loan carries an interest rate of 6% per annum. In addition, once the loan is repaid from the first proceeds from sale of the Kesselrun shares, the Company is required to pay 50% of any additional proceeds from the sale of the Kesselrun shares less initial principal, interest, commission fees, and bank charges. During the year ended September 30, 2016, $50,000 of the loan proceeds were advanced to the Company with the remaining $50,000 received during the period ended December 31, 2016. As consideration for the loan, the Company issued 400,000 of its common shares ("Bonus Shares") to the lender at an issue price of $0.50 per share upon receipt of the final $50,000. The Bonus Shares are subject to a statutory hold period of four months from the date of issuance. The Company is to repay the loan from the first proceeds realized from the sale of the Company's shares of Kesselrun Resources Ltd. unless otherwise authorized by the lender. During the year ended September 30, 2017, the Company sold all of its shares in Kesselrun Resources Ltd. The lender authorized the Company to use certain of the proceeds from the sale of shares of Kesselrun for uses other than the repayment of the loan and for interest to cease accruing as at June 15, 2017. The principal and interest is past due. Interest payable of $4,124 and $40,872 of proceeds payable has been accrued up to June 15, 2017 and is included in accounts payable and accrued liabilities. During the year ended September 30, 2017, the Company repaid $58,000 to the arm's length lender. During the year ended September 30, 2018, the Company settled the outstanding principal of $42,000 and accounts payable and accrued liabilities of $45,000 by issuing 966,667 common shares (see note 9(iii)).

b) During the year ended September 30, 2016, the Company was advanced 10,000 United States Dollars ($12,770 CAD as at September 30, 2017) by an arm's length lender to maintain the Company's Mountain Pass Project. The advance is non-interest bearing and is payable on demand that requires more than one year notice. During the year ended September 30, 2017, the Company received an additional advance of 10,000 United States Dollars ($12,368 CAD) with the same terms and conditions as the previous advance. During the current year ended September 30, 2018, the Company issued 385,045 common shares in full settlement of this loan (see note 9(iii)).

c) During the year ended September 30, 2017, the Company borrowed $35,000 from a company controlled by a director of the Company. The loan carries an interest rate of 12% calculated daily with principal and interest due on or before July 25, 2017, which was subsequently extended to August 15, 2017. Interest payable of $2,094 had been accrued to September 30, 2017, and was included in accounts payable and accrued liabilities as at September 30, 2017. In addition to the loan, a placement fee of $5,000 was payable by the Company upon maturity of the loan. Finance charges payable of $5,000 were included in accounts payable and accrued liabilities as at September 30, 2017. During the year ended September 30, 2018, the Company settled the loan payable of $35,000 and accounts payable and accrued liabilities of $7,094 by issuing 249,036 common shares (see note 9(iii)).

As at September 30, 2018, there are no other loans payable. A summary of other loans payable outstanding as at September 30, 2018 and 2017 is as follows:

	2018	2017
(a)	$ -	$ 42,000
(b)	-	25,334
(c)	-	35,000
	-	102,334
Less: amounts due within one year	-	(102,334)
	$ -	$ -

8. Debt Settlement

During the year ended September 30, 2017, the Company settled wages payable of $867,841 to a former officer and director of the company. As the debt was settled for an amount less than its carrying value, a gain of $787,841 related to the settlement of debt has been recognized in the statement of comprehensive income (loss) for the year ended September 30, 2017.

9. Capital Stock

Authorized

Unlimited common shares

Issued

	Number (iii)	Amount
Balance - September 30, 2016 (i)	20,959,353	$ 37,305,374
Issued pursuant to loan agreement (ii)	40,000	10,000
Balance - September 30, 2017	20,999,353	37,315,374
Issued pursuant to debt settlement (iii)	15,143,843	1,009,000
Balance - September 30, 2018	36,143,196	$ 38,324,374

(i) The Company is conditionally committed to issue an additional 24,000 common shares as described in Note 5(ii).

(ii) During the year ended September 30, 2017, the Company issued 40,000 common shares to an arm's length lender pursuant to a loan agreement as described in Note 7(a) at an issue price of $0.50 per share. The Company has recognized a finance charge expense of $20,000 and a gain on settlement of debt of $10,000 during the year ended September 30, 2017 with respect to the issuance of these shares.

(iii) During the year ended September 30, 2018, pursuant to several debt settlement agreements to settle various accounts payable and other loans payable (see note 7), the Company issued 15,143,843 common shares from treasury with a fair value, based on the market prices of the shares as at the date of issuance, of $1,009,000 in full and final satisfaction of $1,229,679 of indebtedness, including a total of $94,221 of indebtedness owed by the Company to related party creditors that was forgiven.

10. Stock Options, Warrants and Shareholders Rights Plan

(i) Stock Options

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance and available for purchase pursuant to options granted under the Plan cannot exceed 10% of the total number of common shares of the Company issued and outstanding at the date of any grant made. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares in any given 12 month period. Options pursuant to the Plan are granted at the discretion of the Board of Directors, vest at schedules determined by the Board, and have an exercise price of not less than that permitted by the stock exchange on which the shares are listed.

The following summarizes the stock option activities:

	Year ended September 30, 2018		Year ended September 30, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	1,715,000	$ 0.60	2,073,000	$ 0.80
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(1,103,700)	(0.62)	(358,000)	(1.40)
Outstanding at year end	611,300	$ 0.64	1,715,000	$ 0.60
Exercisable at year end	611,300	$ 0.64	1,715,000	$ 0.60

The Company had the following stock options outstanding at September 30, 2018:

Number of Options	Exercisable	Exercise Price	Expiry Date
170,000	170,000	$ 1.000	December 31, 2018
320,000	320,000	$ 0.500	December 31, 2019
121,300	121,300	$ 0.500	December 31, 2020
611,300	611,300		

10. Stock Options, Warrants and Shareholders Rights Plan (continued)

(ii) Warrants

All of the outstanding warrants were issued in conjunction with the issuance of common shares. The fair value of warrants issued and outstanding is reflected in contributed surplus. Amounts for warrants that are subsequently exercised are transferred from contributed surplus to capital stock.

The following summarizes the warrant activities:

	Year ended September 30, 2018		**Year ended September 30, 2017**	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Beginning balance	2,276,823	$ 0.60	2,922,541	$ 0.60
Expired	(1,146,923)	0.70	(645,718)	(0.20)
Outstanding and exercisable at period end	1,129,900	$ 0.50	2,276,823	$ 0.60

The Company had the following warrants outstanding at September 30, 2018:

Number of Warrants	Series	Type of Share	Exercise Price	Expiry Date
525,000	EEE	Common shares	$ 0.50	November 20, 2018
504,900	HHH	Common shares	$ 0.50	February 4, 2019
100,000	HHH	Common shares	$ 0.50	February 5, 2019
1,129,900				

(iii) Shareholders' Rights Plan

The Company's Board of Directors approved a shareholders' rights plan ("Rights Plan"), effective January 31, 2007, which was ratified at the 2007, 2010, 2013 and 2016 annual shareholders' meetings. This Rights Plan is intended to ensure, to the extent possible, that all shareholders of the Company are treated equally and fairly in connection with any take over bid for the Company, and was designed to discourage discriminatory or unfair bids and to provide management, if appropriate, with sufficient time to pursue alternatives to maximize shareholder value.

11. Share-Based Compensation

During the year ended September 30, 2017, the Company modified the expiry date of certain stock options granted to employees who were terminated. The Company calculated the fair value of the modified stock options at the date of modification based on the Black-Scholes pricing model, using the following weighted average assumptions:

	2017
Share price	$0.20
Expected dividend yield	Nil
Risk-free interest rate	0.66%
Expected life	1
Expected volatility	157.59%
Exercise price	$0.61

The difference between the fair values as at the modification date and the fair value upon the original grant of $63,823 was included in stock-based compensation expense for the year ended September 30, 2017.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Expected volatility was determined based on the Company's historical stock price. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options. Stock options issued to non-employees were valued using the fair value of the equity instrument granted in the absence of a reliable estimate of the fair value of the services received.

12. Income Taxes

(i) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax recovery in the interim consolidated financial statements:

	2018	2017
Income (loss) before income taxes	$ 110,392	$ (137,809)
Statutory rate	26.50 %	26.50 %
Expected income tax recovery	$ 29,254	$ (36,518)
Stock-based compensation and other non-deductible expenses	(25,597)	77,672
Tax expense (benefit) relating to the origination and reversal of temporary differences	(131,668)	1,243
True up of prior year balances and other	-	(8,165)
Losses and other deductions for which no benefit has been recognized	128,011	(34,232)
Income tax expense (recovery)	$ -	$ -

12. Income Taxes (continued)

(ii) Deferred Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	2018	2017
Deferred Tax Assets		
Amounts related to tax loss and credit carry forwards	$ 850,291	$ 728,191
Property, plant and equipment	-	55,348
Resource properties	3,560,890	3,496,502
Share issuance costs	4,487	7,616
	4,415,668	4,287,657
Deferred taxes not recognized	(4,415,668)	(4,287,657)
Net deferred tax liabilities	$ -	$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax liabilities result primarily from amounts not deductible for accounting purposes until future periods. Deferred income tax assets result primarily from operating tax loss carry forwards and have been offset against deferred income tax liabilities.

(iii) Loss Carry Forwards

The Company has non-capital losses of approximately $2,670,454 available for carry forward. These losses expire as follows:

2026	$ 307,376
2027	1,554
2028	175
2029	168,265
2030	283,049
2031	391,437
2032	376,598
2033	299,565
2034	291,890
2035	218,576
2036	65,831
2037	213
2038	265,925
	$ 2,670,454

13. Commitments

The Company is committed to issue an additional 24,000 common shares as part of the consideration for the acquisition of the Ardeen Gold Project property described in note 5(ii) contingent on the property going into commercial production.

Additional commitments related to the Company's resource properties are separately disclosed in note 5.

14. Letter of Intent

During the year ended September 30, 2018, the Company entered into a non-binding letter of intent with an arm's length party with respect to a potential transaction pursuant to which the Company would acquire 100% ownership of the other party via a business combination transaction that would constitute a reverse take-over and change of control of the Company. In partial consideration for a mutual non-solicitation and exclusivity provision included in the letter of intent, the Company received non-refundable payments from the other party of $97,280, in aggregate, for working capital purposes during the twelve months ended September 30, 2018. Subsequent to the year ended September 30, 2018, the Company and the other party entered into a definitive agreement as contemplated by the letter of intent (see note 18).

During the year ended September 30, 2017, the Company received a nonrefundable deposit of $20,000 in connection with a nonbinding letter of intent with respect to a potential transaction involving one of the Company's properties. During the year ended September 30, 2017, this non-binding letter of intent expired.

15. Related Party Transactions

During the year ended September 30, 2018, the Company entered into the following related party transactions:

a) Consulting fees and Salary of $19,000 (2017 - $60,000) was earned by Martin Cooper, a director and officer of the Company. Pursuant to a debt settlement agreement, this director and officer agreed to a final payment of $42,750, in full satisfaction of total indebtedness of $157,500, $17,750 of which was paid during the year ended September 30, 2018. As at September 30, 2018, accounts payable and accrued liabilities included $40,000 (2017 - $157,500) payable to this director and officer. Included in this balance is the remaining $25,000 included in the debt settlement and salary of $15,000 earned during the year ended September 30, 2018.

b) Legal fees of $167,415 (2017 - $106,336) were incurred with a law firm in which Steven Rukavina, a director and officer of the Company is a partner. Pursuant to a debt settlement agreement, the Company issued 3,238,072 common shares to this law firm to settle debt of $220,189 (see note 9(iii)). As at September 30, 2018, accounts payable and accrued liabilities included $154,465 (2017 - $196,125) payable to this law firm.

15. Related Party Transactions (continued)

c) Accounting fees of $51,000 (2017 - $42,000) were incurred with an accounting firm in which Paul Andersen, an officer of the Company is a partner. Pursuant to a debt settlement agreement, the Company issued 2,961,469 common shares to this accounting firm to settle debt of $201,380 (see note 9(iii)). As at September 30, 2018, accounts payable and accrued liabilities included $71,850 (2017 - $202,212) accrued to this accounting firm.

d) Pursuant to a debt settlement agreement with a company in which John Wilkinson, a director of the Company is an officer, the Company waived debt of $39,089 and the company issued 383,227 common shares to this company to settle the remaining debt of $26,059 (see note 9(iii)). As at September 30, 2018, accounts payable and accrued liabilities included $Nil (2017 - $52,853) payable to this director.

e) Compensation earned by directors and other members of key management personnel for the year ended September 30 were as follows:

	2018	2017
Salaries and benefits (CEO and CFO)	$ 49,000	$ 216,667
Directors' fees	-	25,350
Share-based compensation (Officers and Directors)	-	60,372
	$ 49,000	$ 302,389

As at September 30, 2018, accounts payable and accrued liabilities included $Nil (2017 - $51,100) of directors' fees and $15,000 (2017 - $127,500) of wages payable.

f) Other related party transactions are disclosed in notes 7(c) and 8.

16. Financial Instruments and Other Risks

IFRS 7 establishes 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 (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3	inputs for the asset or liability that are not based upon observable market data

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at September 30, 2018, the Company's cash and cash equivalents are categorized as Level 1 measurement.

Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

16. Financial Instruments and Other Risks (continued)

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

Credit Risk

The Company is not exposed to any significant credit risk as at September 30, 2018. The Company's cash and cash equivalents are either on deposit with two highly rated banking groups in Canada or invested in bankers acceptance notes or guaranteed investment certificates issued by two highly rated Canadian banking groups.

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company has current assets of $90,773 (2017 - $236,712) and current liabilities of $347,965 (2017 - 1,613,296). All of the Company's current receivables have contractual maturities of less than 120 days and are subject to normal trade terms. Of the Company's current financial liabilities, $129,824 have contractual maturities of more than 120 days. The balance of the Company's current financial liabilities of $218,141 have contractual maturities of less than 120 days and are subject to normal trade terms. The Company has a working capital deficiency of $257,192 (2017 - $1,376,584) as at September 30, 2018.

Market Risk

(i) Interest rate risk

The Company has cash and cash equivalents balances and the Company's current policy is to invest any excess cash in highly liquid money market investments such as bankers acceptance notes, treasury bills and guaranteed investment certificates. These short term money market investments are subject to interest rate fluctuations.

(ii) Foreign currency risk

The Company's functional currency is the Canadian dollar. The majority of the Company's purchases are transacted in Canadian dollars. As at September 30, 2018, the Company had accounts payable of $510 (2017 - $81,736) denominated in US currency. The Company has loans payable of $Nil (2017 - $25,334) denominated in US currency. At September 30, 2018, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the year would have been $8 (2017 - $10,390) higher (lower).

(iii) Price risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long term working capital requirements.

16. Financial Instruments and Other Risks (continued)

Market Risk (continued)

(iv) Sensitivity Analysis

Based on management's knowledge and experiences of the financial markets, the Company's management believes the following movements are "reasonably possible" over a three month period.

As at September 30, 2018, none of the Company's cash and cash equivalents is at fixed interest rates beyond the next three months and is not subject to interest rate fluctuations within the next three months.

17. Capital Disclosures

The Company includes equity, comprised of issued capital stock, contributed surplus and deficit, in the definition of capital.

The Company's objectives when managing capital are as follows:

(i) to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;
(ii) to raise sufficient capital to finance its exploration and development activities on its Eco Ridge Mine Project; and
(iii) to raise sufficient capital to meet its general and administrative expenditures, and to explore and develop its other resource properties.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short term working capital requirements, and its planned exploration and development program expenditure requirements.

As the Company is in the exploration stage, its principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its existing working capital and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

18. Subsequent Events

Subsequent to the year ended September 30, 2018:

a) 170,000 stock options expired unexercised.

b) 525,000 series EEE warrants expired unexercised.

18. Subsequent Events (continued)

c) The Company entered into a definitive agreement (the "Definitive Agreement") with Bhang Corporation ("Bhang") to acquire a 100% interest in Bhang via a business combination transaction (the "Transaction"). The Company will acquire the 100% interest in Bhang by way of a share exchange between the Company and all of the shareholders of Bhang, which will constitute a reverse takeover of the Company (the "Bhang Acquisition"). Pursuant to the Bhang Acquisition, the issued and outstanding shares of Bhang will be exchanged for approximately 90,000,000 post-consolidated shares of the Company for a deemed anticipated price of $0.50 per share, with a portion of the shares being allocated as multiple voting shares.

Prior to the completion of the Transaction, the Company will effect a consolidation which is anticipated to result in a consolidation of 10 pre-consolidated shares common shares of the Company for 1 post-consolidated share, but in any event shall not exceed 15 pre-consolidated common shares of the Company for 1 post-consolidated common share.

As provided for in the Definitive Agreement, Bhang shall continue funding the Company $10,000 per month to meet the Company's working capital needs, as well as agreeing to be responsible for all of the Company's reasonable costs and expenses associated with the Transaction pending its completion.

d) The Company completed an amalgamation of its Ontario subsidiaries, ERDC, Pele Diamond, Pele Gold and Sage to form one wholly-owned subsidiary effective January 1, 2019. The name of the amalgamated subsidiary is Sage Power Corporation.

An additional subsequent event is disclosed in note 5(iv).