PANCONTINENTAL RESOURCES CORPORATION

(formerly, Pancontinental Gold Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

(unaudited)

EXPRESSED IN CANADIAN DOLLARS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Pancontinental Resources Corporation (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, RSM Canada LLP, has not performed a review of these unaudited condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

		June 30 2018		December 31 2017
		(unaudited)		*(audited)*
ASSETS				
Current				
Cash	**$**	**979,362**	$	61,180
Royalty revenue receivable (note 16)		**-**		22,002
Sales tax receivable		**57,348**		7,734
Prepaid expenses		**111,533**		2,217
		1,148,243		93,133
Investment in Tortuga Resources Inc. (note 7)		**1**		1
	$	**1,148,244**	$	93,134
LIABILITIES				
Current				
Accounts payable and accrued liabilities (notes 8,10,14)	**$**	**170,006**	$	297,722
Loans from related parties (note 13)		**129,370**		165,000
Flow-through share premium (note 9,10)		**81,332**		-
		380,708		462,722
EQUITY				
Capital stock (note10)		**18,929,435**		17,201,243
Contributed surplus		**4,203,125**		3,481,833
Warrants (note 11)		**354,193**		593,734
Deficit		**(22,719,217)**		(21,646,398)
		767,536		(369,588)
	$	**1,148,244**	$	93,134

Nature of operations and going concern (note 1)
Subsequent event (note 19)

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Expenses				
Corporate and administrative (notes 12, 14)	**$ 173,569**	$ 152,299	**$ 248,696**	$ 293,357
Exploration and evaluation (note 13)	**532,415**	98,522	**600,851**	447,698
Share-based payments (notes 10,14)	**164,455**	-	**218,068**	27,050
Foreign exchange loss (gain)	**1,267**	(1,583)	**5,204**	(4,716)
	871,706	249,238	**1,072,819**	763,389
Net loss and comprehensive loss	**$ (871,706)**	$ (249,238)	**$ (1,072,819)**	$ (763,389)
Loss per share - Basic and diluted (note 17)	**$ (0.006)**	$ (0.003)	**$ (0.009)**	$ (0.008)
Weighted average number of common shares outstanding - Basic and diluted	**139,500,200**	99,510,354	**121,573,205**	99,510,354

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, expressed in Canadian dollars)

	Capital stock	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2016	$ 17,107,216	$ 3,454,783	$ 503,224	$ (20,640,856)	$ 424,367
Share-based payments (note 10)	-	27,050	-	-	27,050
Net loss for the period	-	-	-	(763,389)	(763,389)
Balance, June 30, 2017	17,107,216	3,481,833	503,224	(21,404,245)	(311,972)
Units issued by private placement (notes 10,11)	100,990	-	90,510	-	191,500
Share issuance costs	(6,963)	-	-	-	(6,963)
Net loss for the period	-	-	-	(242,153)	(242,153)
Balance, December 31, 2017	17,201,243	3,481,833	593,734	(21,646,398)	(369,588)
Units issued by private placement (notes 10,11)	736,817	-	263,683	-	1,000,500
Flow-through share private placement (note 10)	975,990	-	-	-	975,990
Flow-through share premium (note 9)	(81,332)	-	-	-	(81,332)
Shares issued for mineral properties (note 10)	39,500	-	-	-	39,500
Shares issued for debt (notes 10,14)	78,820	-	-	-	78,820
Share issuance costs	(21,603)	-	-	-	(21,603)
Warrants expired	-	503,224	(503,224)	-	-
Share-based payments (notes 10, 14)	-	218,068	-	-	218,068
Net loss for the period	-	-	-	(1,072,819)	(1,072,819)
Balance, June 30, 2018	**$ 18,929,435**	**$ 4,203,125**	**$ 354,193**	**$ (22,719,217)**	**$ 767,536**

See accompanying notes.

PANCONTINENTAL RESOURCES CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, expressed in Canadian dollars)

	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Operating activities				
Net loss for the period	**$ (871,706)**	$ (249,238)	**$ (1,072,819)**	$ (763,389)
Adjustments to reconcile loss to net cash used in operating activities:				
Share-based payments	**164,455**	-	**218,068**	27,050
Shares issued for mineral property	**27,500**	-	**39,500**	-
Unrealized foreign exchange	**(24,564)**	18,284	**(18,478)**	11,254
	(704,315)	(230,954)	**(833,729)**	(725,085)
Net changes in non-cash working capital items:				
Royalty revenue receivable	**-**	50,000	**22,451**	50,000
Sales tax receivable	**(47,287)**	4,937	**(50,142)**	(1,946)
Prepaid expenses	**(91,040)**	8,175	**(108,850)**	(5,253)
Accounts payable and accrued liabilities	**(92,680)**	59,829	**(31,249)**	46,767
	(935,322)	(108,013)	**(1,001,519)**	(635,517)
Financing activities				
Related party loan advances	**-**	35,134	**12,940**	35,134
Related party loan repayments	**(48,750)**	-	**(48,750)**	-
Units issued by private placement	**1,000,500**	-	**1,000,500**	-
Flow-through share private placement	**975,990**	-	**975,990**	-
Share issuance costs	**(21,603)**	-	**(21,603)**	-
	1,906,137	35,134	**1,919,077**	35,134
Net change in cash	**970,815**	(72,879)	**917,558**	(600,383)
Cash, beginning of period	**8,440**	95,109	**61,180**	630,676
Effect of exchange rate changes on cash	**107**	(3,970)	**624**	(12,033)
Cash, end of period	**$ 979,362**	$ 18,260	**$ 979,362**	$ 18,260
Supplemental disclosure				
Shares issued on settlement of debt	**$ 78,820**	$ -	**$ 78,820**	$ -
Shares issued for mineral properties	**$ 27,500**	$ -	**$ 39,500**	$ -

See accompanying notes.

1. NATURE OF OPERATIONS AND GOING CONCERN

Pancontinental Resources Corporation, formerly Pancontinental Gold Corporation, (the "Company") is an exploration stage company involved in the business of acquiring, exploring and developing mineral properties. The name of the Company was changed on July 3, 2018. The address of the Company's registered office is 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1.

Going Concern

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurances that future exploration activities will result in the discovery of economically recoverable mineral deposits. The success and continuation of the Company as a going concern is dependent upon the Company's ability to arrange financing, which in part, depends on prevailing market conditions, acquiring or discovering economically viable mineral properties or deposits, exploration success and securing title and beneficial interest in its properties.

Further funds will be required for the Company to continue as a going concern and fund its activities. The Company has not produced revenues from its exploration activities and does not have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.

As at June 30, 2018, the Company has: an accumulated deficit of $22,719,217 (December 31, 2017 - $21,646,398); a working capital surplus of $767,535 (December 31, 2017 – $369,589 deficit); and, incurred losses for the current six month period of $1,072,819 (June 30, 2017 - $763,389). As part of its recapitalization efforts, on April 4, 2018, the Company closed a $1,976,490 private placement, as further described in Note 10.

These condensed interim consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, due to uncertainties surrounding a number of factors, such as, but not limited to, the ability to raise additional funds, exploration results, prices of underlying commodities, investor sentiment and financial market conditions, it is not possible to predict if this assumption will prove to be accurate. These factors indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, of the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of presentation and principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Palmetto Mining Corporation, a United States company; and, Maya Gold Corporation S.A. de C.V., an inactive Honduras company. All significant inter-company transactions and balances have been eliminated upon consolidation.

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The functional currency of Palmetto is the Canadian dollar.

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

These consolidated financial statements are prepared using the historical cost basis, except where certain financial instruments are classified as fair value through profit and loss. Non-current assets are stated at the lower of carrying amount and fair value less costs of disposal.

These financial statements do not include all of the disclosure required in annual financial statements and should be read in conjunction with the Company's audited 2017 annual consolidated financial statements. These interim financial statements are not necessarily indicative of the results that may be anticipated for the entire year.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies, as described in Note 3, Significant Accounting Policies, of the Company's audited annual consolidated financial statements for the year ended December 31, 2017, have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise noted. During 2018 the Company adopted the following policies:

IFRS 9 – Financial Instruments
The Company adopted IFRS 9 *Financial Instruments*, effective January 1, 2018, which supersedes IAS 39, *Financial Instruments: recognition and measurement* (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

Where financial assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (FVTPL), or recognized in other comprehensive income (fair value through other comprehensive income, FVTOCI).

For debt instruments, the FVTOCI classification is mandatory for certain assets unless the fair value option is elected, and for equity investments, the FVTOCI classification is an election. Furthermore, the requirements for reclassifying gains or losses recognized in other comprehensive income are different for debt instruments and equity investments.

The classification of a financial asset is made at the time it is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

SIGNIFICANT ACCOUNTING POLICIES (continued)

A debt instrument that meets both the business model test and cash flow characteristics test must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with a comparison to IAS 39). There was no material impact on the Company's financial statements from the adoption of IFRS 9.

Financial instrument	IAS 39	IFRS 9
Cash	Fair value through profit or loss	Fair value through profit or loss
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans from related parties	Other financial liabilities	Amortized cost

IFRS 15 – Revenue from Contracts with Customers
IFRS 15, replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services.* IFRS 15 clarifies how an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted IFRS 15, effective January 1, 2018, resulting in no impact on its consolidated financial statements.

Flow-Through Shares
The Company will, from time to time, issue flow-through common shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through are issued, eligible expenditures are then incurred and renouncement occurs subsequently). On issuance, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. The Company follows the retrospective approach, where the obligation to renounce is fulfilled when the paperwork to renounce is filed. Once the obligation is fulfilled, the liability is reduced and the balance is charged to the statement of operations and comprehensive income (loss).

Proceeds received from the issuance of flow-through shares must be spent on Canadian resource property exploration expenditures prior to the calendar year following the year of issuance. The portion of the proceeds expended is described in Note 9.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

SIGNIFICANT ACCOUNTING POLICIES (continued)

At the time of initial recognition, a taxable temporary difference exists and neither accounting profit nor taxable profit is affected, therefore the initial recognition exemption for deferred income taxes applies.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in compliance with IFRS requires the Company's management to make certain estimates and judgements about future events they consider reasonable and realistic. Despite regular reviews of these estimates and judgements, based in particular on historical achievements and future expectations, facts and circumstances may result in changes in these estimates and judgements which could impact the reported amount of the Company's assets, liabilities, equity and earnings.

Significant estimates relate to the: measurement of share-based payments and warrant valuation; impairment of investments; measurement of deferred tax assets and liabilities; and, establishment of provisions. Judgement is used in the choice of accounting policy for exploration and evaluation, measurement of the flow-through share premium and determination of the functional currency for the Company and its subsidiaries.

5. FUTURE CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following standard has been issued but is not yet effective:

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, although early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same time as IFRS 16.

The Company is evaluating the impact of the above standard on its financial performance, position and financial statements disclosures. Based on the Company's current accounting treatment of assets, liabilities, revenue and expenses, no significant impact is expected.

6. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and acquisition of other resource properties for the benefit of its shareholders.

As at June 30, 2018, the Company had a working capital surplus of $767,535 (December 31, 2017 – $369,589 deficit).

The Company considers its capital structure to consist of shareholder equity. In order to maintain its capital structure, the Company is dependent on equity funding and, when necessary, raises capital through the issuance of equity instruments, comprised of common shares, warrants and incentive stock options. The Company has not established quantitative targets for its capital structure, however it reviews its capital management methods and requirements on an ongoing basis and makes adjustments, accordingly, to sustain future development of its activities. There were no changes in the Company's management of its capital during the six month period ended June 30, 2018. The Company is not subject to any externally imposed capital requirements.

7. INVESTMENT IN TORTUGA RESOURCES INC.

In 2014, the Company acquired 666,667 common shares of Tortuga Resources Inc. for USD $200,000. Tortuga is a private company engaged in the acquisition, exploration and development of oil and gas properties in the United States. The price paid for the common shares represented the fair value at the time of acquisition. The fair value of the investment will be impacted by fluctuations in the United States dollar, investee corporate transactions and other factors, such as, industry developments and government regulations.

This financial instrument is classified as available-for-sale with fair value changes recorded through other comprehensive income. An impairment loss was recognized in 2015 resulting in a nominal value of $1 being assigned, as management lowered its outlook for recovering the investment.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30 2018		December 31 2017
Suppliers	**$**	**136,033**	$	122,119
Due to related parties (note 14)		**33,973**		175,603
	$	**170,006**	$	297,722

9. FLOW-THROUGH SHARE PREMIUM

On April 4, 2018, the Company completed a private placement consisting of 16,266,500 flow-through common shares at a price of $0.06 per share, for gross proceeds of $975,900. A flow-through share premium of $81,332 was recorded on this financing. As of June 30, 2018, $344,600 of these funds had been spent.

10. CAPITAL STOCK

Authorized

Unlimited common shares
Unlimited preferred shares

Issued

	Number	Amount
Balance, December 31, 2016	99,510,354	$ 17,107,216
Shares issued by private placement (i)	3,830,000	191,500
Fair value attributed to warrants (i)	-	(90,510)
Share issuance costs (i)	-	(6,963)
Balance, December 31, 2017	103,340,354	$ 17,201,243
Shares issued for mineral properties (ii)	800,000	39,500
Shares issued as debt settlement (iii)	1,126,000	78,820
Shares issued by private placement (iv)	36,276,500	1,976,490
Flow-through share premium (iv)	-	(81,332)
Fair value attributed to warrants (iv)	-	(263,683)
Share issuance costs (iv)	-	(21,603)
Balance, June 30, 2018	**141,542,854**	**$ 18,929,435**

(i) On December 5, 2017, the Company issued 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit was comprised of one common share and common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.07 for a period of 24 months, expiring on December 5, 2019. If at any time, after April 6, 2018, the closing price of the common shares of the Company, as traded on the TSX Venture Exchange, equals or exceeds $0.15 for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of the Company announcing the accelerated expiry. The fair value of the warrants was estimated at $70,949 using the relative fair value method.

On December 15, 2017, the Company issued 830,000 units at $0.05 per unit for gross proceeds of $41,500. Each unit was comprised of one common share and common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.07 for a period of 24 months, expiring on December 15, 2019. If at any time, after April 16, 2018, the closing price of the common shares of the Company, as traded on the TSX Venture Exchange, equals or exceeds $0.15 for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of the Company announcing the accelerated expiry. The fair value of the warrants was estimated at $19,561 using the relative fair value method.

Cash share issuance costs incurred relating to these private placements was $6,963.

(ii) On February 28, 2018, the Company issued 300,000 common shares at $0.04 per share in accordance with the option agreement for the Montcalm West Project (Note 12).

CAPITAL STOCK (continued)

On May 8, 2018, the Company issued 500,000 common shares at $0.055 per share in accordance with the option agreement for the McBride Project (Note 12).

(iii) On May 23, 2018, the Company issued 1,126,000 common shares at $0.07 per share in settlement of trade payables of $78,820. A Company officer/director was issued 500,000 shares to settle $35,000 of management fees.

(iv) On April 4, 2018, the Company closed a private placement consisting of: 20,010,000 units at $0.05 per unit for gross proceeds of $1,000,500; and, 16,266,500 flow-through shares at $0.06 per share for gross proceeds of $975,990. Each unit was comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of $0.08 for a period of eighteen (18) months, expiring on October 4, 2019. The warrant expiry date can be accelerated in the event the common shares trade on a stock exchange at a volume weighted average trading price $0.15, or greater, per common share for a period of 20 consecutive trading days following the expiry of the statutory trading restriction on August 5, 2018. The fair value of the warrants was estimated at $263,683 using the relative fair value method. The Company paid cash commissions of $4,620.

Stock options

Under the terms of the Company's stock option plan ("Plan"), the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period not to exceed ten years. The term, exercise price and vesting conditions of the options are fixed by the Company's Board of Directors at the time of grant.

Stock option transactions and the number of stock options outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2016	8,050,000	$0.10
Granted (i)	500,000	0.12
Expired/Cancelled	(300,000)	0.10
Balance, December 31, 2017	8,250,000	$0.10
Granted (ii)	3,750,000	0.06
Expired/Cancelled	(200,000)	0.10
Balance, June 30, 2018	**11,800,000**	**$0.09**

(i) On January 6, 2017, the Company granted 100,000 stock options to a consultant. These options vested immediately and were issued with an exercise price of $0.12 and have a five year term, expiring on January 6, 2022.

On March 16, 2017, the Company granted 400,000 stock options to a director/officer. These options vested immediately and were issued with an exercise price of $0.12 and have a five year term, expiring on March 16, 2022.

CAPITAL STOCK (continued)

(ii) On January 10, 2018, the Company granted 1,200,000 stock options to a director/officer and a consultant. These options vested immediately and were issued with an exercise price of $0.05 and have a five year term, expiring on January 10, 2023.

On May 1, 2018, the Company granted 2,550,000 stock options to directors, officers, an employee and a consultant. These options vested immediately and were issued with an exercise price of $0.07 and have a five year term, expiring on May 1, 2023.

Fair value of the options issued were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2018	2017
Dividend yield	**Nil**	Nil
Expected volatility (based on historical trends of the Company)	**238%**	226%
Risk free rate of return	**1.87%**	1.22%
Expected life	**5 years**	5 years
Share price	**$0.06**	$0.06

Share-based payment expense recognized for the options granted in 2018 was $218,068 and $27,050 for the options granted in 2017. The offsetting credit was charged to contributed surplus.

The following summarizes information on the outstanding stock options:

Expiry date	Number	Exercise Price	Exercisable	Average remaining contractual life (years)
November 18, 2018	150,000	0.10	150,000	0.38
June 11, 2019	1,900,000	0.05	1,900,000	0.95
September 21, 2021	4,300,000	0.12	4,300,000	3.22
November 1, 2021	1,200,000	0.12	1,200,000	3.34
January 6, 2022	100,000	0.12	100,000	3.52
March 16, 2022	400,000	0.12	400,000	3.71
January 10, 2023	1,200,000	0.05	1,200,000	4.53
May 1, 2023	2,550,000	0.07	2,550,000	4.83
	11,800,000	$0.09	11,800,000	3.33

11. WARRANTS

	Number	Weighted average Exercise price		Fair value
Balance, January 1, 2016	12,726,250	$0.12	$	503,224
Warrants issued	3,830,000	0.07		90,510
Balance, December 31, 2017	16,556,250	$0.11	$	593,734
Warrants issued	10,005,000	0.08		263,683
Warrants expired	(12,726,250)	0.12		(503,224)
Balance, June 30, 2018	**13,835,000**	**$0.08**	**$**	**354,193**

The following summarizes information on the outstanding warrants:

Expiry Date	Number	Exercise price	Average remaining life (years)		Fair value
December 5, 2019	3,000,000	$0.07	1.43	$	70,949
December 15, 2019	830,000	0.07	1.46		19,561
October 4, 2019	10,005,000	0.08	1.26		263,683
	13,835,000	$0.08	1.31	$	354,193

The relative fair value of the warrants was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2018	2017
Dividend yield	**Nil**	Nil
Expected volatility (based on historical trends)	**192%**	247%
Risk free rate of return	**1.81%**	1.54%
Expected life	**1.5 years**	2 years
Share price	**$0.055**	$0.04

12. CORPORATE AND ADMINISTRATIVE

	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Consulting	$ -	$ -	$ -	$ 6,406
Filing and transfer agent fees	**16,267**	14,439	**19,801**	17,836
Insurance	**3,804**	6,665	**9,830**	13,220
Management fees (notes 14,15)	**55,857**	64,899	**82,550**	135,628
Office and general	**4,967**	4,670	**7,197**	7,205
Professional fees	**29,354**	21,253	**46,741**	33,208
Rent (note 14)	**5,373**	2,710	**7,632**	5,402
Salaries and benefits	**6,307**	10,246	**11,407**	23,998
Shareholder relations and promotion	**45,389**	17,538	**51,672**	32,682
Travel	**6,251**	9,879	**11,866**	17,772
	$ 173,569	$ 152,299	**$ 248,696**	$ 293,357

13. EXPLORATION AND EVALUATION

	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Acquisition costs	**$ 191,000**	$ -	**$ 217,000**	$ -
Property costs	**77,360**	57,733	**116,069**	110,048
Assaying	**-**	5,558	**-**	49,970
Consulting/Contracting	**74,957**	18,494	**74,957**	71,123
Drilling	**18,005**	-	**18,005**	119,813
Equipment and supplies	**10,745**	621	**10,745**	25,345
Geophysics/Surveys	**98,999**	-	**98,999**	-
Reports	**144**	593	**144**	593
Site costs	**11,084**	3,422	**14,230**	6,979
Travel/Transportation	**6,064**	856	**6,064**	16,730
Wages and benefits	**44,057**	11,245	**44,638**	47,097
	$ 532,415	$ 98,522	**$ 600,851**	$ 447,698

McBride Project – Ontario, Canada

The McBride Project is an advanced exploration-staged nickel-cobalt-copper project located in Limerick Township, approximately 25 kilometres south of Bancroft, Ontario. The McBride Project encompasses a total of 880 hectares and is comprised of the North Zone deposit, the South Zone deposit and the South Extension prospect.

Option Agreement

On April 25, 2018, the Company entered into an option agreement with Hastings Highlands Resources Limited (the "Optionor"), pursuant to which the Company obtained the right (the "Option") to acquire up to a 76% interest in the McBride Project. The Option may be exercised in three stages as follows:

EXPLORATION AND EVALUATION (continued)

(i) First Option – to earn an initial 26% interest the Company shall:
- Pay $142,500 to the Optionor on or before April 25, 2018 (paid);
- Pay applicable annual property taxes;
- Issue 500,000 shares to the Optionor upon receipt of TSX Venture Exchange approval (issued);
- Incur expenditures of $1.5 million during the first year of the Option.

(ii) Second Option – to earn an additional 25% interest the Company shall during the second, third and fourth years of the Option:
- Pay $142,500 to the Optionor and property owners, annually and in aggregate;
- Pay applicable annual property taxes;
- Incur expenditures of $3.0 million in aggregate for the purposes of obtaining a scoping study.

(iii) Third Option – to earn an additional 25% interest the Company shall during the fifth and sixth years of the Option:
- Pay $142,500 to the Optionor and property owners, annually and in aggregate;
- Pay applicable annual property taxes;
- Incur sufficient expenditures for the purposes of obtaining a feasibility study.

In the event that the Company fails to exercise the Second Option then the initial 26% interest earned by the Company pursuant to the First Option shall revert to the Optionor. Upon the exercise of the Third Option the Company and Optionor shall form a joint venture and all future costs and revenues shall be shared on a proportionate basis. The Company's interest in the McBride Project may be increased to 90% provided the Optionor elects not to participate or fund its interest in the joint venture.

The McBride Project is subject to a 1.75% net smelter return (NSR) royalty. The Company reserves the right to purchase, prior to production, 0.75% of the NSR royalty (such that the remaining NSR royalty is reduced to 1%) for $1,000,000.

	Three months ended June 30		Six months ended June 30	
McBride	**2018**	2017	**2018**	2017
Acquisition costs – Option payments	**$ 170,000**	$ -	**$ 170,000**	$ -
Property costs	**4,898**	-	**4,898**	-
Consulting/Contracting	**64,157**	-	**64,157**	-
Drilling	**18,005**	-	**18,005**	-
Equipment and supplies	**10,745**	-	**10,745**	-
Geophysics/Surveys	**20,000**	-	**20,000**	-
Site costs	**8,931**	-	**8,931**	-
Travel/Transportation	**5,885**	-	**5,885**	-
Wages and benefits	**43,365**	-	**43,365**	-
	$ 345,986	$ -	**$ 345,986**	$ -

EXPLORATION AND EVALUATION (continued)

Montcalm West Project – Ontario, Canada

The Montcalm West Project is an exploration-stage nickel-copper-cobalt prospective project located within the Porcupine Mining Division, approximately 65 kilometres northwest of Timmins, Ontario, Canada. The Montcalm West Project is comprised of three properties and encompasses a total of 11,600 hectares – Montcalm (3,780 hectares), Nova (840 hectares), and Gambler (6,980 hectares). The Montcalm and Nova properties are subject to an option agreement (described below) and the Gambler property was staked by the Company in 2018.

Option Agreement

On January 5, 2018, the Company entered into an option agreement (the "Option Agreement") with 2522962 Ontario Inc. (the "Optionor") pursuant to which the Company obtained the right (the "Option") to acquire a 100% interest in the Montcalm and Nova properties. In order to exercise the Option, the Company shall:

(i) Pay the Optionor an aggregate of $140,000 as follows:
- $35,000 on or before June 28, 2018 (paid);
- $35,000 on or before January 22, 2019;
- $35,000 on or before January 22, 2020;
- $35,000 on or before January 22, 2021.

(ii) Issue to the Optionor an aggregate of 1,200,000 common shares of the Company as follows:
- 300,000 common shares on or before January 29, 2018 (issued);
- 300,000 common shares on or before January 22, 2019;
- 300,000 common shares on or before January 22, 2020;
- 300,000 common shares on or before January 22, 2021.

A net smelter return royalty of 2.5% (the" NSR") is payable to the Optionor from all minerals sold from the Montcalm and Nova properties. The Company reserves the right to purchase 1% of the NSR (such that the Optionor's NSR is reduced to 1.5%) for $1,000,000. The Company is required to keep the Montcalm and Nova properties in good standing during the term of the Option Agreement.

	Three months ended June 30		Six months ended June 30	
Montcalm West	**2018**	2017	**2018**	2017
Acquisition costs – Option payments	**$ 21,000**	$ -	**$ 47,000**	$ -
Property costs	**17,950**	-	**17,950**	-
Consulting/Contracting	**10,800**	-	**10,800**	-
Geophysics/Surveys	**78,999**	-	**78,999**	-
Reports	**144**	-	**144**	-
Travel/Transportation	**179**	-	**179**	-
	$ 129,072	$ -	**$ 155,072**	$ -

Jefferson Project – South Carolina, United States

On August 17, 2016 the Company acquired a 100% interest in exploration-stage gold prospective properties located in Chesterfield County, South Carolina, United States. The Jefferson Project consists of 13 property leases encompassing approximately 1,456 acres

EXPLORATION AND EVALUATION (continued)

The property leases range in expiration from 2019 to 2032 and the total 2018 annual payments to maintain the leases is US $152,225. These annual payments consist of: lease payments for certain properties, ranging between US $600 - $24,000 per property; and, advance royalty payments ("ARP") for certain properties, ranging between US $900 - $75,000 per property. The aggregate annual lease payments for 2018 amount to US $81,825 and the aggregate annual ARPs for 2018 amount to US $70,400. A production royalty of 3.5% (the "Royalty") is payable to the landowner that owns the property from which minerals are produced. ARPs are non-refundable and will be credited towards the Royalty payable from production. The Company is current with its payments and reserves the right to relinquish a property lease at any time.

	Three months ended June 30		Six months ended June 30	
Jefferson	**2018**	2017	**2018**	2017
Property costs	**$ 54,512**	$ 57,733	**$ 93,221**	$ 110,048
Assaying	**-**	5,558	**-**	49,970
Consulting/Contracting	**-**	18,494	**-**	71,123
Drilling	**-**	-	**-**	119,813
Equipment and supplies	**-**	621	**-**	25,345
Reports	**-**	593	**-**	593
Site costs	**2,153**	3,422	**5,299**	6,979
Travel/Transportation	**-**	856	**-**	16,730
Wages and benefits	**692**	11,245	**1,273**	47,097
	$ 57,357	$ 98,522	**$ 99,793**	$ 447,698

14. RELATED PARTY TRANSACTIONS AND BALANCES

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Management fees (i)	**$ 55,857**	$ 64,899	**$ 82,550**	$ 135,628
Rent (ii)	**3,873**	1,210	**4,632**	2,402
Share-based payments (iv)	**148,332**	-	**184,074**	19,650
	$ 208,062	$ 66,109	**$ 271,256**	$ 157,680

(i) Management fees were paid or became payable to a Company officer and to companies controlled by or associated with Company officers.

(ii) Rent was paid or became payable to a Company officer and a company controlled by a Company officer.

(iii) Share-based compensation represents the fair value of stock options granted to Company directors and officers.

Loans from related parties balance of $129,370 (December 31, 2017 - $165,000) consist of cash loans provided by Company directors/officers or entities controlled by or associated with directors/officers. These loans are

RELATED PARTY TRANSACTIONS AND BALANCES (continued)

non-interest bearing, unsecured and due on demand. The Company: received cash loans of $nil (2017- $35,134) for the three month period and $12,940 (2017 - $35,134) for the six month period from a director/officer and a company associated with an officer; and, repaid cash loans of $48,750 (2017 - $nil) for the three month period and $48,750 (2017 - $5,000) for the six month period.

On May 23, 2018, the Company issued 500,000 common shares to an officer to settle management fees totalling $35,000.

Included in accounts payable and accrued liabilities is $33,973 (December 31, 2017 - $175,603) payable to directors/officers or entities controlled by or associated with directors/officers.

15. MANAGEMENT COMPENSATION

Compensation of key management (directors/officers) of the Company is included in the table below. Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company.

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Short-term compensation	**$ 55,857**	$ 47,010	**$ 99,627**	$ 89,935
Stock-based compensation	**148,332**	19,650	**184,074**	19,650
	$ 204,189	$ 66,660	**$ 283,701**	$ 109,585

16. GROSS OVERRIDING ROYALTY ("GOR")

On February 8, 2007, the Company formed a joint venture with Crossland Strategic Metals Limited ("Crossland") and subsequently earned a 50% interest in a number of Australian properties prospective for rare earth elements (REE) and uranium. On November 26, 2015 (the "Effective Date") the Company completed the sale of its entire interest to Essential Mining Resources Pty Ltd. ("EMR") and retained a gross overriding royalty of one percent (1%) on sales of production from the joint venture properties. In 2017 a merger between Crossland and EMR was completed.

On each anniversary of the Effective Date, Crossland is obligated to pay to the Company an advance royalty of AUS $29,621, which may be adjusted for future reductions in the size of the properties. The advance royalty payments received by the Company are non-refundable and are to be deducted from the 1% GOR payable to the Company upon the properties being placed into production. Payment of the advance royalty payable due on November 26, 2017 was received in 2018.

17. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding for the period. For the purpose of calculating the basic and diluted loss per share the effect of the potentially dilutive options and warrants were not included in the calculation as the result would be anti-dilutive.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The carrying value of the royalty revenue receivable, accounts payable and accrued liabilities and loans from related parties approximates fair value due to the relative short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arms-length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

IFRS 7 requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels for disclosure purposes, as described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- Level one - includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level two - includes inputs that are observable, either directly (prices) or indirectly (derived from prices), other than from quoted prices included in level one; and,
- Level three - includes inputs that are not based on observable data.

	June 30 2018	December 31 2017
Level 1:		
Cash	**$ 979,362**	$ 61,180

The differences in the classification of the Company's financial instruments between IAS 39 and IFRS 9 are illustrated below:

IAS 39	December 31 2017
Fair value through profit or loss (i)	$ 61,180
Loans and receivables (ii)	22,002
Other financial liabiliites (iii)	462,722

IFRS 9	June 30 2018
Fair value through profit or loss (i)	$ 61,180
Amortized cost - financial assets (ii)	-
Amortized cost - financial liabiliites (iii)	299,376

(i) Cash
(ii) Royalty revenue receivable
(iii) Accounts payable and accrued liabilities, loans from related parties

Risk Management

The Company's financial risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The primary risks the Company's financial instruments are exposed to are described below:

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash and the royalty revenue receivable. The Company mitigates the risk to its cash by depositing a majority of its cash with Canadian and United States banks. Allowances for the royalty revenue receivable are recognized as necessary for potential credit losses.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 6. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Accounts payable and accrued liabilities are generally due within 30 days and loans from related parties are due on demand.

Foreign Currency Risk
The Company operates in Canada and the United States, thus exposing the Company to market risks from fluctuations in foreign exchange rates. The Company has certain corporate and administrative expenditures and future potential financial commitments (Note 13) denominated in United States dollars. The Company monitors foreign exchange rates and has not entered into any financial arrangements to hedge or protect the Company from unfavourable changes in foreign exchange rates.

A 10% change in the United States dollar will impact profitability by approximately $3,000.

Interest Rate Risk
The Company is not exposed to any significant interest rate. When applicable, excess cash is invested in financial instruments that provide safety and flexibility for early redemption.

19. SUBSEQUENT EVENTS

(i) On July 1, 2018, the Company retained the services of an investor relations consultant for an initial 12 month term for a monthly fee of $5,000 and a grant of 100,000 stock options. The options vest in quarterly instalments of 25,000 and were issued with an exercise price of $0.08 and a five year term.

(ii) Subsequent to June 30, 2018, the Company relinquished two Jefferson Project property leases, representing 222 acres.