War Eagle
Mining Company Inc.

# WAR EAGLE MINING COMPANY INC.

## CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 2018**

Crowe

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**Independent Auditor's Report**

**To the Shareholders of**
**War Eagle Mining Company Inc.**

We have audited the accompanying consolidated financial statements of War Eagle Mining Company Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2018 and March 31, 2017, and the consolidated statements of comprehensive income (loss), changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of War Eagle Mining Company Inc. and its subsidiaries as at March 31, 2018 and March 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of War Eagle Mining Company Inc. to continue as a going concern.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants**
**Vancouver, British Columbia**
**July 27, 2018**

**WAR EAGLE MINING COMPANY INC.**
**Consolidated Statements of Financial Position**
**Expressed in Canadian Dollars**

| | Note | March 31 2018 $ | March 31 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 968,507 | 682,272 |
| Receivables | 6 | 187,917 | 1,489,299 |
| Prepaid expenses and deposits | 19 | 216,117 | 5,701 |
| **Total current assets** | | 1,372,541 | 2,177,272 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 7 | 4,828,558 | - |
| Property, plant and equipment | | 189 | - |
| **Total non-current assets** | | 4,828,747 | - |
| **Total assets** | | 6,201,288 | 2,177,272 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 13 | 478,463 | 340,131 |
| **Total current liabilities** | | 478,463 | 340,131 |
| **EQUITY** | | | |
| Share capital | 10 | 44,026,828 | 40,252,361 |
| Reserves | 10 | 4,314,928 | 3,397,698 |
| Deficit | | (42,618,931) | (41,812,918) |
| **Total equity** | | 5,722,825 | 1,837,141 |
| **Total liabilities and equity** | | 6,201,288 | 2,177,272 |

**Corporate information and going concern** (Note 1)

The annual consolidated financial statements of the Company for the year ended March 31, 2018 were approved and authorized for issuance by the board of directors on July 27, 2018.

**On behalf of the board of directors:**

| | | | |
|---|---|---|---|
| *"Malcolm Burke"* | Director | *"Peter Winnell"* | Director |
| Malcolm Burke | | Peter Winnell | |

See accompanying notes.

**WAR EAGLE MINING COMPANY INC.**
**Consolidated Statements of Comprehensive Income (Loss)**
**Expressed in Canadian Dollars**

| Year ended March 31 | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Operating expenses** | | | |
| Consulting fees | | 59,486 | 53,610 |
| Exploration costs | 8 | 154,513 | - |
| Insurance | | 5,731 | 3,299 |
| Investor relations | | 5,022 | 1,851 |
| Management fees and salaries | 13 | 295,000 | 244,419 |
| Office and miscellaneous | | 11,331 | 6,518 |
| Professional fees | | 86,835 | 36,814 |
| Rent | | 3,651 | 2,500 |
| Share-based compensation | 11,13 | 276,750 | 1,500 |
| Transfer agent and filing fees | | 28,814 | 16,081 |
| Travel | | 3,199 | 475 |
| **Loss before other income (expenses)** | | (930,332) | (367,067) |
| **Other income (expenses)** | | | |
| Foreign exchange gain (loss) | | (80,857) | 25,076 |
| Gain on sale of subsidiary | 6 | - | 2,422,526 |
| Gain on extinguishment of debt | | 79,822 | - |
| Gain (loss) on settlement of debt | 13, 19 | (50,000) | 64,000 |
| Realized gain on marketable securities | 9 | - | 34,642 |
| Royalty income | 6 | 175,354 | 33,342 |
| | | 124,319 | 2,579,586 |
| **Income (loss) and total comprehensive income (loss) for the year** | | (806,013) | 2,212,519 |
| **Basic and diluted income (loss) per common share** | 20 | (0.03) | 0.10 |
| **Weighted average number of common shares outstanding, basic and diluted** | | 25,024,999 | 21,990,276 |

See accompanying notes.

**WAR EAGLE MINING COMPANY INC.**
**Consolidated Statements of Cash Flows**
**Expressed in Canadian Dollars**

| Year ended March 31 | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities** | | | |
| Income (loss) for the year | | (806,013) | 2,212,519 |
| Adjustments for | | | |
| Share-based compensation | | 276,750 | 1,500 |
| Foreign exchange | | 54,666 | (25,485) |
| Gain on sale of subsidiary | | - | (2,422,526) |
| Gain on extinguishment of debt | | (79,822) | - |
| Gain on settlement of debt | | - | (64,000) |
| Realized gain on marketable securities | | - | (34,642) |
| Changes in non-cash operating working capital | | | |
| Receivables | | (75,111) | 16,836 |
| Prepaid expenses and deposits | | (199,120) | (5,701) |
| Accounts payable and accrued liabilities | | (337,421) | (345,782) |
| Cash used in operating activities | | (1,166,071) | (667,281) |
| **Financing activities** | | | |
| Exercise of options | 10 | 26,000 | - |
| Cash provided by financing activities | | 26,000 | - |
| **Investing activities** | | | |
| Proceeds from sale of Tombstone | 6 | 1,399,749 | 1,271,852 |
| Cash received on acquisition of Champagne | | 16,872 | - |
| Proceeds from sale of marketable securities | 9 | - | 74,642 |
| Cash provided by investing activities | | 1,416,621 | 1,346,494 |
| **Foreign exchange effect on cash** | | 9,685 | 2,515 |
| **Increase in cash** | | 286,235 | 681,728 |
| **Cash, beginning of year** | | 682,272 | 544 |
| **Cash, end of year** | | 968,507 | 682,272 |

| | 2018 | 2017 |
|---|---|---|
| **Cash paid (received) for interest** | $ - | $ - |
| **Cash paid (received) for income tax** | $ - | $ - |

**Supplemental cash flow information** (Note 18)

See accompanying notes.

**WAR EAGLE MINING COMPANY INC.**
**Consolidated Statements of Changes in Equity (Deficiency)**
**Expressed in Canadian Dollars**

| | Note | Common shares<br>$ | Reserves<br>$ | Deficit<br>$ | Total equity (deficiency)<br>$ |
|---|---|---|---|---|---|
| Balance March 31, 2016 | 10 | 40,252,361 | 3,396,198 | (44,025,437) | (376,878) |
| Share-based compensation | 11 | - | 1,500 | - | 1,500 |
| Income for the year | | - | - | 2,212,519 | 2,212,519 |
| Balance March 31, 2017 | 10 | 40,252,361 | 3,397,698 | (41,812,918) | 1,837,141 |
| Shares issued for acquisition of Champagne | 7, 10 | 3,738,347 | - | - | 3,738,347 |
| Options issued for acquisition of Champagne | 7, 10 | - | 155,600 | - | 155,600 |
| Warrants issued for acquisition of Champagne | 7, 10 | - | 495,000 | - | 495,000 |
| Options exercised | | 26,000 | - | - | 26,000 |
| Transfer of stock option fair value on exercise | | 10,120 | (10,120) | - | - |
| Share-based compensation | 11 | - | 276,750 | - | 276,750 |
| Loss for the year | | - | - | (806,013) | (806,013) |
| Balance March 31, 2018 | 10 | 44,026,828 | 4,314,928 | (42,618,931) | 5,722,825 |

See accompanying notes.

## 1. Corporate Information and going concern

War Eagle Mining Company Inc. (the "Company" or "War") was incorporated under the laws of British Columbia on March 6, 1984. The Company is involved in the acquisition, exploration and, if warranted, development of mineral resource properties. The Company is listed on the TSX Venture Exchange (the "TSX-V"), under the symbol "WAR", as a Tier 2 mining issuer.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not generated revenue from operations. The Company incurred a loss of $806,013 during the year ended March 31, 2018 (March 31, 2017 – income of $2,212,519) and, as of that date the Company's deficit was $42,618,931 (March 31, 2017 - $41,812,918). The Company had cash of $968,507 at March 31, 2018 (March 31, 2017 - $682,272). As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and pursue the acquisition and exploration of mineral resource properties. Although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The address of the Company's corporate office and principal place of business is Suite 1100, 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

## 2. Basis of Presentation

### a) *Statement of compliance*

These consolidated financial statements for the year ended March 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee.

### b) *Basis of measurement*

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets and assets and liabilities at fair value through profit or loss ("FVTPL"). The consolidated financial statements are presented in Canadian dollars.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

## 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) *Principles of consolidation*

These consolidated financial statements include the accounts of War Eagle Mining Company Inc. and its controlled subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an investee, so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the group until the date on which control ceases.

These consolidated financial statements include the accounts of the following wholly-owned subsidiaries:

| | Incorporation | Percentage of Ownership | |
|---|---|---|---|
| | | 2018 | 2017 |
| Champagne Resources Limited ("Champagne") | Canada | 100% | - |
| Andromeda Resources Inc. ("Andromeda") | Canada | - | 100% |
| RD Minerals S.A. de C.V. (owned by Champagne) | Mexico | 100% | 100% |

In February 2018, pursuant to an amalgamation agreement, Andromeda amalgamated into Champagne.

All significant intercompany transactions have been eliminated.

b) *Foreign currency transactions*

The Company's presentation currency is the Canadian dollar. The functional currency for the Company and its subsidiary Champagne, being the currency of the primary economic environment in which the companies operate, is the Canadian dollar. The functional currency of RD Minerals S.A de C.V. is the Mexican Peso.

Foreign currency accounts are translated into the functional currency as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the functional currency by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income/loss or other comprehensive income/loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

**3. Summary of Significant Accounting Policies (continued)**

b) *Foreign currency transactions (continued)*

Parent and Subsidiary Companies

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the year.

Exchange differences arising on translation of foreign operations are transferred directly to exchange difference on translating foreign operations on the statement of comprehensive loss and are reported as a separate component of equity titled “Cumulative Translation Differences”. These differences are recognized in profit or loss in the year in which the operation is disposed of.

c) *Mineral exploration and evaluation expenditures*

*Exploration and evaluation expenditures*

Exploration and evaluation costs include the costs associated with exploration and evaluation activity (e.g. geological, geophysical studies, exploratory drilling and sampling), and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset purchase. The Company follows the practice of capitalizing all costs related to the acquisition of mineral claims, expensing all costs related to the exploration and evaluation of mineral claims, and crediting all revenue received against the acquisition cost of the claims, with any excess included in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of loss and comprehensive loss.

The Company may occasionally enter into farm-out arrangements whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as ‘mines under construction’. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

## 3. Summary of Significant Accounting Policies (continued)

d) *Financial instruments*

*Financial assets*

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

*Financial assets at Fair Value Through Profit or Loss ("FVTPL")*

Financial assets are classified as FVTPL where the asset is either

- Held for trading or
- It is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognized in profit or loss. The Company does not have any financial assets classified as FVTPL.

*Loans and Receivables*

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company classifies its cash and receivables as loans and receivables.

*Held to maturity investments*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. The Company does not have any financial assets classified as held to maturity.

*Available-for-sale-investments*

Non-derivative financial assets not included in the above categories are classified as available-for-sale investments. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

The Company does not have any financial assets classified as available-for-sale.

*Derecognition of financial assets*

The Company derecognizes the financial assets when:

- The contractual rights to the cash flows from the financial asset expire;
- The contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party with material delay is assumed by the Company; or
- When the Company transfers substantially all the risks and rewards of ownership of the financial asset.

## 3. Summary of Significant Accounting Policies (continued)

d) *Financial instruments (continued)*

*Impairment of financial assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

*Financial liabilities*

The Company classifies its financial liabilities in the following categories: FVTPL and other financial liabilities.

*FVTPL*

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. The Company does not have any liabilities classified as FVTPL.

*Other financial liabilities*

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. Other financial liabilities include accounts payable and accrued liabilities.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as at FVTPL, which are expensed as incurred, are included in the initial carrying value of such instruments.

e) *Provisions*

*Decommissioning provision*

The Company is subject to various government laws or regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal or constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

*Other provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

### 3. Summary of Significant Accounting Policies (continued)

f) *Income taxes*

Income tax expense comprises current and deferred tax. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

g) *Share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, options, and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Warrants that are part of units are valued using a residual value method which involves comparing the selling price of the units to the Company's share price on the announcement date of the financing. The market value is then applied to the common share and any residual amount is assigned to the warrant.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in reserves.

h) *Earnings / loss per share*

Basic earnings/loss per share is computed by dividing the income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. Stock options and warrants are not included in the computation of loss per share for the year ended March 31, 2018 as such inclusion would be anti-dilutive.

At March 31, 2018, the Company had stock options and warrants outstanding that could result in the issuance of up to 9,650,704 additional common shares.

## 3. Summary of Significant Accounting Policies (continued)

i) *Share-based payments*

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognized for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

## 4. Adoption of New Accounting Pronouncements and Recent Developments

*Standards, amendments and interpretations not yet effective*

a) IFRS 9 Financial Instruments

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset;
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

This Standard is to be adopted for accounting periods beginning or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 9 on April 1, 2018, and has determined that the adoption of IFRS 9 will not have a material impact on the Company’s financial statements.

b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2015 and specified how and when an entity will recognize revenue as well as requiring such entities to provide users of consolidated financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The Company will adopt IFRS 15 on April 1, 2018, and has determined that the adoption of IFRS 15 will not have a material impact on the Company’s financial statements.

c) IFRS 16 Leases

IFRS 16 was issued in January 2017 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

This standard is effective for reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact on the Company’s financial statements.

The Company does not expect to early adopt standards, amendments, and interpretations not yet effective.

## 5. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

### Critical Judgments

*Income taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company’s current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

*Going concern of operations*

Management has made the determination that the Company will continue as a going concern for the next year.

*Evaluation and exploration expenditures*

The application of the Company’s accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the profit and loss in the period the new information becomes available.

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Determination of whether a group of assets acquired and liabilities assumed constitute the acquisition of a business*

The Company has determined that the acquisition of Champagne Resources Ltd through amalgamation did not constitute the acquisition of a business under IFRS 3 Business Combinations. As a result, the transaction was accounted for as an asset acquisition.

*Determination of the accounting acquirer*

The Company has determined that the acquirer in the amalgamation with Champagne Resources is War Eagle Mining Company Inc after consideration of pertinent facts and circumstances. Such circumstances include board composition, senior management composition, and the relative size of the entities.

## 5. Critical Accounting Estimates and Judgments (continued)

**Estimates**

Information about significant estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are:

*Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

*Recoverability of receivables*

The Company monitors its exposure for credit losses on its receivables on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based on the identification of specific balances where a risk of default has been identified based upon historical experience. The US$ and CA$ exchange rate has changed significantly from 1.084 in December 2013 to 1.289 in March 2018 in favour of the Company's outstanding receivable.

*Valuation of Goodfish-Kirana project acquired*

The value of the Goodfish-Kirana project that was acquired through the amalgamation agreement with Champagne is a significant estimate. As the transaction did not meet the definition of a business combination under IFRS 3 Business Combinations, it was accounted for as an equity-settled share-based payment under IFRS 2. Further details of the transactions are disclosed in Note 7.

## 6. Sale of a subsidiary

In December 2013, the Company sold all of the shares of its then wholly-owned subsidiary, Tombstone Exploration de Mexico S.A. de C.V., which was the owner of Tres Marias property in Mexico to Contratista Y Operaciones Mineras S.A. de C.V. ("COMSA") for a consideration of US$2,500,000 ($2,710,032, based on the exchange rate in effect in December 2013), payable over a six year term, of which, the first US$65,000 was paid at the closing of the transaction, US$335,000 was paid during the year ended March 31, 2015, an additional US$1,000,000 in the year ended March 31, 2017 and balance was paid in the year ended March 31, 2018. Due to uncertainty regarding the timing and amount of future cash flows, management had originally determined that the gain on sale would be recorded on receipt of cash. The consideration was a partial recovery of funds that were advanced to the subsidiary.

In August 2016, the Company entered into a new agreement with COMSA for the payment of US$1,700,000, the remaining balance of the US$2,500,000 from the sale of Tres Marias, where COMSA had agreed to make payments every quarter starting on September 30, 2016, with the final payment on March 31, 2018. In the new agreement, the Company also negotiated additional royalty payments as below:

- COMSA will pay War Eagle 25% of the germanium value recovered from any zinc-germanium concentrate sales starting September 30, 2016.
- COMSA will pay War Eagle 25% of the lead value recovered from any lead concentrate sales after June 30, 2016.
- COMSA will pay War Eagle 25% of the zinc sales for price received in excess of $1.00 per pound of zinc sales after December 31, 2016.

Expressed in Canadian Dollars

## 6. Sale of a subsidiary (continued)

The payment schedule as per the new agreement was:

| | **US$** |
|---|---|
| September 30, 2016 | 200,000 |
| December 31, 2016 | 200,000 |
| March 31, 2017 | 200,000 |
| June 30, 2017 | 300,000 |
| September 30, 2017 | 300,000 |
| December 31, 2017 | 300,000 |
| March 31, 2018 | 200,000 |
| **Total** | **1,700,000** |

During the year ended March 31, 2017, the Company's management reassessed the expected future benefit of the receivable from COMSA to reflect US$1,100,000 as collectible. Originally, the Company was recognizing each receipt of payment as gain on sale of subsidiary because management had substantial doubt about COMSA's ability to pay and there was uncertainty about the timing of the payments. Based on the new agreement with COMSA in August 2016 and the evidence of up to date payments received from COMSA, the management was confident that COMSA will continue to make timely payments as per the schedule.

As of March 31, 2018, the Company has received all the payments and the balance of the receivable is US $nil. As at March 31, 2018, the Company had $67,971 (US $52,725) in royalties receivable, which were collected subsequent to year end.

## 7. Acquisition of Champagne Resources Limited

In February 2018, the Company's wholly owned subsidiary Andromeda merged with Champagne, pursuant to an amalgamation agreement. The wholly-owned War subsidiary resulting from such amalgamation will carry on the base metals development business of Champagne in Ontario, Canada. As per the amalgamation agreement, each common share of Champagne was exchanged for one common share of War. Completion of the amalgamation resulted in the issue of 21,990,276 common shares valued at $0.17 per share, 1,215,659 options valued at $0.128 per share and 6,086,045 warrants valued at $0.081 per share. The resulting share capital of War is 43,980,552 common shares of which the shareholders of War own 50% and the former shareholders of Champagne (other than War) own the remaining 50%.

The Company allocated the purchase price to estimate fair values of the assets acquired and liabilities assumed as follows:

| | |
|---|---|
| Current assets | $ 115,774 |
| Exploration and evaluation assets | 4,828,558 |
| Property, plant and equipment | 189 |
| Current liabilities | (555,574) |
| Purchase price | $ 4,388,947 |

Champagne owed the Company $50,000, which has become an inter-company receivable and is eliminated on consolidation.

Expressed in Canadian Dollars

## 8. Exploration and Evaluation Assets

*The Goodfish Kirana Project*

On February 9, 2018, the Company completed the amalgamation with Champagne, through a “triangular amalgamation” whereby Champagne merged with Andromeda and became a subsidiary of War. In that amalgamation, the Company acquired the Goodfish property. The Goodfish property is comprised of 20 patented mining claims and 66 staked claims. The property is now wholly owned by the Company subject to various net smelter royalty arrangements.

The Company incurred exploration expenses as follows in the year ended March 31, 2018:

| | Goodfish<br>$ |
|---|---|
| Camp costs | 750 |
| Community engagement | 1,945 |
| Drilling | 25,624 |
| Geology | 29,034 |
| Geophysics | 55,647 |
| Ground preparation – line cutting | 34,800 |
| Survey | 6,100 |
| Technical reports | 613 |
| | 154,513 |

## 9. Marketable Securities

During the year ended March 31, 2018, the Company sold nil (March 31, 2017 - 500,000) common shares in a publicly-traded company with a fair value of $nil (March 31, 2017 - $40,000) for proceeds of $nil (March 31, 2017 - $74,642) and recognized a gain of $nil (March 31, 2017 - $34,642).

Expressed in Canadian Dollars

## 10. Share Capital and Reserves

*Authorized capital*

Unlimited common shares, without par value.

*Issued capital*

| | Number of Shares | Common Shares $ |
|---|---|---|
| March 31, 2016 and 2017 | 21,990,276 | 40,252,361 |
| Shares issued on Champagne acquisition | 21,990,276 | 3,738,347 |
| Shares issued on exercise of options | 260,000 | 26,000 |
| Transfer of stock option fair value on exercise | - | 10,120 |
| March 31, 2018 | 44,240,552 | 44,026,828 |

*Champagne Transaction*

In February 2018, the Company's wholly owned subsidiary Andromeda, merged with Champagne, pursuant to an amalgamation agreement. As per the amalgamation agreement, each common share of Champagne was exchanged for 1.00 of a War Eagle common share. Completion of the amalgamation resulted in the issue of 21,990,276 common shares, 1,215,659 options valued at $0.128 per share and 6,086,045 warrants valued at $0.08 per share.

*Reserves*

The reserves recorded in equity on the Company's statement of financial position comprise the fair value of share-based compensation and warrants prior to exercise, and obligations to issue shares in accordance with debt settlement agreements.

Expressed in Canadian Dollars

## 11. Share-Based Compensation

In October 2017, the shareholders of the Company renewed the incentive stock option plan (the "2014 Plan") which provides that the aggregate number of common shares of the Company's capital issuable pursuant to options granted may not exceed 10% of the issued and outstanding shares. If the aggregate number of options granted exceeds the maximum allowed under the 2014 Plan, exercise of the options will require War shareholder approval. Options granted under the Plan may have a maximum term of five years and the exercise price of options granted will not be less than the discounted market price of the common shares as of the award date. The board of directors has the authority to set the vesting terms of options granted, subject to the rules of the TSX-V regarding options granted for investor relations services.

The weighted average grant-date fair value of options awarded in the year ended March 31, 2018 was $0.135 (March 31, 2017 - $0.006). The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

| Year ended March 31 | 2018 | 2017 |
|---|---|---|
| Share price | $ 0.17 | $ 0.03 |
| Exercise price | $ 0.21 | $ 0.10 |
| Annualized stock price volatility | 140.69 % | 75.67 % |
| Risk-free interest rate | 1.94 % | 0.75 % |
| Expected option life (years) | 3.21 | 2.97 |
| Dividend yield | 0 % | 0 % |

The stock price volatility was determined using the historical fluctuations in the Company's share price.

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| March 31, 2016 | 1,498,000 | 0.10 |
| Granted | 250,000 | 0.10 |
| March 31, 2017 | 1,748,000 | 0.10 |
| Granted | 3,265,659 | 0.21 |
| Exercised | (260,000) | 0.10 |
| Expired | (590,000) | 0.10 |
| Terminated | (599,000) | 0.10 |
| March 31, 2018 | 3,564,659 | 0.20 |

The weighted average trading price on date of exercise for the stock options exercised during the year ended March 31, 2018 was $0.17 (2017 – no options were exercised).

Expressed in Canadian Dollars

### 11. Share-Based Compensation (continued)

The Company's outstanding and exercisable stock options at March 31, 2018 were:

| | Outstanding Options | | | Exercisable Options | |
|---|---|---|---|---|---|
| Expiry Date | Number | Weighted Average Remaining Life | Weighted Average Exercise Price $ | Number | Weighted Average Exercise Price $ |
| April 25, 2018 | 50,000 | 0.07 | 0.10 | 50,000 | 0.10 |
| October 31, 2019 | 249,000 | 1.59 | 0.10 | 249,000 | 0.10 |
| May 5, 2021 | 3,265,659 | 3.10 | 0.21 | 3,265,659 | 0.21 |
| | 3,564,659 | 2.95 | 0.20 | 3,564,659 | 0.20 |

### 12. Warrants

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| March 31, 2016 and 2017 | - | - |
| Issued | 6,086,045 | 0.36 |
| March 31, 2018 | 6,086,045 | 0.36 |

| Number of Warrants | Exercise Price $ | Expiry Date |
|---|---|---|
| 1,237,238 | 0.13 | August 9, 2019 |
| 4,251,825 | 0.40 | August 9, 2019 |
| 561,073 | 0.53 | August 9, 2019 |
| 35,909 | 0.67 | February 9, 2021 |
| 6,086,045 | 0.36 | |

The warrants were granted pursuant to the acquisition of Champagne (see Note 7). The warrants were valued at $495,000. The Company employed Black-Scholes option-pricing model using the following weighted average assumptions:

| | | |
|---|---|---|
| Share price | $ 0.17 | |
| Exercise price | $ 0.36 | |
| Annualized stock price volatility | 139.20 | % |
| Risk-free interest rate | 1.95 | % |
| Expected warrant life (years) | 1.51 | |
| Dividend yield | 0 | % |

Expressed in Canadian Dollars

## 13. Related Party Transactions

The Company entered into the following transactions with related parties not disclosed elsewhere in these consolidated financial statements as follows:

**Key management personnel compensation**

| Year ended March 31 | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Management fees | 295,000 | 244,419 |
| Share-based compensation | 249,750 | 1,500 |
| | 544,750 | 245,919 |

As at March 31, 2018, $200,000 (March 31, 2017 - $69,650) in total is owing to officers and directors for services. The total amount includes: $nil (March 31, 2017 - $69,650) owing to companies owned by officers and directors of the Company. These amounts owing have been included in accounts payable and accrued liabilities.

During the year ended March 31, 2018, an officer (and director) of the Company agreed to reduce the amount owed to his company by $nil (March 31, 2017 - $64,000). The Company recognized a gain on settlement of debt of $nil (March 31, 2017 - $64,000) in the consolidated statement of comprehensive income (loss).

Related party balances bear no interest and are unsecured.

Transactions with related parties were in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 14. Capital Management

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

The Company considers its capital to include equity and working capital. In order to maintain financial flexibility, the Company may from time to time issue shares and adjust its spending to manage current and projected capital levels. To assess capital and operating efficiency and financial strength, the Company continually monitors its working capital which is calculated as follows:

| | March 31<br>2018<br>$ | March 31<br>2017<br>$ |
|---|---|---|
| Current assets | 1,372,541 | 2,177,272 |
| Current liabilities | 478,463 | 340,131 |
| Working capital | 894,078 | 1,837,141 |

The Company is an exploration stage company. The Company monitors its forecasted working capital requirements on a quarterly basis. The Company prepares expenditure budgets, which are updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions.

The Company is not subject to external capital restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. There were no changes to the Company’s approach to capital management during the year ended March 31, 2018.

## 15. Financial Instruments

*Fair Value*

The Company’s financial instruments include cash, receivables, and accounts payable and accrued liabilities. Fair value amounts disclosed in these consolidated financial statements represent the Company’s estimate of the price at which a financial instrument could be exchanged in a market in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. These estimates may change in subsequent reporting periods due to market conditions or other factors.

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

Level 1 - include financial assets and liabilities that are measured in whole or in significant part by reference to published quotes in an active market at the measurement date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Level 2 - include financial assets and liabilities using valuation techniques based on assumptions that are supported by prices from observable current market transactions.

The Company has no assets or liabilities in this category.

Level 3 - include financial assets and liabilities measured using valuation techniques based on nonmarket observable inputs. This means that fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The Company has no assets or liabilities in this category.

The carrying value of cash, receivables and accounts payable and accrued liabilities approximate their fair value due to the short-term nature and limited credit risk of these assets and liabilities.

*Financial Instruments Risk Management*

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, and the Company's objectives, policies and processes for measuring and managing such risks. The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

*Market risk*

The Company’s profitability and long-term viability will depend, in large part, on the market price of base metals. The market prices for metals can be volatile and are affected by numerous factors beyond the Company’s control, including: global or regional consumption patterns; the supply of, and demand for, these metals; speculative activities; the availability and costs of metal substitutes; expectations for inflation; and political and economic conditions, including interest rates and currency values. The Company cannot predict the effect of these factors on metal prices.

The market price of these minerals and metals may not remain at current levels. In particular, an increase in worldwide supply and consequent downward pressure on prices may result over the longer term from increased base metal production from mines developed or expanded as a result of current metal price levels.

## 15. Financial Instruments (continued)

*Foreign currency exchange rate risk*

The Company is exposed to foreign currency fluctuations as it has cash, receivables and accounts payable and accrued liabilities denominated in US dollars. There are no exchange rate contracts in place. A 10% change in the US dollar will affect profit/loss by approximately $98,000.

Financial instruments denominated in foreign currencies are:

| At March 31, 2018 | US Dollars |
|---|---|
| Cash | 704,070 |
| Receivables | 52,725 |
| Exchange rate - $1.00 = | .7756 |

| At March 31, 2017 | US Dollars |
|---|---|
| Cash | 502,386 |
| Receivables | 1,100,000 |
| Accounts payable and accrued liabilities | 26,216 |
| Exchange rate - $1.00 = | .7513 |

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it did not hold any funds in interest bearing accounts.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in paying obligations as they come due. The Company's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable consists of invoices payable to trade suppliers for capital expenditures, field operating activities, and general corporate expenses. All of the Company’s financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

As at March 31, 2018, the Company has a working capital of $894,078.

*Credit Risk*

Credit risk is the risk of loss associated with a counterparty’s inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of receivables. As of March 31, 2018, COMSA owes US$52,725 to the Company for royalty payments.

Originally, the Company was recognizing each receipt of payment as gain on sale of subsidiary because management had substantial doubt about COMSA’s ability to pay and there was uncertainty about the timing of the payments. Based on the new agreement with COMSA in August 2016 and the evidence of up to date payments received from COMSA, management was confident that COMSA will continue to make timely payments as per the schedule and reassessed the expected future benefit of the receivable. As at March 31, 2018, COMSA owes US$52,725, which was subsequently collected.

Expressed in Canadian Dollars

## 16. Income Tax

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| Year ended March 31 | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Income (loss) before income taxes | (806,013) | 2,212,519 |
| Statutory Canadian corporate tax rate | 26.00% | 26.00% |
| Income tax expense (recovery) at statutory rates | (209,563) | 575,255 |
| Effect of tax rate change | (187,853) | - |
| Non-deductible items for tax purposes | 73,148 | (319,042) |
| Change in tax benefits not recognized (recognized) | 324,268 | (256,213) |
| Income tax expense (recovery) | - | - |

The significant components of the Company's deferred income tax assets and liabilities are as follows:

| As at March 31 | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Deferred income tax assets relating to: | | |
| Exploration and evaluation assets | 1,754,591 | 1,813,595 |
| Net capital losses available | 1,059,492 | 1,020,251 |
| Non-capital losses available for future periods | 2,867,738 | 2,148,924 |
| Marketable securities and other | 140,112 | 134,923 |
| | 5,821,933 | 5,117,693 |
| Unrecognized deferred tax assets | (5,821,933) | (5,117,693) |
| | - | - |

The Company has not recognized deferred tax assets due to the uncertainty of future taxable income.

As at March 31, 2018, the Company has unrecognized deferred tax liabilities of $751,086 (2017 - $nil) due to temporary differences arising on the initial recognition of the acquisition of Champagne (see Note 7).

Expressed in Canadian Dollars

### 16. Income Tax (continued)

At March 31, 2018, the Company has non-capital losses of approximately $10,663,000 (March 31, 2017 - $8,366,000) which may be available to offset future income for Canadian tax purposes. Non-capital losses expire as follows:

| Expiry Date | $ |
|---|---|
| 2038 | 447,000 |
| 2037 | 316,000 |
| 2036 | 383,000 |
| 2035 | 651,000 |
| 2034 | 872,000 |
| 2033 | 555,000 |
| 2032 | 1,010,000 |
| 2031 | 1,242,000 |
| 2030 | 1,134,000 |
| 2029 | 1,603,000 |
| 2028 | 1,386,000 |
| 2027 | 625,000 |
| 2026 | 439,000 |
| | 10,663,000 |

In addition, the Company has available unclaimed resource expenses and net capital losses of approximately $16,204,000 (March 31, 2017 - $14,681,000) for Canadian tax purposes which may be carried forward indefinitely.

### 17. Segment Reporting

The Company's activities are all in one industry segment of mineral property acquisition and exploration. Substantially all administrative expenses are incurred in Canada.

### 18. Supplemental Cash Flow Information

| Year ended March 31 | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Non-cash financing/investing activities: | | |
| Equity instruments issued on acquisition of Champagne | 4,388,947 | - |

Expressed in Canadian Dollars

## 19. Contingencies and Commitments

### Former CEO Litigation

In August 2016, the Company terminated the services of Mr. Thomas Atkins, the former CEO, for non-performance. In October 2016, Mr. Atkins filed a lawsuit in the Supreme Court of Ontario for damages of $205,000 and also claimed damages of $500,000 for undisclosed claims. The Company has also counter-claimed for $500,000 for damages suffered by the Company. The Company believes the lawsuit is without merit and has adequate defence. The Company has made an additional $50,000 accrual in the year ended March 31, 2018 to bring the total provision to $210,000 for this contingency (see Note 21). As at March 31, 2018, the Company has paid $200,000 in trust to Mr. Atkins's lawyer that is included in prepaid expenses and deposits.

### Compensation Agreements

In February 2013, the Company approved 12 month compensation agreements for two individuals in management at $10,000 each per month and for another two individuals in management at $3,000 each per month. The initial term of the contracts was 12 months to January 2014 which are automatically renewed for further incremental periods of 6 months at a time unless terminated by either party prior to expiry of the then term. Effective June 30, 2017 the compensation was reduced to $5,000 per month for one individual and the other individual's services were terminated. Subsequent to the year ended March 31, 2017, the compensation was increased to $10,000 per month for the executive chairman.

The Company has a compensation agreement with its CEO for $15,000 per month through its amalgamation with Champagne, which is automatically renewable for successive one-year terms. The CEO is also eligible for an annual bonus up to 50% of her annual fees linked to performance criteria agreed to between the CEO and the Company's compensation committee. On termination of the CEO's services, the Company is obligated to make a lump sum severance payment of $450,000.

## 20. Income (Loss) Per Share

| Year ended March 31 | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Income (loss) for the year | (806,013) | 2,212,519 |
| Weighted average number of common shares outstanding | 25,024,999 | 21,990,276 |
| Income (loss) per share, basic and diluted | (0.03) | 0.10 |

Stock options and warrants are not included in the computation of loss per share for the years ended March 31, 2018 and 2017 as such inclusion would be anti-dilutive.

At March 31, 2018, the Company had stock options and warrants outstanding that could result in the issuance of up to 9,650,704 additional common shares (2017 – 1,748,000).

## 21. Subsequent Events

Subsequent to the year ended March 31, 2018, the Company settled all the claims plus legal costs relating to Mr. Atkins lawsuit for the sum of $210,000 (which aggregated over $705,000 for claims and $18,500 for legal costs).

Subsequent to the year ended March 31, 2018, the Company acquired eight patented claims in Ontario for $155,000. There is a 1.5% NSR on the claims, 1% of which can be purchased for $1 million.

Subsequent to the year ended March 31, 2018, 50,000 options were exercised at $0.10 per share.