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**CALIFORNIA GOLD MINING INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED FEBRUARY 28, 2018 and 2017**  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)

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**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of California Gold Mining Inc. 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 unaudited condensed interim consolidated financial statements.

**California Gold Mining Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Unaudited, Expressed in Canadian Dollars)**

	February 28, 2018	August 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 63,730	\$ 218,493
HST recoverable, accrued interest and amounts receivable	10,487	12,178
Prepaid expenses	130,304	42,112
<b>Total current assets</b>	<b>204,521</b>	<b>272,783</b>
<b>Other assets</b>		
Prepaid expenses	-	-
Property, plant and equipment (note 4)	6,231,005	6,118,947
<b>Total assets</b>	<b>\$ 6,435,526</b>	<b>\$ 6,391,730</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (notes 10)	\$ 592,718	\$ 613,815
Loans (notes 10 and 12)	-	400,000
Subscription proceeds received (note 5(b)(iii))	-	205,000
<b>Total current liabilities</b>	<b>592,718</b>	<b>1,218,815</b>
<b>Equity</b>		
Share capital (note 5)	20,235,239	17,846,354
Reserves (note 11)	11,014,680	10,336,355
Accumulated other comprehensive loss	(162,669)	(287,338)
Accumulated deficit	(25,244,442)	(22,722,456)
<b>Total equity</b>	<b>5,842,808</b>	<b>5,172,915</b>
<b>Total equity and liabilities</b>	<b>\$ 6,435,526</b>	<b>\$ 6,391,730</b>

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

*Nature of operations and going concern (note 1)*

*Subsequent Events (note 13)*

**Approved on behalf of the Board:**

Signed "Vishal Gupta", Director

Signed "Patrick Cronin", Director

**California Gold Mining Inc.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Unaudited, Expressed in Canadian Dollars)**

	Three Months Ended		Six Months Ended	
	February 28	February 28	February 28	February 28
	2018	2017	2018	2017
<b>Operating expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Exploration costs expensed (note 3)	949,700	125,309	1,377,863	265,563
Investor relations	195,552	79,554	400,396	224,420
Property taxes	3,470	54,000	80,448	54,000
Professional fees	62,935	39,865	137,310	88,274
Salaries and wages	75,941	50,317	138,891	88,902
Management fees (note 10)	61,750	61,750	123,500	123,500
Occupancy costs	45,243	38,232	104,995	81,049
Share-based payments	-	40,332	-	40,332
Shareholder information and compliance	31,240	23,693	71,267	61,294
Interest and bank charges	1,995	775	16,218	1,875
Depreciation (note 4)	10,291	12,575	20,553	25,412
Insurance	7,675	7,364	15,354	14,893
Other general and administrative	12,318	5,373	17,415	25,247
Loss on foreign exchange	17,776	124	17,776	834
<b>Loss before interest and other income</b>	<b>(1,475,886)</b>	<b>(539,263)</b>	<b>(2,521,986)</b>	<b>(1,095,595)</b>
Interest Income	-	-	-	-
Other income	-	520	-	2,112
<b>Net loss for the period</b>	<b>(1,475,886)</b>	<b>(538,743)</b>	<b>(2,521,986)</b>	<b>(1,093,483)</b>
<b>Other comprehensive loss for the period</b>				
Items that will be reclassified to profit or loss				
Foreign exchange translation	(44,108)	(2,498)	124,669	57,753
<b>Net comprehensive loss for the period</b>	<b>(1,519,994)</b>	<b>(541,241)</b>	<b>(2,397,317)</b>	<b>(1,035,730)</b>
<b>Basic and diluted net loss per share (note 7)</b>	<b>(0.04)</b>	<b>(0.02)</b>	<b>(0.06)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding (basic and diluted)</b>	<b>40,958,116</b>	<b>33,360,568</b>	<b>43,181,449</b>	<b>31,841,856</b>

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

**California Gold Mining Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Unaudited, Expressed in Canadian Dollars)**

	<b>Six Months Ended</b>	
	<b>February 28, 2018</b>	<b>February 28, 2017</b>
<b>Operating activities</b>		
Net loss for the period	\$ (2,521,986)	\$ (1,093,483)
Adjustments for non-cash items:		
Depreciation	20,553	25,412
Share-based compensation	-	40,332
Unrealized foreign exchange gains	-	124
Changes in non-cash working capital		
HST recoverable, accrued interest and amounts receivable	1,691	1,785
Prepaid expenses	(88,192)	(43,590)
Amounts payable and other liabilities	(21,097)	(69,889)
<b>Net cash used in operating activities</b>	<b>(2,609,031)</b>	<b>(1,139,309)</b>
<b>Investing activity</b>		
Purchase of property, plant and equipment	-	(87,434)
<b>Net cash used in investing activity</b>	<b>-</b>	<b>(87,434)</b>
<b>Financing activity</b>		
Issue of securities, net of costs	3,067,210	1,176,374
Loan proceeds	(400,000)	-
Subscription proceeds received	(205,000)	-
<b>Net cash provided by financing activity</b>	<b>2,462,210</b>	<b>1,176,374</b>
<b>Net change in cash and cash equivalents</b>	<b>(146,821)</b>	<b>(50,369)</b>
Effect of foreign currency translation	(7,942)	57,629
<b>Cash and cash equivalents, beginning of the period</b>	<b>218,493</b>	<b>4,854</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 63,730</b>	<b>\$ 12,114</b>

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**California Gold Mining Inc.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(Unaudited, Expressed in Canadian Dollars)**

**Equity attributable to shareholders**

	Number of shares	Share capital	Reserves (note 11)	Accumulated other comprehensive income(loss)	Accumulated deficit	Total equity
	#	\$	\$	\$	\$	\$
<b>Balance, August 31, 2016</b>	<b>30,323,143</b>	<b>17,142,527</b>	<b>9,783,702</b>	<b>(3,884)</b>	<b>(20,703,127)</b>	<b>6,219,218</b>
Private placements (note 5 (i) and (ii))	1,855,806	1,206,274	-	-	-	1,206,274
Valuation of warrants	-	(453,035)	453,035	-	-	-
Transaction costs	-	(42,860)	12,960	-	-	(29,900)
Share-based payments	-	-	40,334	-	-	40,334
Net loss and comprehensive loss of period	-	-	-	57,753	(1,093,483)	(1,035,730)
<b>Balance, February 28, 2017</b>	<b>32,178,949</b>	<b>17,852,906</b>	<b>10,290,031</b>	<b>53,869</b>	<b>(21,796,610)</b>	<b>6,400,196</b>
Transaction costs	-	(6,552)	-	-	-	(6,552)
Share-based payments	-	-	46,324	-	-	46,324
Net loss and comprehensive loss of period	-	-	-	(341,207)	(925,846)	(1,267,053)
<b>Balance, August 31, 2017</b>	<b>32,178,949</b>	<b>17,846,354</b>	<b>10,336,355</b>	<b>(287,338)</b>	<b>(22,722,456)</b>	<b>5,172,915</b>
Private placements (note 5 (iii) and (iv))	11,002,500	3,201,000	-	-	-	3,201,000
Valuation of warrants	-	(665,240)	665,240	-	-	-
Transaction costs	-	(146,875)	13,085	-	-	(133,790)
Net loss and comprehensive loss of period	-	-	-	124,669	(2,521,986)	(2,397,317)
<b>Balance, February 28, 2018</b>	<b>43,181,449</b>	<b>20,235,239</b>	<b>11,014,680</b>	<b>(162,669)</b>	<b>(25,244,442)</b>	<b>5,842,808</b>

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

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**California Gold Mining Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended February 28, 2018 and 2017**  
**(Unaudited, Expressed in Canadian Dollars)**

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**1. Nature of operations and going concern**

California Gold Mining Inc. ("California Gold" or the "Corporation"), which, prior to April 11, 2013 was named Upper Canada Gold Corporation and prior to January 29, 2010 was named Washmax Corp. On February 9, 2010, the Corporation's shares commenced trading on the TSX Venture Exchange under the symbol "UCC" and on April 15, 2013, the Corporation's symbol was changed to "CGM". Effective June 2, 2016, the Corporation continued to the Business Corporations Act (Ontario) from the Business Corporations Act (Alberta) where the Corporation was initially incorporated on September 17, 1998. The Corporate office is located at Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, Canada, M5X 1E3.

On January 29, 2010, the Corporation acquired the Dingman Property and became a junior exploration company engaged in the acquisition, exploration and development of mineral resource properties. On March 1, 2013, the Corporation purchased a fee simple interest (subject to a 3% net smelter royalty) in approximately 3,351 acres of land located 15 miles north of the town of Mariposa, California which the Corporation has previously referred to as the Pine Tree Property and that is now referred to as the Fremont Property (note 3(b)). The Corporation has not earned any income from operations.

For the six months ended February 28, 2018, the Corporation incurred a loss of \$2,521,986 and had an accumulated deficit of \$25,244,442. As at February 28, 2018, the Corporation had working capital deficit of \$388,197. These factors indicate the existence of material uncertainties that cast significant doubt regarding the Corporation's ability to continue as a going concern. In order to meet future expenditures and cover administrative costs, the Corporation may need to raise additional financing. These condensed interim consolidated financial statements have been prepared on the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue operations.

**2. Significant accounting policies**

*(a) Statement of compliance*

These condensed interim consolidated financial statements of the Corporation have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Corporation reported in Note 2 in its audited annual consolidated financial statements for the year ended August 31, 2017. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

The condensed interim consolidated financial statements were authorized by the Board of Directors on April 30, 2018.

*(b) New accounting standards and interpretations*

Recent accounting pronouncements

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in its final form in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation has not assessed the impact of IFRS 9 on its condensed interim consolidated financial statements and the standard will be adopted on its effective date.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after

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January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

**3. Exploration and evaluation expenditures on mineral properties**

**a) Dingman Property:**

Costs incurred on the mineral interests for the Dingman Property for the six months ended February 28, 2018 and 2017 are summarized as follows:

	<b>2018</b>	<b>2017</b>
Exploration costs	\$ 5,284	\$ 14,714

Total cumulative costs incurred on the Dingman Property as of February 28, 2018 are summarized as follows:

Acquisition costs	\$ 2,139,055
Exploration costs	1,216,231
Land access fees	85,500
Finder fee	25,000
	<b>\$ 3,465,786</b>

**b) Fremont Property**

On March 1, 2013, the Corporation completed the acquisition of a fee simple interest (subject to a 3% net smelter royalty) of 3,351 acres of land in Mariposa County, California known as the Fremont Property. The purchase was completed through the Corporation's wholly owned subsidiary, Fremont Gold Mining LLC. The purchase price consisted of aggregate consideration to the Vendor of US\$5,120,000 of which US\$4,999,949 was paid on closing. The Corporation also paid a third party an aggregate finder's fee of US\$303,600 of which US\$253,600 was paid on closing. On the basis of an appraisal commissioned by the Corporation and dated June 20, 2013, the purchase price paid upon closing of US\$4,999,949 was allocated as follows:

Land	US\$4,650,000
Building	US\$160,000
Acquisition expense	US\$189,949

Costs incurred on the fee simple interest for the Fremont Property for the six months ended February 28, 2018 and 2017 are summarized as follows:

	<b>2018</b>	<b>2017</b>
Exploration and development expenditures	\$ 1,372,576	\$ 250,849

Total cumulative costs incurred on the Fremont Property as of February 28, 2018 are summarized as follows:

Acquisition and improvement costs	\$ 5,885,901
Exploration and development costs	8,924,330
	<b>\$ 14,810,231</b>

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**4. Property, plant and equipment**

Cost	Furniture and Fixtures	Leasehold improvements	Computer equipment	Computer Software	Vehicles	Field equipment	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, August 31, 2016</b>	11,819	8,927	20,016	19,097	52,024	115,405	230,209	6,112,558	6,570,055
Additions	2,550	-	-	-	-	20,187	-	-	22,737
Effect of foreign exchange adjustment	(153)	-	(329)	(293)	(2,301)	(6,088)	(10,180)	(270,302)	(289,646)
<b>Balance, August 31, 2017</b>	<b>14,216</b>	<b>8,927</b>	<b>19,687</b>	<b>18,804</b>	<b>49,723</b>	<b>129,504</b>	<b>220,029</b>	<b>5,842,256</b>	<b>6,303,146</b>
Additions	-	-	-	-	-	-	-	-	-
Effect of foreign exchange adjustment	72	-	155	138	1,083	2,801	4,792	127,228	136,269
<b>Balance, February 28, 2018</b>	<b>14,288</b>	<b>8,927</b>	<b>19,842</b>	<b>18,942</b>	<b>50,806</b>	<b>132,305</b>	<b>224,821</b>	<b>5,969,484</b>	<b>6,439,415</b>
Accumulated depreciation	Furniture and Fixtures	Leasehold improvements	Computer equipment	Computer Software	Vehicles	Field equipment	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, August 31, 2016</b>	3,684	8,927	11,353	11,612	35,521	35,103	36,622	-	142,822
Additions	2,578	-	1,975	2,251	4,986	25,309	11,589	-	48,688
Effect of foreign exchange adjustment	(85)	-	(161)	(228)	(1,824)	(2,808)	(2,205)	-	(7,311)
<b>Balance, August 31, 2017</b>	<b>6,177</b>	<b>8,927</b>	<b>13,167</b>	<b>13,635</b>	<b>38,683</b>	<b>57,604</b>	<b>46,006</b>	<b>-</b>	<b>184,199</b>
Additions	801	-	980	779	1,661	10,816	5,516	-	20,553
Effect of foreign exchange adjustment	42	-	84	109	874	1,445	1,104	-	3,658
<b>Balance, February 28, 2018</b>	<b>7,020</b>	<b>8,927</b>	<b>14,231</b>	<b>14,523</b>	<b>41,218</b>	<b>69,865</b>	<b>52,626</b>	<b>-</b>	<b>208,410</b>
Net carrying value	Furniture and Fixtures	Leasehold improvements	Computer equipment	Computer Software	Vehicles	Field equipment	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>August 31, 2016</b>	8,135	-	8,663	7,485	16,503	80,302	193,587	6,112,558	6,427,233
<b>August 31, 2017</b>	8,039	-	6,520	5,169	11,040	71,900	174,023	5,842,256	6,118,947
<b>February 28, 2018</b>	7,268	-	5,611	4,419	9,588	62,440	172,195	5,969,484	6,231,005



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**5. Share capital**

a) Authorized share capital

Unlimited number of voting common shares  
Unlimited number of non-voting first preferred shares  
Unlimited number of non-voting second preferred shares

b) Equity activity

- (i) On September 8, 2016, the Corporation closed a non-brokered private placement of 720,421 units ("Units") at a price of \$0.65 per Unit for total proceeds of \$468,274. Each Unit was comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire a further common share of the Corporation at a price of \$0.75 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at \$136,153.

The Corporation incurred cash transaction costs of \$20,150. In connection with the Offering, the Corporation issued 23,100 broker warrants (valued at \$12,960) with each broker warrant entitling the holder to acquire one Unit of the financing at a price of \$0.65 for three years following the date of issuance.

- (ii) On October 20, 2016, the Corporation closed a second tranche of non-brokered private placement of 1,135,385 units ("Units") at a price of \$0.65 per Unit for total proceeds of \$738,000. Each Unit was comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire a further common share of the Corporation at a price of \$0.75 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at \$318,560.

The Corporation incurred transaction costs of \$16,300. Insiders subscribed for a total of 1,076,923 Units as part of this offering.

- (iii) On September 21, 2017, the Corporation completed a non-brokered private placement consisting of a total of 8,000,000 units ("Units") at a price of \$0.25 per Unit, for gross proceeds of \$2,000,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of \$0.50.

The Corporation incurred cash transaction costs of \$82,682. Finders fees associated with this financing included \$28,700 in cash and 114,800 warrants valued at \$10,905. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of \$0.50 and valued at \$10,905. Of the proceeds received, \$205,000 of the proceeds were received before August 31, 2017 and were presented as subscription proceeds received as the year end date.

Insiders subscribed for a total of 2,090,000 Units as part of this offering.

- (iv) On November 20, 2017, the Corporation completed a non-brokered private placement consisting of a total of 3,002,500 units ("Units") at a price of \$0.40 per Unit, for gross proceeds of \$1,201,000. Each Unit is comprised of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of \$0.75.

The Corporation incurred cash transaction costs of \$49,430. Finder's fees associated with this financing included an aggregate of \$9,170 in cash and 22,925 warrants valued at \$2,180. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of \$0.75.

Insiders subscribed for a total of 1,250,000 Units as part of this offering.

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**6. Stock options**

On April 4, 2013, the shareholders of the Corporation approved an amendment to its stock option plan (the "Plan") whereby the Corporation is authorized to grant options to purchase up to 2,561,500 outstanding common shares of the Corporation to directors, senior officers, full time employees and/or consultants of the Corporation. The terms of the awards under the Plan are determined by the Board of Directors.

	Number of stock options	Weighted average exercise price <sup>(ii)</sup> (\$)
<b>Balance, August 31, 2016</b>	<b>1,470,000</b>	<b>1.60</b>
Granted	120,000	0.75
Expired	(360,000)	0.75
<b>Balance, August 31, 2017 and February 28, 2018</b>	<b>1,230,000</b>	<b>0.75</b>

The following table reflects the actual stock options issued and outstanding as of February 28, 2018:

Expiry date	Exercise price <sup>(iii)</sup> (\$)	Options outstanding	Weighted average remaining contractual life (yrs)	Options exercisable	Grant date fair value (\$)
April 22, 2018	0.75	240,000	0.15	240,000	367,920
May 14, 2018	0.75	25,000	0.21	25,000	30,900
December 20, 2018	0.75	100,000	0.81	100,000	28,362
July 27, 2019	0.75	60,000	1.41	60,000	34,200
September 2, 2019	0.75	125,000	1.51	125,000	45,777
July 27, 2021	0.75	300,000	3.41	300,000	177,000
July 27, 2021	0.75	20,000	3.41	20,000	11,600
July 27, 2021	0.75	240,000	3.41	240,000	136,800
March 30, 2022	0.75	120,000	4.08	120,000	45,600
		1,230,000	2.27	1,230,000	878,159

(i) On March 31, 2017, the Corporation granted, to a member of its Board of Directors, options to purchase an aggregate of 120,000 common shares of the Corporation with such options being exercisable on or before the expiry of five years from the date of grant. These options vested immediately and are exercisable at a price of \$0.75. The fair value of the stock options has been determined to be \$45,600 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.06%, dividend yield of 0%, expected stock volatility of 148% and expected life of 5 years.

(ii) On February 28, 2017 at the Corporation's annual general meetings, the shareholders voted to approve the change in exercise price for the 1,130,000 outstanding options at that time, to \$0.75. Reflected in the share based payment expense for the year ended August 31, 2017 is an adjustment in the amount of \$35,500 to reflect the fair value adjustment to these options as result of the change in exercise price.

**7. Net loss per common share**

The calculation of basic and diluted loss per share for the six months ended February 28, 2018 was based on the net loss attributable to common shareholders of \$2,521,986 (February 28, 2017 - \$1,093,483) and the weighted average number of common shares outstanding of 43,181,449 (February 28, 2017 - 31,841,856). For the three months ended February 28, 2018, the calculation of basic and diluted loss per share was based on the net loss attributable to common shareholders of \$1,475,886 (February 28, 2017 - \$538,743) and the weighted average number of common shares outstanding of 40,958,116 (February 28, 2017 - 33,360,568). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

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**8. Broker warrants**

The following table reflects the continuity of broker warrants:

	Number of broker warrants	Grant date fair value (\$)
<b>Balance, August 31, 2016</b>	<b>124,700</b>	<b>84,875</b>
Granted (note 5(b)(i))	23,100	12,960
Expired	(76,400)	(75,025)
<b>Balance, August 31, 2017</b>	<b>71,400</b>	<b>22,810</b>
Granted (note 5(b)(iii) and (iv))	137,725	13,085
Expired	-	-
<b>Balance, February 28, 2018</b>	<b>209,125</b>	<b>35,895</b>

The following table reflects the actual broker warrants issued and outstanding as of February 28, 2018:

Expiry date	Exercise price (\$)	Broker warrants outstanding	Grant date fair value (\$)
May 5, 2019	0.75 <sup>(i)</sup>	48,300	9,850
September 8, 2019	0.75 <sup>(i)</sup>	23,100	12,960
September 21, 2019	0.50	114,800	10,905
November 21, 2019	0.75	22,925	2,180
		209,125	35,895

(i) See Warrants – Note 9(i) for change in exercise price.

**9. Warrants**

	Number of warrants	Grant date fair value, net of issuance costs (\$)
<b>Balance, August 31, 2016</b>	<b>21,952,707</b>	<b>6,049,419</b>
Issued (notes 5(b)(i) &(ii))	927,905	453,035
Expired	(7,200,000)	(3,184,899)
<b>Balance, August 31, 2017</b>	<b>15,680,612</b>	<b>3,317,555</b>
Issued (notes 5(b)(iii) &(iv))	7,002,500	665,240
Expired	(1,754,207)	(450,712)
<b>Balance, February 28, 2018</b>	<b>20,928,905</b>	<b>3,532,083</b>

The following table reflects the actual warrants issued and outstanding as of February 28, 2018:

Expiry date	Exercise price (\$)	Warrants outstanding	Grant Date fair value, net of issuance costs (\$)
August 10, 2018	0.75 <sup>(i)</sup>	9,680,000	1,748,139
March 17, 2019	0.75 <sup>(i)</sup>	1,800,000	354,313
April 22, 2019	0.75 <sup>(i)</sup>	798,500	164,524
May 5, 2019	0.75 <sup>(i)</sup>	720,000	146,832
September 8, 2019	0.75 <sup>(i)</sup>	360,212	134,475
October 20, 2019	0.75 <sup>(i)</sup>	567,693	318,560
September 21, 2019	0.50	4,000,000	380,000
November 21, 2019	0.75	3,002,500	285,240
		20,928,905	3,532,083

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- (i) On February 28, 2017 at the Corporation's annual general meetings, the shareholders voted to approve the change in exercise price for the 15,680,612 outstanding warrants at that time, to \$0.75. As a result, all exercise prices for outstanding warrants have been changed to \$0.75.

The fair values of the warrants issued during the six months ended February 28, 2018 and for the year ended August 31, 2017 were estimated using the Black-Scholes option pricing model with the following assumptions:

	<b>Six Months Ended February 28, 2018</b>	<b>Year ended August 31, 2017</b>
Risk free interest rate	1.58 – 1.45%	0.54 – 0.62%
Expected dividend yield	Nil	Nil
Expected volatility	84-86%	164%
Expected life	2 years	3 years

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Corporation's warrants at the date of issue.

**10. Related party balances and transactions**

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, including any directors (executive and non-executive) of the Corporation.

The Corporation did not have any new transactions with related parties during the six months ended February 28, 2018 and the six months ended February 28, 2017, except for those noted in Note 5 (b) – Share Capital Transactions.

Remuneration of key management personnel of the Corporation was as follows:

	<b>Six Months Ended February 28, 2018</b>	<b>Six Months Ended February 28, 2017</b>
Short-term benefits	\$ 123,498	\$ 123,498
	<b>\$ 123,498</b>	<b>\$ 123,498</b>

As at August 31, 2017, the Corporation had a loan from a family member of management in the amount of \$220,000. The loan was repaid subsequent to the August 31, 2017 year end. See note 12 for further information.

As at February 28, 2018, the Corporation owed key management personnel \$17,846 (February 28, 2017- \$23,260) which is included in accounts payable and accrued liabilities.

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**11. Reserves**

As of:	<b>February 28, 2018</b>		August 31, 2017	
Warrants	\$	<b>3,532,083</b>	\$	3,317,555
Broker warrants		<b>35,895</b>		22,810
Contributed surplus		<b>7,446,702</b>		6,995,990
	\$	<b>11,014,680</b>	\$	10,336,355

**12. Loans**

A series of loans were utilized to fund certain current payable obligations for the year ended August 31, 2017. The loans were unsecured bearing interest at 3% per month and repayable in 90 days. The total amount of loans at August 31, 2017 were \$400,000, all of which were repaid subsequent to the August 31, 2017 year end. A portion of the loans, \$220,000 were from related parties. See note 10 for further information.

**13. Subsequent Events**

The Company completed two tranches of a private placement with first on March 12, 2018 and the second tranche on April 30, which included in aggregate the issue of 6,720,000 units at a price of \$0.25 per unit, for total gross proceeds of \$1,680,000 with each unit comprised of one common share and one-half of one common share purchase warrant.