BARKSDALE
CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS – UNAUDITED)

Notice of no Auditor review of Interim Financial Statements

Under National Instrument 51-102, if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

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

BARKSDALE CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars – Unaudited)

	December 31, 2018	March 31, 2018
	$	$
ASSETS		
Current		
Cash	979,636	3,197,440
Receivables	18,967	20,850
Prepaid expenses	65,573	273,446
	1,064,176	3,491,736
Exploration and evaluation assets (Notes 4 & 7)	4,591,192	3,704,372
	5,655,368	7,196,108
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 5 & 7)	335,975	198,884
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	25,370,385	25,077,115
Reserves (Note 6)	3,056,778	2,743,098
Deficit	(23,107,770)	(20,822,989)
	5,319,393	6,997,224
	5,655,368	7,196,108

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 12)

Approved on behalf of the Board of Directors on February 25, 2019:

"Glenn Kumoi" Director *"Jeff O'Neill"* Director

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

BARKSDALE CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars – Unaudited)

	For the three months ended December 31,		For the nine months ended December 31,	
	2018	2017	2018	2017
	$	**$**	**$**	**$**
Expenses				
Advertising and marketing	12,957	-	52,674	-
Consulting fees	15,877	147,000	168,877	170,000
Foreign exchange loss (gain)	10,390	(28,331)	14,316	(17,018)
Insurance	3,821	2,188	10,271	2,188
Investors' relations	29,123	6,049	86,477	6,049
Management fees (Note 7)	70,750	62,785	194,750	89,285
Office and general	18,632	5,840	37,461	8,185
Professional fees (Note 7)	65,788	106,132	163,608	272,999
Property investigation costs (Note 7)	36,299	13,240	78,754	35,373
Rent (Note 7)	4,500	4,500	13,500	4,500
Share-based compensation (Note 7)	57,277	1,007,333	313,680	1,007,333
Transfer and filing fees	9,479	15,054	27,737	22,400
Travel and related	24,157	20,152	79,392	21,792
	(359,050)	(1,361,942)	(1,241,497)	(1,623,086)
Gain on derecognition of accounts payable and accrued liabilities	-	36,923	-	36,923
Interest income	7,180	-	20,841	-
Write-off of exploration and evaluation assets	(537,845)	-	(1,064,125)	-
Loss and comprehensive loss for the period	(889,715)	(1,325,019)	(2,284,781)	(1,586,163)
Basic and diluted loss per share	(0.03)	(0.04)	(0.07)	(0.08)
Weighted average number of common shares outstanding	32,353,259	31,163,083	32,235,024	19,439,438

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

BARKSDALE CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars – Unaudited)

	For the nine months ended December 31, 2018	2017
	$	$
Cash flows used in operating activities		
Loss for the period	(2,284,781)	(1,586,163)
Items not affecting cash		
Gain on derecognition of accounts payable and accrued liabilities	-	(36,923)
Share-based compensation	313,680	1,007,333
Write-off of exploration and evaluation assets	1,064,125	-
Unrealized foreign exchange loss (gain)	14,316	(17,018)
	(892,660)	(632,771)
Changes in non-cash working capital items		
Receivables	1,883	(38,415)
Prepaid expenses	207,873	(258,792)
Accounts payable and accrued liabilities	(139,745)	89,238
	(822,649)	(840,740)
Cash flows used in investing activities		
Exploration and evaluation asset expenditures	(1,395,155)	(1,468,830)
Cash flows from financing activities		
Proceeds from shares issuance	-	5,412,000
Share issuance costs	-	(153,124)
	-	5,258,876
Net change in cash	(2,217,804)	2,949,306
Cash, beginning of the period	3,197,440	583,864
Cash, end of the period	979,636	3,533,170
Non-cash transactions		
Exploration and evaluation assets in accounts payable and accrued liabilities	262,520	26,033
Shares issued for exploration and evaluation assets	293,270	2,142,000
Warrant issued for share issuance costs	-	109,566

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

BARKSDALE CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars – Unaudited)

	Number of Shares Issued	Share Capital	Reserves	Accumulated Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at March 31, 2017	**13,545,583**	**17,887,805**	**1,561,278**	**(18,852,609)**	**596,474**
Share issued for cash	13,530,000	5,412,000	-	-	5,412,000
Share issued for exploration and evaluation assets	5,100,000	2,040,000	-	-	2,040,000
Share issuance costs	-	(262,690)	109,566	-	(153,124)
Share-based compensation	-	-	1,007,333	-	1,007,333
Net loss for the period	-	-	-	(1,586,163)	(1,586,163)
Balance at December 31, 2017	**32,175,583**	**25,077,115**	**2,678,177**	**(20,438,772)**	**7,316,520**
Share-based compensation	-	-	64,921	-	64,921
Net loss for the period	-	-	-	(384,217)	(384,217)
Balance at March 31, 2018	**32,175,583**	**25,077,115**	**2,743,098**	**(20,822,989)**	**6,997,224**
Share issued for exploration and evaluation assets	480,770	293,270	-	-	293,270
Share-based compensation	-	-	313,680	-	313,680
Net loss for the period	-	-	-	(2,284,781)	(2,284,781)
Balance at December 31, 2018	**32,656,353**	**25,370,385**	**3,056,778**	**(23,107,770)**	**5,319,393**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Barksdale Capital Corp. (“Barksdale” or the “Company”), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange (“TSXV”) and the OTCQB in the United States and trades under the symbol BRO.V and BRKCF respectively. The Company’s registered office is Suite 610, 815 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1B4.

The Company’s principal business activities include the acquisition and exploration of mineral properties. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These condensed interim consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The Company has not generated revenues from its operations to date. As at December 31, 2018, the Company has accumulated net losses of $23,107,770 since inception and has working capital of $728,201. The operations of the Company have primarily been funded by the issuance of common shares. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management believes that the Company has sufficient working capital to meet the Company’s obligations over the next twelve months.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2018.

These condensed interim consolidated financial statements for the three and nine months ended December 31, 2018 were authorized by the Board of Directors for issuance on February 25, 2019.

2. BASIS OF PRESENTATION (CONTINUED)

b) Basis of Presentation

These condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2018, except for the following:

<u>Financial instruments</u>
On April 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the previous standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, TBJ Resources (US) Inc., Arizona Standard Resources Corp., and Arizona Standard (US) Corp. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

d) Use of Estimates and Judgements

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from management's best estimates as additional information becomes available.

2. BASIS OF PRESENTATION (CONTINUED)

d) Use of Estimates and Judgements (continued)

Significant areas requiring the use of management estimates and judgments include:

(i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

(ii) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to identify new business opportunities and working capital requirements, the outcome of which is uncertain.

(iii) The determination that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

(iv) Inputs used in the valuation model to determine the fair value of stock options.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with IFRS and reflect management's consideration of the following significant accounting policies:

a) Foreign Currency Transactions

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate 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 comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial Instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive.

The classification determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. Receivables is measured at amortized cost with subsequent impairments recognized in profit or loss and cash are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, 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 liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the balance sheet at amortized cost.

As at December 31, 2018, the Company does not have any derivative financial liabilities.

(Expressed in Canadian Dollars – Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended December 31, 2018 and have not been applied in preparing these condensed interim consolidated financial statements:

IFRS 16 – Leases, establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard is effective for annual periods beginning on or after January 1, 2019. Management does not anticipate this standard having a material effect on the Company's condensed interim consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

	Swales	**Sunnyside**	**Four Metals**	**Total**
	$	**$**	**$**	**$**
Balance, March 31, 2017	**100,073**	**-**	**-**	**100,073**
Acquisition and staking costs	151,948	3,096,095	-	3,248,043
Exploration expenditures:				
Accommodation and related	5,482	2,205	-	7,687
Claim maintenance fees	27,627	58,953	-	86,580
Consulting	71,019	38,583	-	109,602
Data analysis	4,658	8,169	-	12,827
Geological	5,765	-	-	5,765
Geophysics	26,223	-	-	26,223
Sampling and processing	106,106	773	-	106,879
Supplies and fuel	693	-	-	693
Balance, March 31, 2018	**499,594**	**3,204,778**	**-**	**3,704,372**
Acquisition and staking costs	-	-	32,278	32,278
Exploration expenditures:				
Accommodation and related	-	152,285	-	152,285
Claim maintenance fees	26,557	59,408	16,141	102,106
Consulting	-	289,764	-	289,764
Drilling escape payment	537,844	-	-	537,844
Geological	-	193,133	-	193,133
Geophysics	-	199,511	-	199,511
Permit	-	139,141	-	139,141
Sampling and processing	130	284,515	-	284,645
Supplies and fuel	-	20,238	-	20,238
	1,064,125	4,542,773	48,419	5,655,317
Write-off of exploration and evaluation assets	(1,064,125)	-	-	(1,064,125)
Balance, December 31, 2018	**-**	**4,542,773**	**48,419**	**4,591,192**

(Expressed in Canadian Dollars – Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Swales Project

In December 2016, the Company entered into a mining lease agreement (the "Swales Agreement") to lease a 100% right in certain unpatented lode mining claims known as the Swales Project, situated in Elko County, Nevada, U.S., for a primary period of 10 years.

In October 2018, the Company terminated the Swales Agreement. The property was returned to the original vendor and the Company paid a drilling escape payment of $244,574 (US$187,500) in cash as well as issued 480,770 common shares valued at $293,270.

Sunnyside Project

On August 10, 2017, the Company entered into an arm's length definitive agreement (the "Sunnyside Agreement") with Regal Resources USA, Inc. ("Regal") to acquire, by way of option (the "Option"), up to 67.5% of the Sunnyside Property located in Santa Cruz County, Arizona.

The Option is exercisable in two stages with the Company entitled to acquire an initial 51% interest in the Sunnyside Property upon making payments totalling $2,950,000 cash and the issuance of 10,100,000 common shares to Regal and cumulative expenditures of $6,000,000 on the property during the first two years of the Option (following receipt of all required governmental permits).

Upon acquiring an initial 51% interest in the Sunnyside Property, the Company will be entitled to increase its interest to 67.5% upon payment of an additional $550,000 cash and the issuance of 4,900,000 common shares to Regal and the expenditure of an additional $6,000,000 on the property within a further two year period.

The following is a summary of the Option earn-in requirements:

Period	Cash $	Exploration Requirement $	Number of Shares
To Earn 51% Interest			
Upon execution of Sunnyside Agreements	100,000 (paid)	-	-
Within 3 days following TSXV acceptance of Option	650,000 (paid)	-	1,250,000 (issued)
On or before end of Year 1 *	1,200,000 ($254,700 paid)	3,000,000	3,850,000 (issued)
On or before end of Year 2	1,000,000	3,000,000	5,000,000
To Increase Interest to 67.5%			
On or before end of Year 3	-	3,000,000	-
On or before end of Year 4	550,000	3,000,000	4,900,000
Total	**3,500,000**	**12,000,000**	**15,000,000**

∗ Year 1 shall commence on the date the Company has received all required governmental permits including drilling permits to carry out its initial exploration program on the Sunnyside Property. In November 2017, the Company paid the final option payment of $254,700 (US$200,000) to the original optionors on behalf of Regal and the payment was credited towards the required cash payment of $1,200,000.

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Sunnyside Project (continued)

Upon the Company earning either a 51% interest or 67.5% interest in the Sunnyside Property, the Company and Regal will enter into and participate in a joint venture for the purpose of further exploring and developing the property. The Sunnyside Agreements contain provisions for dilution of a party's working interest for failure to fund joint venture cash calls, subject to automatic conversion of a party's interest into a 5% net proceeds interest (not to exceed 90% of the net amount of the party's contributed capital) if diluted to less than 10%. Barksdale will be the operator of the Sunnyside Property during the term of the Option and, if applicable, the joint venture.

The Sunnyside Agreement further provides that:

a) during the first two years of the Option, Regal shall vote all of its Barksdale shares in accordance with the recommendations of the Company's management from time to time, other than matters relating solely to Regal or the Sunnyside Property and subject to Regal's right to abstain from voting in its discretion;
b) Regal shall give the Company not less than five (5) days advance notice of any proposed sale of Barksdale shares for so long as Regal owns 5% or more of the Company's outstanding shares;
c) until such time as the Company has earned a 51% interest in the Sunnyside Property, the Company will not acquire, directly or indirectly, any common shares of Regal Resources Inc. ("Regal BC") without the prior consent of Regal BC;
d) the Company has a 15 day right of first refusal to acquire all or any part of Regal's remaining interest in the Sunnyside Property in the event of a proposed sale or transfer of such interest by Regal;
e) the Company is subject to an acceleration payment clause in the case of change of control of the Company or a transfer of the interest in the Sunnyside Property to a third party during the Option earn-in period; and
f) the Sunnyside Agreement is subject to a net smelter royalty between 1.5% to 3%.

The Company may terminate the Option at any time, in its discretion, subject to satisfying any accrued obligations or liabilities including reclamation requirements, as required.

Four Metals Project

On April 19, 2018, the Company entered into a definitive option agreement with MinQuest, Ltd. and Allegiant Gold (U.S.) Ltd., a wholly-owned subsidiary of Allegiant Gold Ltd. (together "Allegiant") to acquire a 100% undivided interest in the Four Metals property ("Four Metals") located in Santa Cruz County, Arizona.

(Expressed in Canadian Dollars – Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Four Metals Project (Continued)

In order to exercise the option, the Company must make option payments totaling US$450,000 (the "Option Payments") to MinQuest Ltd. and Allegiant on a 50/50 basis, in cash and common shares of Barksdale (based on the market price of the Company's shares at the time of issue) over a period of five years as follows:

Date	Cash US$	Value of Shares US$	Total US$
Upon execution option agreement	25,000 (paid)	-	25,000
April 19, 2019	25,000	25,000	50,000
April 19, 2020	25,000	25,000	50,000
April 19, 2021	25,000	25,000	50,000
April 19, 2022	25,000	25,000	50,000
April 19, 2023	100,000	125,000	225,000
Total	**225,000**	**225,000**	**450,000**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	March 31, 2018
	$	$
Accounts payable	324,295	136,867
Accrued liabilities	11,680	62,017
	335,975	**198,884**

6. SHARE CAPITAL AND RESERVES

Authorized Share Capital

The authorized share capital is comprised of an unlimited number of common shares without par value.

Issued Share Capital

During the year ended March 31, 2018*:*

In October 2017, the Company closed a non-brokered private placement financing of 13,530,000 common shares at a price of $0.40 per share for proceeds of $5,258,876, net of cash commission and expenses of $153,124.

In October 2017, pursuant to the Option of the Sunnyside Property, the Company issued 5,100,000 common shares of the Company at a value of $2,040,000 to Regal, of which 3,850,000 shares will be cancelled and returned to treasury if the Company determines not to proceed with the Option after completing its initial exploration of the Sunnyside Property (Note 4).

(Expressed in Canadian Dollars – Unaudited)

6. SHARE CAPITAL AND RESERVES (CONTINUED)

Issued Share Capital (Continued)

During the nine months ended December 31, 2018*:*

In November 2018, the Company issued 480,770 common shares in connection to the termination of the Swales Agreement valued at $293,270 (Note 4).

Stock Options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

In October 2017, the Company granted 2,000,000 stock options to directors, officers and consultants of the Company at an exercise price of $0.42 per share for a period of five years. The options were valued at $797,902 using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.70%, volatility of 269%, and nil forecasted dividend yield.

In November 2017, the Company granted 600,000 stock options to a director and an officer of the Company at an exercise price of $0.88 per share for a period of five years, vested as follows: 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. The options were valued at $526,583, of which $274,352 was recognized during the year ended March 31, 2018 and $175,768 was recognized during the nine months ended December 31, 2018, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.62%, volatility of 267%, and nil forecasted dividend yield.

In April 2018, the Company granted 100,000 stock options to a director of the Company with an exercise price of $0.79 per share for a period of five years vested immediately. The options were valued at $78,741 using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 2.18%, volatility of 261%, and nil forecasted dividend yield.

In July 2018, the Company granted 150,000 stock options to a consultant of the Company at an exercise price of $0.71 per share for a period of five years, vested as follows: 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. The options were valued at $107,437, of which $59,170 was recognized during the nine months ended December 31, 2018, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 2.19%, volatility of 248%, and nil forecasted dividend yield.

A summary of stock options activities is as follows:

	Number of options	Weighted average exercise price
	#	$
Balance, March 31, 2017	**-**	**-**
Granted	2,600,000	0.53
Balance, March 31, 2018	**2,600,000**	**0.53**
Granted	250,000	0.74
Balance, December 31, 2018	**2,850,000**	**0.55**

(Expressed in Canadian Dollars – Unaudited)

6. SHARE CAPITAL AND RESERVES (CONTINUED)

Stock Options (continued)

A summary of the stock options outstanding and exercisable at December 31, 2018 is as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$			
0.42	2,000,000	2,000,000	October 6, 2022
0.88	600,000	400,000	November 14, 2022
0.79	100,000	100,000	April 19, 2023
0.71	150,000	50,000	July 25, 2023
	2,850,000	2,550,000	

Warrants

In October 2017, 307,500 finder's warrants were issued in connection with the private placement financing. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of $0.40 for a period of two years from closing. The warrants were valued at $109,566 using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.46%, volatility of 225%, and nil forecasted dividend yield.

A summary of share purchase warrant options activities is as follows:

	Number of warrants	Weighted average exercise price
	#	$
Balance, March 31, 2017	-	-
Issued	307,500	0.40
Balance, March 31 and December 31, 2018	**307,500**	**0.40**

A summary of the warrants outstanding and exercisable at December 31, 2018 is as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date
$		
0.40	307,500	October 5, 2019

(Expressed in Canadian Dollars – Unaudited)

7. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the persons responsible for the planning, directing, and controlling of the activities of the Company and include both executives and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the nine months ended December 31, 2018, the Company entered into the following transactions with key management personnel:

	For the nine months ended December 31,	
	2018	2017
	$	$
Management fees	**194,750**	86,085
Exploration and evaluation assets	**63,719**	6,105
Professional fees	**48,000**	33,941
Property investigation costs	**14,045**	-
Share-based compensation	**254,509**	508,644
	575,023	634,775

During the nine months ended December 31, 2018, the Company incurred rent of $13,500 (December 31, 2017 - $4,500) to a company related by a director and common officers.

As at December 31, 2018, $33,422 (March 31, 2018 - $64,937) was included in accounts payable and accrued liabilities owing to officers and companies controlled by officers of the Company.

8. SEGMENTED INFORMATION

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. All non-current assets of the Company are located in the USA.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Currency risk

The Company conducts exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates of the Canadian and US dollars. As at December 31, 2018, the Company does not have any significant monetary assets or liabilities in US dollars, therefore, the Company has determined that there is very limited currency risk at this time.

b) Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and its receivables are due from the Government of Canada. As such, the Company determined that it is not exposed to significant credit risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Commodity price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of gold, zinc and other base metals. The Company monitors these metal prices to determine the appropriate course of action to be taken.

10. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the exploration of its mineral properties. The Company is an exploration stage company, as such the Company is dependent on external equity financing to fund its activities. In order to pay for administrative costs and exploration expenditures, the Company plans to raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

11. COMMITMENTS

In September 2018, the Company entered into a management consulting services agreement with a director of the Company to provide management services to the Company for an indefinite term. The agreement requires payment of $102,000 per annum ($8,500 per month). Included in the agreement is a provision for a one year payout in the event of termination without cause or in the event of a change in control.

In September 2018, the Company entered into a management consulting services agreement with an officer of the Company to provide management services to the Company for an indefinite term. The agreement requires payment of $72,000 per annum ($6,000 per month). Included in the agreement is a provision for a one year payout in the event of termination without cause or in the event of a change in control.

In September 2018, the Company entered into an employment agreement with an officer of the Company to provide management services to the Company for an indefinite term. The agreement requires payment of $174,000 per annum ($14,500 per month). Included in the agreement is a provision for a two year payout in the event of termination without cause or in the event of a change in control.

12. SUBSEQUENT EVENT

In January 2019, the Company closed a private placement financing of 5,833,333 common shares at a price of $0.60 per share for proceeds of $3,500,000. Finders' fees of $210,000 cash and 350,000 finder's warrants were paid and issued in connection with the private placement financing, each finder's warrant entitles the holder to purchase one common share of the Company at a price of $0.60 for a period of two years from closing.