INSPIRATION MINING CORPORATION

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)
Six Months Ended March 31, 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

INSPIRATION MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

	March 31, 2018	September 30, 2017
Assets		
Current assets		
Cash	$ 84,832	$ 2,053
Marketable securities (Note 5)	69,191	101,474
Receivable (Note 6)	26,431	20,011
Due from related parties (Note 14)	11,348	17,148
Total current assets	191,802	140,686
Exploration and evaluation assets (Note 9)	3,880,486	3,880,486
Total assets	$ 4,072,288	$ 4,021,172
Liabilities and shareholders' equity		
Current labilities		
Accounts payable and accrued liabilities (Notes 7 &14)	$ 1,828,067	$ 1,636,393
Line of credit (Note 8)	229,726	222,956
Total liabilities	2,057,793	1,859,349
Shareholders' equity		
Share capital (Note 10)	47,373,175	47,373,175
Reserves	28,884,403	28,884,403
Subscriptions received in advance	65,000	-
Accumulated other comprehensive income (loss)	17,102	(131,199)
Deficit	(74,325,185)	(73,964,556)
Total shareholders' equity	2,014,495	2,161,823
Total liabilities and shareholders' equity	$ 4,072,288	$ 4,021,172

Nature of operations and going concern (Note 1)
Commitment (Note 16)
Contingencies (Note 17)

On behalf of the Board:

"D. Randall Miller" Director *"Herbert Brugh"* Director

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

INSPIRATION MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
Operating Expenses				
General and administrative (Note 13)	$ 163,560	$ 187,162	$ 309,736	$ 351,322
Operating Loss	(163,560)	(187,162)	(309,736)	(351,322)
Interest expense	(3,373)	(4,328)	(6,770)	(7,526)
Foreign exchange	(8,783)	-	(7,564)	-
Gain (loss) on sale of marketable securities (Note 5)	(41,059)	-	(41,059)	5,000
Gain (loss) on assignment of exploration and evaluation assets (Notes 5 & 9)	4,500	105,000	4,500	(40,000)
Net loss for the period	$ (212,275)	$ (86,490)	$ (360,629)	$ (393,848)
Basic and diluted loss per common share	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	37,835,652	37,835,652	37,835,652	37,835,652

INSPIRATION MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
Net loss for the period	$ (212,275)	$ (86,490)	$ (360,629)	$ (393,848)
Other comprehensive loss:				
Items that will be reclassified subsequently to loss:				
Unrealized gain (loss) on marketable securities, net of realized gain on disposal (Note 5)	116,135	-	148,301	-
Other comprehensive gain	116,135	-	148,301	-
Total comprehensive loss for the period	$ (96,140)	$ (86,490)	$ (212,328)	$ (393,848)

INSPIRATION MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

	Number of shares	Share Capital	Reserves	Subscriptions received in advance	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at September 30, 2016	**37,835,652**	**$ 47,373,175**	**$ 28,884,403**	**$ -**	**$ (15,948)**	**$ (73,423,859)**	**$ 2,817,771**
Unrealized loss on available-for-sale marketable securities (Note 5)	-	-	-	-	(6,056)	-	(6,056)
Net loss for the period	-	-	-	-	-	(393,848)	(393,848)
Balance at March 31, 2017	**37,835,652**	**$ 47,373,175**	**$ 28,884,403**	**$ -**	**$ (22,004)**	**$ (73,817,707)**	**$ 2,417,867**
Balance at September 30, 2017	**37,835,652**	**$ 47,373,175**	**$ 28,884,403**	**$ -**	**$ (131,199)**	**$ (73,964,556)**	**$ 2,161,823**
Unrealized gain on available-for-sale marketable securities, net of realized gain on disposal (Note 5)	-	-	-	-	148,301	-	148,301
Subscription received in advance	-	-	-	65,000	-	-	65,000
Net loss for the period	-	-	-	-	-	(360,629)	(360,629)
Balance at March 31, 2018	**37,835,652**	**$ 47,373,175**	**$ 28,884,403**	**$ 65,000**	**$ 17,102**	**$ (74,325,185)**	**$ 2,014,495**

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

INSPIRATION MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)
SIX MONTHS ENDED MARCH 31,

	2018	2017
Cash Flows Used In Operating Activities:		
Net loss for the period	$ (360,629)	$ (393,848)
Items not affecting cash:		
Loss on sale of marketable securities	41,059	-
Foreign exchange	7,564	-
Interest expense	6,770	-
Loss on assignment of exploration and evaluation assets	(4,500)	-
Change in non-cash working capital items:		
Receivables	(6,420)	(11,338)
Prepaid expenses	-	(892)
Accounts payable and accrued liabilities	184,110	249,933
Due from related parties	5,800	-
	(126,246)	(156,145)
Cash Flows Provided By Financing Activities:		
Proceeds from sale of marketable securities	144,025	(6,056)
Subscriptions received in advance	65,000	-
Advances from/to related parties	-	6,376
	209,025	320
Cash Flows Provided By Investing Activities:		
Change in marketable securities	-	(82,944)
Advance from related parties	-	883
Mineral properties	-	144,999
	-	62,938
Net change in cash during the period	82,779	(92,887)
Cash, beginning of period	2,053	97,429
Cash, end of period	$ 84,832	$ 4,542

INSPIRATION MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

	Six months ended March 31, 2018	Year ended September 30, 2017
Desrosiers Property, Ontario, Canada		
Acquisition cost, beginning of period and end of period	$ 1	$ 1
Cleaver Property, Ontario, Canada		
Acquisition cost, beginning of period and end of period	1	1
Langmuir Property, Ontario, Canada		
Acquisition costs, beginning of period and end of period	3,880,483	3,880,483
Llamara Project, Salar de Llamara Chile		
Acquisition costs, beginning of period and end of period	1	1
Carscallen Property, Ontario, Canada		
Acquisition cost, beginning of period	-	145,000
Assignment of property (Notes 5 & 9)	-	(145,000)
Acquisition cost, end of period	-	-
Total exploration and evaluation assets	$ 3,880,486	$ 3,880,486

Refer to Note 9 – Exploration and evaluation assets

1. NATURE OF OPERATIONS AND GOING CONCERN

Inspiration Mining Corporation (the "Company") was incorporated under the laws of British Columbia on November 15, 1972. The Company has been engaged in the acquisition, exploration and evaluation of mineral resource properties. The primary office of the Company is located at 1800-130 King Street West, Toronto, Ontario M5X 1E3.

The condensed interim consolidated statements were approved by the Board of Directors on February 27, 2018. The Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") on February 5, 2016.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The Company has not yet established whether its mineral properties contain reserves that are economically recoverable. The recovery of amounts capitalized for mineral properties and related deferred costs in the condensed interim consolidated statements of financial position is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of the properties and upon future profitable production or proceeds from their disposition. Changes in future conditions could require material write-downs of the carrying values of mineral properties.

Although the Company has taken steps to verify title to the property on which it is conducting exploration and in which it is acquiring an interest, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, and noncompliance with regulatory requirements.

These condensed interim consolidated financial statements have been prepared on a basis which contemplates 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 business. The certainty of funding future exploration expenditures and availability of additional financing sources cannot be assured at this time, these uncertainties may cast a significant doubt about the Company's ability to continue as a going concern. The condensed interim consolidated financial statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities and related revenues and expenses that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

(a) Basis of preparation

These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by the IFRIC.

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the unaudited condensed interim consolidated financial statements are presented below and are based on IFRS' issued and outstanding as of May 28, 2018 the date the Board of Directors approved the consolidated financial statements

(b) New accounting standard not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

<u>Accounting Standards Issued and Effective for Annual Reporting Periods Beginning On or After January 1, 2018:</u>

The IASB intends to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company does not expect that the final standard will have any impact on its consolidated financial statements other than increased levels of note disclosure.

IFRS 15, Revenue from Contracts with Customers: IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 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 Service.

<u>Accounting Standards Issued and Effective for Annual Reporting Periods Beginning On or After January 1, 2019:</u>

IFRS 16 Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date on which the Company obtains control, and continue to be consolidated until control ceases. Control is established when the Company has the rights that give it the ability to direct the activities that significantly affect the investee's returns, the exposure, or rights, to variable returns from its involvement and the ability to use its power over the investee to affect the amount of the investor's returns, and generally exists where more than 50% of the voting power of the entity is held by the Company or has the ability to determine the strategic, operating, investing and financing policies of a company without the co-operation of others. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions and balances are eliminated in full on consolidation.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest thus exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The following companies have been consolidated within the consolidated financial statements:

Name of subsidiary	Place of incorporation	Ownership Interest	Principal activity
Metals Mines Inc. (“Metal”)	Ontario, Canada	100%	Exploration company
1691063 Ontario Ltd. (“1691063”)	Ontario, Canada	100%	Exploration company
Inspiration Mining-Utah, Inc. (“Inspiration Utah”)	United States	100%	Exploration company

(d) Financial currency and foreign currency translation

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates. The functional currency of the Company and its subsidiaries is the Canadian dollar.

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

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

(e) Financial instruments

Financial instruments are defined as any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories at their initial recognition:

Financial assets at fair value through profit or loss ("FVTPL");
Held-to-maturity investments;
Loans and receivables; or
Available-for-sale investments.

Financial liabilities are classified into the following categories at their initial recognition:

Financial liabilities at FVTPL; or
Other financial liabilities.

Financial assets and liabilities are initially measured at fair value, plus (in the case of a financial asset or liability not at FVTPL) transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. In a purchase or sale of financial assets, recognition and derecognition occurs using trade date accounting.

Financial assets are subsequently measured after initial recognition at fair value, except for financial assets classified as held-to-maturity investments or loans and receivables, which are subsequently measured at amortized cost using the effective interest method. FVTPL fair value changes are recorded in net loss versus available-for-sale investments fair value changes which are recorded in other comprehensive income (loss).

Financial liabilities at FVTPL are subsequently measured after recognition at fair value. All other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial asset expire;
b. the contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party without material delay is assumed by the Company; or
c. when the Company transfers substantially all the risks and rewards of ownership of the financial asset.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. When these assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and its 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated statement of operations.

Assets with an indefinite useful life that are not amortized are tested annually for impairment, irrespective of whether there is any indication that these assets may be impaired.

(g) Valuation of equity units issued in private placement

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

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

(h) Short-term investment

Short-term investments are liquid investments with a maturity greater than three months and less than twelve months and are recorded at fair market value.

(i) Marketable securities

Investments in marketable securities have been designated as available-for-sale and are recorded at fair value. Fair values for available-for-sale investments are determined by reference to the last bid price at the date of the consolidated statement of financial position. Unrealized gains and losses are recognized in other comprehensive loss. If a decline in fair value is considered to be other than temporary, the loss is recognized in profit or loss.

(j) Evaluation and exploration expenditures

The Company capitalizes all direct costs related to the acquisition and maintenance of mineral rights after the legal right to explore has been obtained, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. All other exploration and evaluation costs are expensed as incurred.

(k) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows to present value.

(l) Share-based payment transactions

The fair value of equity-settled share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The fair value of share-based payments to non-employees and other share-based payments are based on the fair value of the goods or services received. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted at the date the Company receives the goods or services.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

(m) Restoration rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as at March 31, 2018.

(n) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

(o) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

(p) Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the valuation of exploration and evaluation assets;
- all inputs used in the Black-Scholes option-pricing model for determining the fair value of share-based payments; and
- the assumptions used for determining the amount of deferred income taxes and deferred income tax assets and liabilities including future income tax rates and recoverability.

Critical accounting judgments

- the Company's assumption of no material restoration, rehabilitation and environmental provisions, based on the facts and circumstances that existed during the year; and
- going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

(i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

(ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral activities. Selected information is provided to the Board of Directors of the Company.

The Company's capital management objectives, policies and processes have remained unchanged during the periods ended March 31, 2018 and 2017. The Company is not subject to any capital requirements imposed by a lending institution and there have been no changes to the Company's management of capital during the year.

4. FINANCIAL RISK FACTORS

The Company’s activities expose it to a variety of financial instruments risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

<u>Credit Risk</u>

The Company’s credit risk is primarily attributable to cash, receivable and due from related parties. Cash is held with reputable financial institutions and receivable relates to government sales tax recoverable, both from which management believes the risk of loss to be remote. The Company has closely monitored creditability of the counter parties to mitigate credit risk.

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the Company’s access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at March 31, 2018, the Company had a cash balance of $84,832 (September 30, 2017 - $2,053) to settle current liabilities of $2,057,793 (September 31, 2017 - $1,859,349). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure maintenance of liquidity, assessed as high.

4. FINANCIAL RISK FACTORS (Continued)

Market Risk

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in the US dollar currency from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's marketable securities are subject to fair value fluctuations arising from changes in the equity markets.

Classification of Financial Instruments

		March 31, 2018		**September 30, 2017**
Loans and receivables				
Cash	$	84,832	$	2,053
Due from related parties		11,348		17,148
Available for sale				
Investment		69,191		101,474

Financial liabilities included in the statement of financial position are as follows:

		March 31, 2018		**September 30, 2017**
Non-derivative financial liabilities				
Accounts payable	$	535,931	$	488,242
Line of credit		229,726		222,956

(EXPRESSED IN CANADIAN DOLLARS)

5. MARKETABLE SECURITIES

As at March 31, 2018, marketable securities are comprised of investments in shares of public companies with a total cost of $308,463 and fair value of $69,191 (September 30, 2017 - cost of $489,047, fair value of $101,474), resulted in an unrealized gain of $148,301 during the period (2017 - $5,000).

During the period ended March 31, 2018, the Company.

(i) sold 2,100,000 shares of Nitinat Minerals Corporation with a cost of $185,084 for net proceeds of $144,025, resulting in realized gain of $41,059.

(ii) received 100,000 shares of Nitinat Minerals Corporation with a cost of $189,000 pursuant to the assignment of property (Note 9), resulting in a gain of $4,500.

During the year ended September 30, 2017, the Company:

(i) sold certain marketable securities with a cost of $nil for net proceeds of $20,750, resulting in realized gain of $20,333.

(ii) received 2,100,000 shares of Nitinat Minerals Corporation with a cost of $189,000 pursuant to the assignment of property (Note 9), resulting in a gain of $44,000.

6. RECEIVABLES

		March 31, 2018		September 30, 2017
Harmonized goods and services taxes receivable	$	26,431	$	20,011

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2018		September 30, 2017
Falling due within the period				
Trade payables	$	100,962	$	170,725
Accrued liabilities		404,691		413,682
Accounts payable and accrued liabilities to related parties (Note 14)		1,322,414		1,051,986
	$	1,828,067	$	1,636,393

8. LINE OF CREDIT

On October 14, 2015, the Company entered into an unsecured revolving line of credit agreement for up to $300,000, bearing interest at 6% per annum, repayable 18 months following the first advance (May 29, 2017). As at March 31, 2018, the Company has drawn $200,000 from this facility and accrued interest amounted to $29,726.

As at March 31, 2018, the line of credit is past due; no default notice has been received by the Company.

9. EXPLORATION AND EVALUATION ASSETS

(a) Langmuir Property, Ontario, Canada

The Company acquired a 100% interest in certain mineral claims located in the Langmuir Township, Porcupine Mining Division of Ontario. There is no requirement by the Company to carry out an exploration program except to keep the claims in good standing. The mineral claims were originally subject to a 3% net smelter return ("NSR") royalty (of which 1/3 is owned by a private company controlled by the president and director of the Company). After the settlement of a litigation proceeding in fiscal 2006, the Company purchased 2/3 of the 3% NSR royalty for a total of $1,960,053.

In September 2005, the Company entered into an agreement to purchase a 100% interest in seven claims located in the Langmuir Township, Porcupine Mining Division of Ontario. These mineral claims are subject to a 1% NSR royalty.

The Company acquired two patented land claims located adjacent to the existing Langmuir claims pursuant to an asset purchase agreement dated November 21, 2008. The claims are subject to a 3% NSR royalty. The Company has the right to purchase 1/3 of the NSR at a purchase price of $1,000,000 at any time prior to November 24, 2018.

(b) Llamara Project, Salar de Llamara, Chile

In June 2012, the Company entered into an agreement to purchase an interest in an exploration and evaluation asset in Chile (the "Llamara Project") through the acquisition of 20% of the issued and outstanding shares (1,250,000 common shares) of Potash Dragon Inc. ("Potash Dragon") for cash consideration of $2,000,000.

Included in the acquisition were 3,750,000 common share purchase warrants which entitled the Company to purchase one common share for a purchase price of $0.80 per share until May 15, 2013.

In March 2013, the Company exercised 2,187,500 common share purchase warrants at an exercise price of $0.80 per share. As a result the Company has increased its interest in the Llamara Project to 41%. The remaining 1,562,500 common share purchase warrants expired, unexercised.

In January 2014, due to the failure of Potash Dragon to complete a going public transaction (initial public offering, reverse take-over transaction or other similar transaction) within the prescribed time frame of the purchase agreement, the Company was issued an additional 1,265,625 shares of Potash Dragon, the Company has increased its interest in the Llamara Project to 48%.

As at March 31, 2018, the property has been impaired and carries a nominal value of $1 (2017 - $1).

9. EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Cleaver Property, Ontario, Canada

On June 14, 2007, the Company entered into an option agreement to acquire a 100% interest of certain rights and mineral claims located in the Porcupine Mining Division in the Province of Ontario. The Company has earned its 100% interest.

The property is subject to a 3% NSR in favour of the vendor. The Company has the option to purchase 2% of the 3% NSR for the sum of $2,000,000 expiring June 13, 2017. As at March 31, 2018, the property has been impaired and carries a nominal value of $1 (2017 - $1).

(d) Desrosiers Property, Ontario, Canada

The Company acquired its interest in the Desrosiers Property through the acquisition of its subsidiary 1691063 in the fiscal year ended September 30, 2009.

In accordance with the acquisition of 1691063, the Company has taken on the responsibility for all right, title and interest in the mineral property sale agreement dated March 2, 2006 entered into between 1691063 and the vendors. The Company will now be responsible for a NSR as follows:

i) 6% NSR on the first 15,000 tonne of ore mined and subsequently delivered to the mill from the property;

ii) 3% of all tonnage mined and delivered to the mill from the property for any amount above the 15,000 tonnes. The vendors shall also have a 3% NSR on any part or parts of the mining claims staked within the 3 km area of interest which shall be included in the NSR subject to sale in accordance to sub paragraph (iii) below;

iii) Following payment of the NSR for mining and milling of the first 15,000 tonnes, the Company shall have the right to purchase the 3% NSR for cash in the amount of $3,000,000;

iv) The 6% NSR on the first 15,000 tonnes in which minerals, ores or concentrates from the property were sold or otherwise deemed disposed of and payment to the sellers shall be made by individual certified cheques issued to the parties within 30 days of the buyer's receipt of payment from minerals, ore or concentrate; and

v) The Company shall have the right for 90 days to match any other offer on part of or the full amount of the 3% NSR received by either one or all of the vendors from a third party.

As at March 31, 2018, the property has been impaired and carried at a nominal value of $1 (2017 - $1).

(e) Carscallen Property, Ontario, Canada

On September 14, 2015, the Company entered into an option agreement to acquire an undivided 100% interest in certain mineral claims, located in Timmins, Ontario.

Pursuant to the terms of the agreement, the Company is required to make a payment of $40,000 on the execution of the agreement (paid) and issue an aggregate of 3,000,000 common shares (issued). The Company is required to make additional payments of $60,000 on September 1, 2016 (paid $40,000) and $100,000 on September 1, 2017. The Company shall have the right to set-off its exploration expenditures on the Property against these options payments. In the event that the Company is able to establish a commercial mine of with at least a 250,000 ton ore body having a minimum grade of 2 grams of gold per ton, the Company will be required to issue an additional 3,000,000 common shares.

9. EXPLORATION AND EVALUATION ASSETS (Continued)

(e) Carscallen Property, Ontario, Canada (Continued)

In October 2016, Nitinat Mining Corporation ("Nitinat") signed an assignment agreement (the "Agreement") with the Company to acquire a 100% interest in the Property. Pursuant to the terms and conditions of the Agreement, the Nitinat will earn the 100% interest by:

- Cash payment of $40,000 on execution of this agreement (paid to the underlying vendor);
- Share payment of 2,200,000 common shares of Nitinat (received);
- Cash payment of $20,000 on October 19, 2017 (paid to the underlying vendor); and
- Cash payment of $40,000 on October 19, 2018 (paid to the underlying vendor).

The acquisition of the Property is subject to underlying conditions:

- In the event that Nitinat is able to obtain an intersection of at least 3 grams of gold per ton over one meter, Nitinat will be required to issue an additional 2,400,000 common shares to the Company;

- In the event that Nitinat is able to establish a commercial mine of at least a 250,000 ton ore body having a minimum grade of 2 grams of gold per ton, Nitinat will be required to issue an additional 2,400,000 common shares to the Company;

- Upon the payment of the option payments of October 19, 2017 and 2018, Nitinat will have an undivided 100% interest in the Property subject to a 2% net smelter royalty ("NSR") in favour of the original optionors. Nitinat shall have the right to purchase 1% of the 2% NSR for an aggregate cash payment of $1 million. In addition, Nitinat also assumes the obligation from the Company whereby Nitinat will grant a 1% NSR in favour of the individual who assigned the original option agreement to the Company. Under the assignment agreement between the Company and this individual, this 1% NSR can be purchased for $2 million.

10. SHARE CAPITAL

(a) Authorized

Unlimited common shares, without par value.

(b) Issued and outstanding

During the period ended March 31, 2018 and the year ended September 30, 2017, there were no share capital transactions that occurred.

(EXPRESSED IN CANADIAN DOLLARS)

11. STOCK OPTIONS

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants. The Company has implemented a fixed plan, whereby it may not exceed a total of 2,578,500 common shares under the plan. Options granted under the plan will have a term not to exceed 10 years and are granted at an option price which shall not be less than the closing market price one trading day prior to the grant date. The options vest as determined by the Board of Directors.

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2016	860,000	$ 0.51
Expired	-	$ -
Balance, September 30, 2017 and March 31, 2018	860,000	$ 0.51
Options vested, March 31, 2018	860,000	$ 0.51

Stock options outstanding at March 31, 2018 are as follows:

Number of Stock Options	Exercise Price ($)	Remaining Contractual Life (years)	Expiry Date
680,000	0.50	0.89	February 20, 2019
180,000	0.525	1.06	April 21, 2019
860,000			

(EXPRESSED IN CANADIAN DOLLARS)

12. WARRANTS

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2016	7,318,000	$ 0.07
Issued	-	$ -
Balance September 30, 2017 and March 31, 2018	7,318,000	$ 0.07

13. GENERAL AND ADMINISTRATIVE

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
Investor relations	$ -	$ 11,043	$ 441	$ 20,043
Management fees (Note 14)	90,000	90,000	180,000	180,000
Office and miscellaneous	4,288	3,608	4,502	4,245
Professional fees (Note 14)	51,973	47,266	93,678	96,797
Rent and telephone	6,000	6,605	12,000	13,715
Transfer agent and filing fees	6,799	8,072	10,115	11,454
Travel and related (Note 14)	4,500	20,568	9,000	25,068
	$ 163,560	$ 187,162	$ 309,736	$ 351,322

14. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

(a) The Company entered into the following transactions with related parties:

	Notes	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Adrea Capital Corp. ("Adrea")	(i)	$ 189,000	$ 106,200
Herb Brugh	(ii)	60,443	20,198
Nitinat Minerals Corporation ("Nitinat")	(iii)	5,800	-

14. RELATED PARTY TRANSACTIONS (Continued)

(i) Adrea is a company controlled by D. Randall Miller, the Chief Executive Officer ("CEO") and a director of the Company. The fees for the six months ended March 31, 2018 consisted of management fees of $180,000 (2017 - $180,000), and car allowance of $9,000 (2017 - $9,000). As at March 31, 2018, Adrea was owed $993,587 (September 30, 2017 - $858,103) and this amount was included in accounts payable and accrued liabilities (Note 7).

(ii) Herb Brugh is an officer and director of the Company. The fees paid or accrued to Herb Brugh are for the provision of services as lead director for the three months ended March 31, 2018 of $60,443 (2017 - $40,396). As at March 31, 2018, Herb Brugh was owed $261,578 (September 30, 2017 - $193,883) and this amount was included in accounts payable and accrued liabilities (Note 7).

(iii) Nitinat is a company with common directors and key management. As at March 31, 2018, the Company was owed $11,348 (September 30, 2017 - $17,148) and the amount is unsecured and due on demand.

15. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties located in Canada and Chile as outlined in the consolidated schedule of mineral properties. There are $1 long-term assets in Chile as at March 31, 2018 (September 30, 2017 - $1). All other assets and all losses are in Canada.

16. COMMITMENT

The Company entered into a management services agreement providing for payment of $30,000 per month for the services of the CEO. That agreement had an initial term of two years but automatically extends thereafter for successive terms of one year, unless terminated by either party 90 days prior to any yearly extension. In the event of the retirement, death or disability of the CEO, the agreement provides for a payment equal to two times annual salary and bonus. In the event of termination for any reason or not for just cause, the agreement provides for the greater of a payment of two times annual salary or a prorated amount based on date of termination and retirement date.

17. CONTINGENCIES

a. In August of 2015, litigation was commenced against the Company, its officers and directors by the landlord of the Company's corporate offices. The Company is of the opinion that the claim against the directors and officers is unwarranted and frivolous. Although the Company believes the outcome of this lawsuit will be in its favour, the Company has established a litigation provision of $100,000 in regard to its litigation exposure.

b. On August 26, 2016, litigation was commenced against the Company, its offices and directors by the previous CFO and accountant for the Company's CFO and accounting services. The Company is of the opinion that the claim against the directors and officers is without merit. As of March 31, 2018, the Company has established a litigation provision of $74,926 in regard to its litigation exposure recorded in accounts payable.

During the period ended March 31, 2018, the Company entered into a final mutual release agreement to settle the debt. Subsequent to March 31, 2018, the Company made the final settlement payment.