



2018 SECOND QUARTER REPORT
JUNE 30, 2018
(Expressed in Canadian dollars)

Unaudited Condensed Interim Consolidated Financial Statements

- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Loss
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to the Condensed Interim Consolidated Financial Statements

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2018 of **Endurance Gold Corporation** (“the Company”) have been prepared by the Company’s management and have not been reviewed by the Company’s independent auditor.

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

AS AT

	June 30, 2018	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	\$ 564,137	\$ 18,639
Marketable securities (Note 4)	3,219,892	7,907,569
Prepaid expenses and deposits	5,078	11,884
Receivables	7,639	7,684
Total current assets	3,796,746	7,945,776
Non-current		
Exploration and evaluation assets (Note 5)	1,343,699	1,246,459
Total non-current assets	1,343,699	1,246,459
Total assets	\$ 5,140,445	\$ 9,192,235
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 37,171	\$ 121,280
Total liabilities	37,171	121,280
EQUITY		
Share capital (Note 6)	9,990,463	9,648,588
Reserves (Note 6)	1,503,461	1,503,461
Deficit	(6,390,650)	(2,081,094)
Total liabilities and equity	\$ 5,140,445	\$ 9,192,235

Nature and continuance of operations (Note 1)

Commitments (Note 12)

Events after the reporting date (Note 13)

Approved and authorized on behalf of the Board of Directors on August 27, 2018:

/s/ Robert T. Boyd

Director

/s/ J. Christopher Mitchell

Director

Robert T. Boyd

J. Christopher Mitchell

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

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Expenses				
Business development and property investigation	\$ 567	\$ 20,833	\$ 7,917	\$ 46,281
Corporate communications	3,501	14,966	5,465	20,218
Listing and transfer agent fees	2,693	4,169	11,823	10,097
Management fees	16,500	16,500	33,000	33,000
Office and administrative	10,620	17,966	22,342	23,722
Professional fees	6,923	1,188	8,732	1,338
Loss before other items	(40,804)	(75,622)	(89,279)	(134,656)
Other items				
Interest income	459	195	459	245
Gain on sale of marketable securities (Note 4)	86,158	202,645	119,032	202,645
Unrealized loss on marketable securities (Note 4)	(1,675,043)	(1,776,764)	(4,339,768)	(2,218,722)
	(1,588,426)	(1,573,924)	(4,220,277)	(2,015,832)
Comprehensive loss for the period	\$ (1,629,230)	\$ (1,649,546)	\$ (4,309,556)	\$ (2,150,488)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.02)
Basic and diluted weighted average number of common shares outstanding	106,292,293	101,085,700	104,946,473	101,085,700

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

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

	Share Capital		Reserves	Deficit	Total Equity
	No. of Shares	Amount			
Balance at December 31, 2017	103,585,700	\$ 9,648,588	\$ 1,503,461	\$ (2,081,094)	\$ 9,070,955
Shares issued for:					
Exercise of warrants	6,800,000	340,000	-	-	340,000
Exploration and evaluation assets	25,000	1,875	-	-	1,875
Comprehensive loss for the period	-	-	-	(4,309,556)	(4,309,556)
Balance at June 30, 2018	110,410,700	\$ 9,990,463	\$ 1,503,461	\$ (6,390,650)	\$ 5,103,274

	Share Capital		Reserves	Deficit	Total Equity
	No. of Shares	Amount			
Balance at December 31, 2016	101,085,700	\$ 9,473,588	\$ 1,386,421	\$ (3,137,634)	\$ 7,722,375
Comprehensive loss for the period	-	-	-	(2,150,488)	(2,150,488)
Balance at June 30, 2017	101,085,700	\$ 9,473,588	\$ 1,386,421	\$ (5,288,122)	\$ 5,571,887

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

ENDURANCE GOLD CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

*(Expressed in Canadian dollars)**(Unaudited, Prepared by Management)*

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
CASH FLOWS FROM (TO) OPERATING ACTIVITIES				
Net loss for the period	\$ (1,629,230)	\$ (1,649,546)	\$ (4,309,556)	\$ (2,150,488)
Add adjustments:				
Gain on sale of marketable securities	(86,158)	(202,645)	(119,032)	(202,645)
Unrealized loss on marketable securities	1,675,043	1,776,764	4,339,768	2,218,722
Unrealized (gain) loss on property payment receivable	-	-	-	(5,679)
Interest income	(459)	(195)	(459)	(245)
Changes in non-cash working capital items:				
Prepaid expenses and deposits	3,466	3,130	6,806	6,176
Receivables	(4,283)	(585)	45	12,418
Accounts payable and accrued liabilities	(55,773)	(10,126)	(66,721)	42,956
Net cash used in operating activities	(97,394)	(83,203)	(149,149)	(78,785)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES				
Exploration and evaluation assets	(75,894)	(78,319)	(112,753)	(111,311)
Proceeds from sale of marketable securities	387,071	392,945	466,941	392,945
Interest received	459	195	459	245
Net cash from (used in) investing activities	311,636	314,821	354,647	281,879
CASH FLOWS FROM (TO) FINANCING ACTIVITIES				
Proceeds from issuance of share capital	340,000	-	340,000	-
Net cash provided by financing activities	340,000	-	340,000	-
Net increase in cash and cash equivalents during the period	554,242	231,618	545,498	203,094
Cash and cash equivalents, beginning of period	9,895	39,872	18,639	68,396
Cash and cash equivalents, end of period	\$ 564,137	\$ 271,490	\$ 564,137	\$ 271,490

Supplemental disclosures with respect to cash flows (Note 7)

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

ENDURANCE GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2018

(Unaudited, Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Endurance Gold Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. The head office and principal address of the Company is at Suite 520, 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6. The Company's registered address and records office is 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1.

The Company is engaged in the exploration and development of mineral properties in North America and has not yet determined whether its properties contain ore reserves that are economically recoverable. The Company has not generated any revenue from operations and will need to seek additional financing to meet its exploration and development objectives. These unaudited condensed consolidated interim financial statements ("Condensed Interim FS") 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.

For the six months ended June 30, 2018, the Company reported a net loss of \$4,309,556 and as of that date the Company's deficit was \$6,390,650. The Company's net working capital position at June 30, 2018 was \$3,759,575, inclusive of marketable securities with a fair value of \$3,219,892. If the Company does not or cannot sell a portion or all of the marketable securities at current market values, it may have to raise additional funds to continue operations and to complete its 2018 exploration programs. While the Company has been successful in the past in raising capital, there is no assurance that such financing will be available on a timely basis and under terms acceptable to the Company.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited Condensed Interim FS have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting*. These unaudited Condensed Interim FS include the financial statements of the Company and its wholly-owned subsidiary.

These unaudited Condensed Interim FS were authorized for issue by the Audit Committee and Board of Directors on August 27, 2018 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

The policies applied in these unaudited Condensed Interim FS are consistent with the policies disclosed in Notes 2 and 3 of the Company's audited consolidated financial statements for the year ended December 31, 2017, with the exception of the following new accounting standard which the Company adopted and is effective for the Company's interim and annual financial statements commencing January 1, 2018:

- IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and liabilities. The Company determined the adoption of IFRS 9 did not have an effect on its financial statements.

3. FUTURE ACCOUNTING POLICY CHANGES ISSUED BUT NOT YET IN EFFECT

The following new standard is not yet effective and has not been applied in preparing the unaudited Condensed Interim FS for the six month period ended June 30, 2018. The Company is currently evaluating the potential impacts of this new standard.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2018

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- IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this amendments on its consolidated financial statements.

4. MARKETABLE SECURITIES

Marketable securities consist of equity securities of an entity or entities over which the Company does not have control or significant influence.

	June 30, 2018	December 31, 2017
Fair value, beginning	\$ 7,907,569	\$ 6,790,051
Additions (Note 5)	-	190,300
Proceeds from sales, net of commission	(466,941)	(505,717)
Gain on sale of marketable securities	119,032	259,892
Unrealized gain (loss) on marketable securities	(4,339,768)	1,173,043
	\$ 3,219,892	\$ 7,907,569

With its main business focus being mineral exploration, the Company does not generally intend to hold its investments in marketable securities for long-term periods, and accordingly these are classified as current assets. All of the Company's investments in marketable securities are also classified as fair value through profit and loss ("FVTPL").

5. EXPLORATION AND EVALUATION ASSETS

As at June 30, 2018, the Company's exploration and evaluation assets are located in North America. Expenditures incurred on exploration and evaluation assets are as follows:

	Elephant Mountain, Alaska, USA	McCord, Alaska, USA	Other Properties	TOTAL
Acquisition 12/31/17	\$ 130,111	\$ 1,344	\$ 6,385	\$ 137,840
Additions:				
Option payments	21,132	-	-	21,132
	21,132	-	-	21,132
Acquisition 6/30/18	151,243	1,344	6,385	158,972
Deferred exploration 12/31/17	1,062,641	40,005	5,973	1,108,619
Additions:				
Field expenses	-	-	146	146
Geological and miscellaneous	51,179	2,700	22,083	75,962
	51,179	2,700	22,229	76,108
Deferred exploration 6/30/18	1,113,820	42,705	28,202	1,184,727
Total exploration and evaluation assets 6/30/18	\$ 1,265,063	\$ 44,049	\$ 33,237	\$ 1,343,699

ENDURANCE GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2018

(Unaudited, Prepared by Management)

As at December 31, 2017, the Company's exploration and evaluation assets are located in North America. Expenditures incurred on exploration and evaluation assets are as follows:

	Elephant Mountain, Alaska, USA	McCord, Alaska, USA	Other Properties	TOTAL
Acquisition 12/31/16	\$ 116,412	\$ -	\$ -	\$ 116,412
Additions:				
Legal and related expenses	620	-	-	620
Option payments	13,079	1,344	6,385	20,808
	13,699	1,344	6,385	21,428
Acquisition 12/31/17	130,111	1,344	6,385	137,840
Deferred exploration 12/31/16	708,197	8,909	-	717,106
Additions:				
Field expenses	49,858	2,448	-	52,306
Geochemistry	15,248	-	-	15,248
Geological and miscellaneous (note 12)	97,465	17,078	5,973	120,516
Geophysics	137,546	-	-	137,546
Helicopters	38,202	-	-	38,202
Land and recording fees	16,125	11,570	-	27,695
	354,444	31,096	5,973	391,513
Deferred exploration 12/31/17	1,062,641	40,005	5,973	1,108,619
Total exploration and evaluation assets 12/31/17	\$ 1,192,752	\$ 41,349	\$ 12,358	\$ 1,246,459

Elephant Mountain Project, Alaska, USA (Option to earn 100%)

(a) *Elephant Property*

The Company entered into an option agreement (the "Option Agreement") with Frantz LLC in December 2013, as amended in March and December 2017. Pursuant to the terms of the Option Agreement, the Company can earn a 100% interest in the Elephant Property located in the Manley Hot Springs placer gold mining district in Alaska by completing exploration expenditures of US\$200,000 (incurred), issuing to the vendor 400,000 common shares (issued at a value of \$24,125) of the Company, and making cash payments totaling US\$200,000 (US\$95,000 paid) in stages until December 2019. The option is subject to a 2% net smelter return royalty ("NSR") interest, one-half of which can be purchased by the Company at any time for US\$750,000.

(b) *Trout and Wolverine Properties*

In April 2018, the Company entered into an option agreement (the "Option Agreement") with Frantz LLC which replaced the letter agreement signed in March 2017. Pursuant to the terms of the Option Agreement, the Company can earn a 100% interest in the combined Trout and Wolverine Properties, located immediately northeast of the Company's Elephant Property, by completing a total of US\$200,000 in exploration expenditures, making US\$180,000 (US\$5,000 paid) in cash payments by December 31, 2024 and issuing to the vendor 300,000 common shares (25,000 common shares issued at a value of \$1,875) of the Company by December 31, 2022. The option is subject to a 2% NSR interest, one-half of which can be purchased by the Company at any time for US\$500,000.

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(Unaudited, Prepared by Management)

McCord Gold Project, Alaska, USA

(a) *McCord Property (100% owned)*

In 2010, the Company acquired by staking a 100% interest in certain Alaska State mineral claims located in the Fairbanks District of Alaska, USA. Additional mineral claims were staked in 2012, 2013 and 2017. Some of these claims were allowed to lapse in 2015 and 2016.

(b) *McCord Creek Property (Option to earn 100%)*

In May 2017, the Company acquired an option to earn a 100% interest in nine Alaska State mineral claims adjoining the Company's McCord Property. Under the terms of a letter agreement with the optionors, the Company can earn a 100% interest in these McCord Creek claims by completing a total of US\$50,000 in exploration expenditures and making US\$40,000 (US\$1,000 paid) in cash payments by December 31, 2024. An additional bonus cash payment of US\$20,000 is payable if the Company wishes to exercise the option earlier than October 1, 2024. The option is subject to a 2% NSR interest, one-half of which can be purchased by Endurance at any time for US\$200,000.

Other Properties

Bandito Rare Earth Elements-Niobium-Nickel Property, Yukon, CANADA

In 2013, the Company acquired a 100% interest in the Bandito Property, located in the Watson Lake District, Yukon Territory, by making total cash payments of \$175,000 and issuing 5,000,000 common shares valued at \$250,000 in 2013. The vendor retains a 1% NSR, one-half of which may be purchased by the Company at any time for \$1,000,000. A further cash bonus payment of \$500,000 will be payable in two tranches, with the initial \$150,000 payable upon completion and filing of a bankable feasibility study, and the balance of \$350,000 to be paid after project financing has been obtained to place the Bandito Property into commercial production. The Company wrote off the carrying value of \$1,272,360 in acquisition costs and exploration expenditures incurred by the Company on the property in 2016 as it has no current plans to conduct exploration on this property.

Flint Lake JV Gold Property, Ontario, CANADA

Metals Creek Resources Corp. ("MEK") earned its 75% interest in the Flint Lake property (formerly "Dogpaw") by incurring exploration expenses of \$450,000 and issuing 450,000 common shares of MEK with a value of \$161,000. A joint venture as to 25% (the Company) and 75% (MEK) was formed in January 2010. The JV property is currently owned 20.3% by the Company and 79.7% by MEK.

In addition, the Company retains a 2.5% NSR interest on four other claims owned by a subsidiary of First Mining Finance Corp. in the Dogpaw Lake area.

Rattlesnake Hills Royalty, Wyoming, USA

The Company retains a 2.0% NSR on 7,000 acres of unpatented mining claims and 1.0 % NSR on State leases owned by GFG Resources Inc. in the Rattlesnake Hills area, Wyoming.

Nechako Gold JV Property, British Columbia, CANADA

The Nechako Gold JV Property is comprised of a single mineral claim located within the Cariboo Mining Division, west of Quesnel in British Columbia. The JV property is currently owned 76% by the Company and 24% by Amarc Resources Ltd.

ENDURANCE GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited, Prepared by Management)

6. SHARE CAPITAL

- (a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.
- (b) Issued and outstanding at June 30, 2018: 110,410,700 common shares.

Share issuances

During the six month period ended June 30, 2018, the Company:

- (i) issued 25,000 common shares, with a value of \$1,875, as consideration towards the acquisition of the Trout-Wolverine Properties. See note 5.
- (ii) issued 6,800,000 common shares in connection with the exercising of 6,800,000 share purchase warrants at \$0.05 per share, which generated cash proceeds of \$340,000.

No shares were issued during the six month period ended June 30, 2017.

- (c) Stock Options and Warrants Outstanding

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Under the Company's Stock Option Plan, the Company may grant stock options for the purchase of up to 10% of its issued common shares. The board of directors may grant such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the Discounted Market Price per share, subject to a minimum exercise price of \$0.05 per share in any event.

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

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2016	6,850,000	\$ 0.09
Options expired	(1,000,000)	0.10
Options granted	1,900,000	0.07
Outstanding at December 31, 2017	7,750,000	\$ 0.08
Outstanding at June 30, 2018	7,750,000	\$ 0.08
Number of options currently exercisable	7,750,000	\$ 0.08

The following stock options were outstanding and exercisable at June 30, 2018:

Number Outstanding	Exercise Price \$	Expiry Date
4,050,000	0.10	August 28, 2019
1,800,000	0.05	May 25, 2021
1,900,000	0.07	August 30, 2022
<u>7,750,000</u>		

ENDURANCE GOLD CORPORATION

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For the six month period ended June 30, 2018

(Unaudited, Prepared by Management)

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2016	35,263,114	\$ 0.10
Warrants expired	(15,333,400)	0.11
Outstanding at December 31, 2017	19,929,714	0.08
Warrants exercised	(6,800,000)	0.05
Outstanding at June 30, 2018	13,129,714	\$ 0.10

The following warrants to acquire common shares were outstanding at June 30, 2018:

Number Outstanding	Exercise Price \$	Expiry Date
2,350,000	0.10	July 11, 2018
2,466,000	0.10	February 27, 2019
1,819,714	0.10	March 12, 2019
3,994,000	0.10	July 22, 2019
2,500,000	0.10	August 22, 2019
<u>13,129,714</u>		

(d) Share-based compensation

There was no fair value of stock options reported as compensation expense during the six month period ended June 30, 2018 and its comparative period in 2017.

(e) Reserves

The following is a summary of changes in Reserves at:

	June 30, 2018	December 31, 2017
Warrants	\$ 409,564	\$ 409,564
Share-based compensation	1,093,897	1,093,897

7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Supplementary disclosure of non-cash investing and financing activities during the six month periods ended June 30:

	2018	2017
Exploration and evaluation assets expenditures in accounts payable and accrued liabilities	\$ 28,595	\$ 214,741
Shares issued for exploration and evaluation costs (notes 5 and 6 (b))	\$ 1,875	\$ -

ENDURANCE GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2018

(Unaudited, Prepared by Management)

8. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

Compensation paid or payable to key management personnel for services rendered during the six month periods ended June 30 are as follows:

	2018		2017	
Fees	\$	81,000	\$	81,000
TOTAL	\$	81,000	\$	81,000

During the six month period ended June 30, 2018, the Company sold 2,000,000 common shares of Inventus Mining Corp. to two directors of the Company at a price of \$0.18 per share.

Included in accounts payable and accrued liabilities at June 30, 2018 is \$27,408 (2017 - \$174,135) due to related parties. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

The amounts charged to the Company for the transactions provided have been determined by negotiations amongst the parties. These transactions were in the normal course of operations and management believes that they were incurred on the same basis as similar transactions with non-related parties.

9. FINANCIAL INSTRUMENTS AND RISK

Fair value

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2018, the Company's financial instruments are comprised of cash and cash equivalents, marketable securities, receivables excluding GST receivables, and accounts payable and accrued liabilities. The carrying value of receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Risk Management

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

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Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and cash equivalents, marketable securities and receivables.

The Company's cash and cash equivalents and marketable securities are held in accounts with a Canadian chartered bank and brokerage firms, which are high-credit quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had a cash and cash equivalents of \$564,137 to settle its current liabilities of \$37,171. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk may arise from changes in market factors such as interest rate, foreign exchange rate and price risks.

(a) Interest rate risk

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

(b) Foreign currency rate risk

While the Company is domiciled in Canada and its capital is raised in Canadian dollars, a portion of its business is conducted in the United States of America. As such, it is subject to risk due to fluctuations in the exchange rate between the Canadian and US dollars. Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate or foreign currency risks. At June 30, 2018, the Company had marketable securities with a fair value of \$3,219,892. A $\pm 10\%$ change in the share prices would affect the Company's consolidated financial statements by approximately \$321,989.

The net realizable values of the Company's marketable securities are also subject to impairment resulting from insufficient market liquidity. The extent of such potential impairment is not readily determinable.

10. CAPITAL MANAGEMENT

The Company manages its cash and cash equivalents, and common shares as capital. The Company manages its capital with the following objectives:

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- to ensure sufficient financial flexibility to achieve the on-going business objectives including, but not limited to, pursuing the exploration of its exploration and evaluation assets, funding of future growth opportunities, and pursuit of new acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending or disposing of assets. In addition, management of the Company's capital structure is facilitated through its financial and operational forecasting processes. The forecast of the Company's future cash flows is based on estimates of capital and operating expenditures, and other investing and financing activities. The forecast is regularly updated based on changes that the Company views as material to the accuracy of the forecast.

The Company's capital management objectives, policies and processes have not been changed over the period presented. The Company is not subject to any externally imposed capital requirements.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets in Canada and the United States.

12. COMMITMENTS

The Company's commitment on its current office sub-lease agreement which commenced on June 1, 2016 and will end on April 30, 2019. Future minimum lease payments as at June 30, 2018 are as follows:

2018	\$ 12,389
2019	<u>8,259</u>
	<u>\$ 20,648</u>

13. EVENTS AFTER THE REPORTING DATE

From July 1 to August 27, 2018:

- a) 2,350,000 warrants expired on July 11, 2018, unexercised.