NORTHERN VERTEX

MINING CORP

# Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended March 31, 2018 and 2017

# NORTHERN VERTEX MINING CORP.
## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**As at March 31, 2018 and June 30, 2017**
Expressed in Canadian Dollars

| | Notes | | **March 31 2018** | | June 30 2017 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | | **$** | **16,959,846** | $ | 24,985,035 |
| Accounts receivable | 4 | | **36,095** | | 82,553 |
| Inventory | 5 | | **3,095,174** | | - |
| Prepaid expenses and deposits | | | **265,118** | | 183,236 |
| **Total current assets** | | | **20,356,233** | | 25,250,824 |
| **Non-current assets** | | | | | |
| Restricted cash and non-current deposits | | | **2,272,620** | | 1,161,837 |
| Property, plant and equipment | 6 | | **70,034,335** | | 17,067,579 |
| Mining interests | 7 | | **29,155,368** | | 28,365,380 |
| Deferred financing costs | | | **2,282** | | 12,977 |
| **Total assets** | | **$** | **121,820,838** | $ | 71,858,597 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 8 | **$** | **10,652,402** | $ | 3,708,108 |
| Current portion of long term debt | 9 | | **14,445,169** | | 720,944 |
| Current portion of finance lease | 10 | | **2,128,568** | | - |
| **Total current liabilities** | | | **27,226,139** | | 4,429,052 |
| **Non-current liabilities** | | | | | |
| Long term debt | 9 | | **22,830,002** | | 15,586,925 |
| Finance lease | 10 | | **6,888,085** | | - |
| Gold call options | 11 | | **1,154,077** | | 543,560 |
| Provision for reclamation and remediation | 12 | | **2,345,938** | | 2,078,876 |
| **Total liabilities** | | | **60,444,241** | | 22,638,413 |
| **EQUITY** | | | | | |
| Share capital | 13 | | **52,676,088** | | 40,571,513 |
| Subscriptions received in advance | | | **702,000** | | 2,381,600 |
| Share option reserve | 13 | | **6,036,262** | | 5,812,653 |
| Warrant reserve | 13 | | **25,192,642** | | 20,103,160 |
| Equity component of convertible debentures | | | **1,399,215** | | 1,479,734 |
| Accumulated other comprehensive loss | | | **(779,045)** | | (1,751,068) |
| Deficit | | | **(23,850,565)** | | (19,377,408) |
| **Total equity** | | | **61,376,597** | | 49,220,184 |
| **Total liabilities and equity** | | **$** | **121,820,838** | $ | 71,858,597 |

| | |
|---|---|
| Nature of operations and going concern | 1 |
| Commitments | 6,18 |
| Subsequent events | 22 |

Approved and authorized on behalf of the Board:

*"Kenneth Berry"*
Director

*"David Farrell"*
Director

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

# NORTHERN VERTEX MINING CORP.
## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS
**Three and Nine Months Ended March 31, 2018 and March 31, 2017**
Expressed in Canadian Dollars

| | Notes | Three Months Ended March 31 **2018** | 2017 | Nine Months Ended March 31 **2018** | 2017 |
|---|---|---|---|---|---|
| **Administrative expenses** | | | | | |
| Depreciation | | **$ 4,383** | $ 3,420 | **$ 11,502** | $ 10,256 |
| Management fees | | **62,500** | 45,000 | **183,821** | 120,231 |
| Marketing and travel | | **173,534** | 290,076 | **662,072** | 538,153 |
| Office | | **47,971** | 46,063 | **133,054** | 135,130 |
| Professional fees | | **114,656** | 106,326 | **371,775** | 658,587 |
| Rent | | **10,895** | 11,788 | **32,662** | 31,917 |
| Salaries, wages and severance | | **131,875** | 139,856 | **395,865** | 880,034 |
| Share-based payments | 13 | **135,213** | 162,915 | **363,993** | 712,691 |
| Transfer agent and filing fees | | **25,632** | 15,902 | **64,144** | 28,519 |
| **Loss before other expenses** | | **(706,659)** | (821,346) | **(2,218,888)** | (3,115,518) |
| **Other (expenses) income** | | | | | |
| Foreign exchange (loss) gain | | **(21,679)** | (1,034) | **(1,555,688)** | 2,697 |
| Finance costs | 14 | **(360,821)** | (708,170) | **(663,083)** | (751,673) |
| Other | | **(35,498)** | - | **(35,498)** | - |
| **Loss before taxes** | | **(1,124,657)** | (1,530,550) | **(4,473,157)** | (3,864,494) |
| Deferred income taxes | | **-** | - | **-** | 519,977 |
| **Loss for the period** | | **(1,124,657)** | (1,530,550) | **(4,473,157)** | (3,344,517) |
| Foreign currency translation | | **1,876,386** | (266,662) | **972,023** | 782,766 |
| **Comprehensive income (loss) for the period** | | **751,729** | (1,797,212) | **(3,501,134)** | (2,561,751) |
| **Basic and diluted loss per share** | | **$ (0.01)** | $ (0.02) | **$ (0.03)** | $ (0.03) |
| **Weighted average number of shares outstanding** | | **175,031,695** | 101,553,154 | **171,587,112** | 98,079,269 |

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

# NORTHERN VERTEX MINING CORP.
## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
### Nine Months Ended March 31, 2018 and March 31, 2017
Expressed in Canadian Dollars

| | Notes | Number of Shares | Share Capital | Subscriptions Received in Advance | Stock Option Reserve | Warrant Reserve | Equity Component of Convertible Debentures | Accumulated Other Comprehensive Income (Loss) | Deficit | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, June 30, 2016** | | **95,288,461** | **$ 23,045,440** | **$ -** | **$ 5,034,817** | **$ 15,249,235** | **$ -** | **$ (1,708,364)** | **$ (14,886,166)** | **$ 26,734,962** |
| Shares issued for: | | | | | | | | | | |
| Private placement | 13 | 3,386,250 | 925,320 | - | 351,651 | - | - | - | - | 1,276,971 |
| Convertible debt interest payment | | 363,626 | 139,094 | - | - | - | - | - | - | 139,094 |
| Long term debt financing fees | 9 | 1,498,202 | 629,245 | - | - | - | - | - | - | 629,245 |
| Convertible debentures issued | | - | - | - | - | - | 1,479,935 | - | - | 1,479,935 |
| Exercise of stock options | 13 | 183,334 | 63,370 | - | (17,538) | - | - | - | - | 45,832 |
| Exercise of warrants | 13 | 10,713,608 | 6,623,609 | - | - | (1,657,493) | - | - | - | 4,966,116 |
| Warrants issued for: | | | | | | | | | | |
| Warrant exercise incentive program | | - | (1,851,136) | - | - | 1,851,136 | - | - | - | - |
| Convertible debt financing | | - | - | - | - | 163,215 | - | - | - | 163,215 |
| Share-based payments | 13 | - | - | - | 712,691 | - | - | - | - | 712,691 |
| Foreign currency translation | | - | - | - | - | - | - | 782,766 | - | 782,766 |
| Net loss | | - | - | - | - | - | - | - | (3,344,517) | (3,344,517) |
| **Balance, March 31, 2017** | | **111,433,481** | **29,574,942** | **-** | **6,081,621** | **15,606,093** | **1,479,935** | **(925,598)** | **(18,230,683)** | **33,586,310** |
| | | | | | | | | | | |
| **Balance, June 30, 2017** | | **141,279,215** | **$ 40,571,513** | **$ 2,381,600** | **$ 5,812,653** | **$ 20,103,160** | **$ 1,479,734** | **$ (1,751,068)** | **$ (19,377,408)** | **$ 49,220,184** |
| Shares issued for: | | | | | | | | | | |
| Private placements | 13 | 29,679,730 | 10,022,919 | - | - | 5,172,372 | - | - | - | 15,195,291 |
| Convertible debt interest payment | 9 | 369,837 | 194,865 | - | - | - | - | - | - | 194,865 |
| Long term debt fees | 9 | 1,267,024 | 598,538 | - | - | - | - | - | - | 598,538 |
| Subscriptions received in advance | | - | - | (1,679,600) | - | - | - | - | - | (1,679,600) |
| Conversion of convertible debentures | 9 | 800,000 | 353,629 | - | - | - | (80,519) | - | - | 273,110 |
| Exercise of warrants | 13 | 943,000 | 507,240 | - | - | (82,890) | - | - | - | 424,350 |
| Exercise of stock options | 13 | 750,000 | 427,384 | - | (140,384) | - | - | - | - | 287,000 |
| Share-based payments | 13 | - | - | - | 363,993 | - | - | - | - | 363,993 |
| Foreign currency translation | | - | - | - | - | - | - | 972,023 | - | 972,023 |
| Net loss | | - | - | - | - | - | - | - | (4,473,157) | (4,473,157) |
| **Balance, March 31, 2018** | | **175,088,806** | **$ 52,676,088** | **$ 702,000** | **$ 6,036,262** | **$ 25,192,642** | **$ 1,399,215** | **$ (779,045)** | **$ (23,850,565)** | **$ 61,376,597** |

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

## NORTHERN VERTEX MINING CORP.
### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
**Three and Nine Months Ended March 31, 2018 and March 31, 2017**
Expressed in Canadian Dollars

| | Notes | Three Months Ended March 31, 2018 | Three Months Ended March 31, 2017 | Nine Months Ended March 31, 2018 | Nine Months Ended March 31, 2017 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss before taxes for the period | | **$ (1,124,657)** | $ (1,530,550) | **$ (4,473,157)** | $ (3,864,494) |
| Items not affecting cash: | | | | | |
| Share-based payments | 13 | **135,213** | 162,915 | **363,993** | 712,691 |
| Depreciation | | **4,383** | 3,420 | **11,502** | 10,256 |
| Fair value loss (gain) on gold call options | 11 | **405,867** | 226,877 | **611,928** | (243,117) |
| Interest expense | 14 | **26,484** | 480,936 | **316,314** | 1,015,664 |
| Unrealized foreign exchange loss (gain) | | **699,490** | (122,146) | **2,480,156** | (140,699) |
| Changes in non-cash working capital balances: | | | | | |
| Trade and other receivables | | **8,097** | 62,555 | **(15,688)** | (4,299) |
| Inventory | | **(3,095,174)** | - | **(3,095,174)** | - |
| Prepaid expenses and deposits | | **(22,862)** | (17,672) | **(81,348)** | (201,985) |
| Trade and other payables | | **83,096** | (6,312) | **136,971** | (198,829) |
| **Cash used in operating activities** | | **(2,880,063)** | (739,977) | **(3,744,503)** | (2,914,812) |
| **Cash flows from financing activities** | | | | | |
| Proceeds of long term debt, net of issue costs | 9 | **7,424,626** | - | **20,264,491** | 12,631,527 |
| Proceeds of finance lease | 10 | **-** | - | **10,890,245** | - |
| Repayment of finance lease | 10 | **(320,663)** | - | **(2,168,229)** | - |
| Repayment of long term debt | | **(36,623)** | - | **(38,149)** | - |
| Issuance of share capital, net of issue costs | | **-** | 4,966,116 | **15,904,781** | 6,288,919 |
| Subscriptions received in advance | | **702,000** | - | **(1,679,600)** | (150,000) |
| Deferred financing costs | | **35,963** | (10,351) | **10,695** | (10,351) |
| Interest paid | | **(800,407)** | (162,649) | **(1,800,569)** | (260,749) |
| Non-current deposits | | **-** | - | **(1,091,421)** | - |
| **Cash provided by financing activities** | | **7,004,896** | 4,793,116 | **40,292,244** | 18,499,346 |
| **Cash flows from investing activities** | | | | | |
| Mining interests expenditures | | **(104,207)** | (430,053) | **(296,746)** | (853,186) |
| Reclamation deposits | | **-** | (1,134,672) | **-** | (1,164,862) |
| Property, plant and equipment expenditures | | **(9,512,356)** | (4,996,512) | **(42,861,003)** | (6,789,421) |
| **Cash used in investing activities** | | **(9,616,563)** | (6,561,237) | **(43,157,749)** | (8,807,469) |
| **Effect of foreign exchange on cash** | | **253,243** | (71,334) | **(1,415,181)** | 12,772 |
| **(Decrease) increase in cash during the period** | | **(5,238,487)** | (2,579,432) | **(8,025,189)** | 6,789,837 |
| **Cash, beginning of the period** | | **22,198,333** | 10,666,685 | **24,985,035** | 1,297,416 |
| **Cash, end of the period** | | **$ 16,959,846** | $ 8,087,253 | **$ 16,959,846** | $ 8,087,253 |

Supplemental disclosure of non-cash activities 15

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

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

### 1 Nature of operations and going concern

*Nature of operations*

Northern Vertex Mining Corp. (the "Company") is a resident Canadian mineral exploration and development company incorporated under the Business Corporations Act (British Columbia). The address of the Company's registered office is Suite 1820 – 1055 West Hastings St. Vancouver, British Columbia, Canada.

The Company's principal business is to acquire, explore, develop and operate mineral properties principally located in the United States and Canada with the mandate of identifying mineralized deposits that demonstrate near-term production potential and long-term sustainable growth.

The Company's primary project is the Moss Gold-Silver deposit (the "Moss Mine") located in Mohave County, Arizona.

*Going concern*

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The Company has experienced operating losses and negative operating cash flows since inception and has no assurances that sufficient financing will be available to continue in operation for the foreseeable future. Ongoing operations and continual development of the Moss Mine are dependent on the Company's ability to generate sufficient cash flow from production, obtain equity financing by the issuance of share capital and to secure debt financing.

During the nine months ended March 31, 2018, the Company raised gross proceeds of $23,594,210 from private placements and warrant exercises, closed the third and fourth tranches of its senior credit facility for $12,894,000 (US$10,000,000) (Note 9) and secured a finance lease for $11,182,137 (US$8,672,357) (Note 10). To continue development at the Moss Mine, the Company may require additional financing. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future.

These condensed interim consolidated financial statements do not reflect any adjustments, which may be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

As of March 31, 2018 and June 30, 2017 the Company had the following working capital and deficit balances:

| | | **March 31, 2018** | | June 30, 2017 |
|---|---|---|---|---|
| Working capital | **$** | **(6,869,906)** | $ | 20,821,772 |
| Deficit | **$** | **(23,850,565)** | $ | (19,377,408) |

## 2 Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 29, 2018.

## 3 Significant accounting policies

The significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended June 30, 2017. These condensed interim consolidated statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2017.

During the period the Company adopted the following significant accounting policies:

### Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company, as a lessee, are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance costs and the lease liability.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, unless there is a reasonable certainty the lessee will obtain ownership of the asset by the end of the lease term, in which case the asset is depreciated over the useful life of the asset.

### Revenue Recognition

The Company has adopted IFRS 15, Revenue from Contracts with Customers, effective from the commencement of commissioning at the Moss Mine. Revenue is generated from the sale of refined gold and silver doré.

The Company produces doré which contain gold and silver. Doré is further processed by a third party refiner to produce refined metals for sale. The Company's performance obligations relate primarily to an irrevocable sale and delivery of gold and silver to its customer.

Revenue is recognized when control of the refined gold and silver is transferred to the customer. Control is achieved when an irrevocable commitment to sell gold and silver to the customer at a specified price occurs upon the Company's third party refiner notifying the customer they have received irrevocable instructions to deliver refined gold and silver to the customer's bullion account. After this point the customer has full discretion over the product and there is no unfulfilled obligation that could affect the acceptance of the product.

For each physical shipment of gold and silver doré, 100% of the estimated contained gold and silver is available to be delivered to the customer's bullion account within approximately 7 business days of arrival at the refinery. Differences between the contained gold estimate, the contained silver estimate and the final outturn from the refiner are maintained through a shortfall/surplus account between the Company and its customer.

## 3 Significant accounting policies (continued)

Gold and silver revenue is recorded at the agreed to gold and silver price at the date of sale and are recognized as being the consideration to which the Company expects to be entitled in exchange for transferring the gold and silver to the customer. Gold and silver revenue are recognized gross of royalties but net of refining and treatment charges.

### Inventory

Ore stockpiles, in-circuit and finished metal inventory (gold and silver) are valued at the lower of weighted average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and applicable depreciation and depletion of mineral properties, plant and equipment. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert the inventories into saleable form and estimated costs to sell.

Ore stockpile inventory represents ore on the surface that has been extracted from the mine and is available for further processing. In-circuit inventory represents material on the heap leach pad and in the Merrill Crowe that is in the process of being converted into a saleable form. Finished metal inventory represents gold and silver doré located at the mine, in transit to customers, at the refinery and gold and silver bullion after it has been refined.

Materials and supplies inventories are valued at the lower of weighted average cost and net realizable value. Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value.

### Future accounting policy changes issued but not yet in effect

Pronouncements that are not applicable or that do not have a significant impact to the Company have not been included in these condensed interim consolidated financial statements. The following standards are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which replaces IAS 17, Leases, and other lease related interpretations. The new standard established the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted only in conjunction with IFRS 15.

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, that replaces IAS 39 Financial Instruments - Recognition and Measurement, in its entirety and reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

In October 2017, the IASB issued an amendment to IAS 28, Long-term Interests in Associates and Joint Ventures, that clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendment is effective for annual periods beginning on or after January 1, 2019.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 3 Significant accounting policies (continued)

In December 2017, the IASB issued an amendment to IAS 23 to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The amendment is effective for annual periods beginning on or after January 1, 2019.

## 4 Trade and other receivables

| | | **March 31, 2018** | | June 30, 2017 |
|---|---|---|---|---|
| Trade accounts receivable | **$** | **16,387** | $ | 64,636 |
| Value-added taxes receivable | | **19,708** | | 17,917 |
| | **$** | **36,095** | $ | 82,553 |

## 5 Inventory

| | | **March 31, 2018** | | June 30, 2017 |
|---|---|---|---|---|
| Heap leach ore | **$** | **2,816,225** | $ | - |
| Doré | | **153,071** | | - |
| Consumables and supplies | | **125,878** | | - |
| | **$** | **3,095,174** | $ | - |

Ore stockpiles, in-circuit and finished metal inventory were recorded at net realizable value at March 31, 2018.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 6 Property, plant and equipment

Property, plant and equipment for the nine months ended March 31, 2018 and the year ended June 30, 2017 were as follows:

| | Buildings | Vehicles | Machinery and plant equipment | Office, furniture and leasehold | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Net book value at June 30, 2017** | **$ 22,484** | **$ 26,657** | **$ 257,942** | **$ 35,354** | **$ 16,725,142** | **$ 17,067,579** |
| Additions | 48,035 | 686,986 | 332,443 | 201,736 | 50,844,810 | **52,114,010** |
| Depreciation | (14,929) | (84,339) | (189,866) | (29,701) | - | **(318,835)** |
| Foreign exchange movement | (433) | 14,698 | (3,689) | 2,928 | 1,158,077 | **1,171,581** |
| **Net book value at March 31, 2018** | **$ 55,157** | **$ 644,002** | **$ 396,830** | **$ 210,317** | **$ 68,728,029** | **$ 70,034,335** |
| **Consisting of:** | | | | | | |
| Cost | 145,290 | 862,505 | 1,673,366 | 525,963 | 68,728,029 | **71,935,153** |
| Accumulated depreciation | (90,133) | (218,503) | (1,276,536) | (315,646) | - | **(1,900,818)** |
| | **$ 55,157** | **$ 644,002** | **$ 396,830** | **$ 210,317** | **$ 68,728,029** | **$ 70,034,335** |

| | Buildings | Vehicles | Machinery and plant equipment | Office, furniture and leasehold | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Net book value at June 30, 2016** | **$ 41,921** | **$ 61,725** | **$ 565,871** | **$ 40,200** | **$ 694,197** | **$ 1,403,914** |
| Additions | - | - | - | 16,931 | 16,239,231 | **16,256,162** |
| Disposal & write-down | - | - | (33,568) | - | - | **(33,568)** |
| Depreciation | (19,976) | (35,976) | (281,906) | (21,585) | - | **(359,443)** |
| Foreign exchange movement | 539 | 908 | 7,545 | (192) | (208,286) | **(199,486)** |
| **Net book value at June 30, 2017** | **$ 22,484** | **$ 26,657** | **$ 257,942** | **$ 35,354** | **$ 16,725,142** | **$ 17,067,579** |
| **Consisting of:** | | | | | | |
| Cost | 97,881 | 176,649 | 1,349,555 | 143,881 | 16,725,142 | **18,493,108** |
| Accumulated depreciation | (75,397) | (149,992) | (1,091,613) | (108,527) | - | **(1,425,529)** |
| | **$ 22,484** | **$ 26,657** | **$ 257,942** | **$ 35,354** | **$ 16,725,142** | **$ 17,067,579** |

As at March 31, 2018, the Company had contractual commitments to acquire property, plant, and equipment for $nil (June 30, 2017 - $14,227,207 (US$10,963,402)).

During the nine months ended March 31, 2018, the Company capitalized borrowing costs of $3,419,098 (June 30, 2017 - $760,131) related to the Moss Mine project into construction in progress at a capitalization rate of 14.31% (June 30, 2017 – 14.86%).

Included in construction in progress as at March 31, 2018 were finance lease assets with a net book value of $11,182,137 (US$8,672,357) (June 30, 2017 - $Nil) and direct costs incurred in connection with the finance lease of $323,009 (US$250,511) (June 30, 2017 - $Nil).

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 7 Mining interests

Mining interests for the nine months ended March 31, 2018 and the year ended June 30, 2017 were as follows:

| | Development | Exploration | | |
|---|---|---|---|---|
| | Moss Mine Property | Moss Property | Silver Creek Property | Total |
| **Net book value at June 30, 2017** | $ 27,169,699 | $ 841,242 | $ 354,439 | $ 28,365,380 |
| Additions | 640,738 | 221,055 | 87,384 | **949,177** |
| Foreign exchange movement | (156,128) | (2,742) | (319) | **(159,189)** |
| **Net book value at March 31, 2018** | $ 27,654,309 | $ 1,059,555 | $ 441,504 | $ 29,155,368 |
| | | | | |
| **Net book value at June 30, 2016** | $ 25,470,094 | $ - | $ 204,416 | $ 25,674,510 |
| Additions | 1,591,080 | 857,159 | 150,328 | **2,598,567** |
| Foreign exchange movement | 108,525 | (15,917) | (305) | **92,303** |
| **Net book value at June 30, 2017** | $ 27,169,699 | $ 841,242 | $ 354,439 | $ 28,365,380 |

**Moss Mine Property** – Mohave County, Arizona

The Company owns 100% of the Moss Mine project.

On March 7, 2011, the Company entered into an agreement with Patriot Gold Corp. ("Patriot Gold") whereby the Company was granted the right to earn a 70% interest in the Moss Mine project under certain terms. Early in the year ended June 30, 2016 the Company satisfied the terms of the agreement and earned a 70% interest in the Moss Mine project.

On May 26, 2016, the Company completed an agreement with Patriot Gold, whereby the Company purchased Patriot Gold's remaining 30% interest in the Moss Gold/Silver Mine for $1,200,000 cash and 857,140 common shares plus the retention by Patriot Gold of a 3% net smelter returns ("NSR") royalty. The common shares were issued with a fair value of $342,856.

In addition, the Company has royalty agreements with various parties whereby the Company pays NSR royalties ranging from 1% to 3.5% on certain patented and unpatented claims.

A fee of up to US$15 per troy ounce of gold produced and up to US$0.35 per troy ounce of silver produced is payable to a non-related party. The fee can be purchased by the Company for US$2,400,000 in cash and/or shares of the Company within 90 days of the commencement of commercial production as defined by the agreement. During the year ended June 30, 2017, the Company settled and paid a 3% finder's fee on exploration expenditures in the amount of $133,378 to non-related parties.

**Silver Creek Property** – Mohave County, Arizona

On May 7, 2014, the Company secured an option on the Silver Creek property, located adjacent to the Moss Mine with La Cuesta International, Inc. ("LCI"). To fulfill the terms of the 35 year mineral lease and option agreement, the Company paid LCI US$5,000 and issued 100,000 common shares of the Company upon execution of the agreement.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

### 7 Mining interests (continued)

On June 28, 2017, the Company entered into an amendment to the mineral lease and option agreement to defer the minimum work commitment of US$200,000 from May 7, 2017 to May 7, 2019. Upon the execution of the amendment, the Company must meet the following commitments:

i. Pay LCI US$10,000 cash (paid) and fund a minimum of US$15,000 (completed) on work commitments by May 7, 2015;
ii. Pay LCI US$20,000 cash (paid) and fund a minimum of US$20,000 (completed) on work commitments by May 7, 2016;
iii. Pay LCI US$30,000 cash (paid) by May 7, 2017 and US$20,000 cash (paid) by July 28, 2017;
iv. Pay LCI US$45,000 cash by May 7, 2018 (paid subsequent to March 31, 2018);
v. Pay LCI US$50,000 cash by May 7, 2019 and fund a minimum of US$200,000 on work commitments by May 7, 2019; and
vi. Pay LCI US$25,000 cash every six months, thereafter.

The agreement provides for a production royalty of 1.5% NSR on claims owned 100% by LCI and 0.5% NSR on third party claims within the claim block. To acquire the claims, the Company is required to make payments to LCI totalling US$4,000,000 in any combination of aggregate royalty payments and lump-sum payments at its sole discretion. All payments other than the work commitments are credited against the royalty. Once US$4,000,000 has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

### 8 Trade and other payables

| | | **March 31, 2018** | | June 30, 2017 |
|---|---|---|---|---|
| Trade accounts payable | **$** | **5,709,822** | $ | 1,706,199 |
| Accrued liabilities | | **4,942,580** | | 2,001,909 |
| | **$** | **10,652,402** | $ | 3,708,108 |

### 9 Long term debt

| | Note | | **March 31, 2018** | | June 30, 2017 |
|---|---|---|---|---|---|
| Senior secured credit facility, net of issue costs | (i) | **$** | **24,579,045** | $ | 11,270,247 |
| Convertible debentures – 2016 | (ii) | | **4,944,540** | | 5,037,622 |
| Convertible debentures – 2018 | (iii) | | **7,386,490** | | - |
| Equipment loans | (iv) | | **365,096** | | - |
| | | **$** | **37,275,171** | $ | 16,307,869 |
| Current portion of long term debt | | | **(14,445,169)** | | (720,944) |
| | | **$** | **22,830,002** | $ | 15,586,925 |

(i) Senior secured credit facility:

The Company closed a senior secured credit facility ("the Facility") pursuant to which $25,788,000 (US$20,000,000) was advanced in four tranches to fund construction costs of the Moss Mine Project. The first two tranches totaling $12,894,000 (US$10,000,000) were advanced during the fiscal year ended June 30, 2017. The remaining two tranches totaling $12,894,000 (US$10,000,000) were advanced during the nine months ended March 31, 2018. During the nine months ended March 31, 2018, certain terms of the Facility agreement were amended.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

**9 Long term debt (continued)**

In connection with the initial tranche of the Facility the Company paid fees of $402,090, issued 1,498,202 common shares with a fair value of $629,245 and issued call options (the "Gold Call Options") to purchase 6,000 ounces. Concurrent with the amendment to the Facility agreement, the exercise price of the Gold Call Options was repriced from US$1,350 per ounce to US$1,275 per ounce (Note 11).

Interest is due monthly at an annual interest rate of 8% plus the greater of twelve month USD LIBOR or 1.25%. Monthly principal payments of $1,432,667 (US$1,111,111) will commence in June 2018 and end in November 2019 when the Facility matures.

The Facility is secured with a first charge over assets and shares of all subsidiaries. Fees of 3% of the principal amount outstanding are due on November 4 of each year and are payable in cash or shares at the option of the lender. During the nine months ended March 31, 2018 and pursuant to the terms of the Facility agreement, the Company issued an aggregate of 1,267,024 common shares with a fair value of $598,538 in satisfaction of the anniversary fee.

(ii) Convertible debentures - 2016

On July 14, 2016 and November 2, 2016, the Company completed tranches of a private placement of $7,225,000 and $127,000, respectively, of unsecured convertible debentures for total proceeds of $7,352,000.

The convertible debentures mature on May 31, 2021 and bear interest at 5% per year with interest payable semi-annually on November 30 and May 31 with the first payment due on November 30, 2016. The convertible debentures are convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of $0.50 per common share. The debentures may be redeemed in cash on or after July 14, 2018 upon redemption notice at a redemption price equal to their face value plus accrued interest provided the trading price of the common shares for 20 consecutive trading days, ending five trading days prior to the date of the redemption notice, must be less than the conversion price. The Company also has the option, to repay the face value of the debentures in common shares, provided certain circumstances are met including: no default has occurred and the trading price of the common shares for 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date is at least 150% of the conversion price. Interest may be payable in cash or common shares at the option of the Company.

During the nine months ended March 31, 2018, the Company issued 369,837 common shares with a fair value of $194,865 in payment of interest expense. During the year ended June 30, 2017, the Company issued 710,360 common shares with a fair value of $325,752 in payment of interest expense and paid $2,489 in cash of interest expense.

| | | **Nine Months Ended March 31, 2018** | | Year Ended June 30, 2017 |
|---|---|---|---|---|
| Balance, beginning of period | **$** | **5,037,622** | $ | - |
| Issued | | **-** | | 7,352,000 |
| Equity portion of debentures | | **-** | | (1,999,912) |
| Converted debentures | | **(277,279)** | | (680) |
| Financing costs | | **-** | | (760,143) |
| Interest accretion | | **184,197** | | 446,357 |
| **Balance, end of period** | **$** | **4,944,540** | $ | 5,037,622 |

As at March 31, 2018, $401,000 of convertible debentures have been converted to 802,000 common shares with a fair value of $358,679.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 9 Long term debt (continued)

(iii) Convertible debentures – 2018

On January 17, 2018 and March 7, 2018, the Company completed two tranches of an unsecured subordinated non-revolving loan facility in the amount of $3,868,200 (US$3,000,000) each for a total of $7,736,400 (US$6,000,000).

The convertible debentures mature on January 31, 2020 at which time the principal amount is to be repaid in full, subject to the holder having not elected to convert the principal amount outstanding. The convertible debentures bear interest at 12% per annum, payable quarterly in arrears in cash and are convertible at the holder's option at any time prior to the maturity date. The conversion price is the lower of: (i) $0.70; and (ii) if the Company has announced a potential merger, amalgamation, arrangement, acquisition or other type of business transaction that results in a change of control, or a merger and acquisition transaction, including the issuance by the Company of more than 20% of its stock, the 20 day VWAP prior to such announcement, subject to the conversion price not being less than $0.51 for tranche one and $0.52 for tranche two. The conversion price of debentures issued under any subsequent advance will be as above, but will be subject to the minimum market price determined on the date preceding the date of issuance of any such subsequent debentures. Cash fees of 3% of the amount of each advance were paid upon completing the tranches and 3% of the aggregate amount outstanding is due on the anniversary date.

| | | **Nine Months Ended March 31, 2018** | | Year Ended June 30, 2017 |
|---|---|---|---|---|
| Balance, beginning of period | **$** | **-** | $ | - |
| Issued | | **7,609,800** | | - |
| Financing costs | | **(366,722)** | | - |
| Interest accretion | | **24,881** | | - |
| Foreign exchange movement | | **118,531** | | - |
| **Balance, end of period** | **$** | **7,386,490** | $ | - |

(iv) Equipment loans

At March 31, 2018, the Company had equipment loans outstanding totalling $365,096 (US$283,152) (June 30, 2017 - $Nil) at interest rates ranging from 4.34% to 11.99% with monthly payments of $11,730 (US$9,097).

## 10 Finance lease

During the nine months ended March 31, 2018, the Company executed a definitive Master Lease Agreement (the "MLA") for up to $11,604,600 (US$9,000,000) of equipment purchases. The significant terms and conditions of the MLA include: a maximum of US$9,000,000 available to fund equipment purchases with 20% to 30% due as advance payments at lease commencement, fixed quarterly payments over a four year lease period, interest rate of 3-month USD LIBOR plus interest rates ranging from 5.00% to 6.25% and the right to buy the equipment at the end of the lease period for nominal consideration. The MLA is secured with the acquired assets in favour of the lender and a guarantee from the Company.

The Company paid fees of $290,115 (US$225,000) in connection with the MLA and commitment fees of 0.5% of the unused portion of the MLA are due quarterly.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 10 Finance lease (continued)

Minimum lease payments and present value of finance lease are as follows:

| | | Nine Months Ended March 31, 2018 | | Year Ended June 30, 2017 |
|---|---|---|---|---|
| Balance, beginning of period | **$** | **-** | $ | - |
| Minimum lease payments | | **12,430,663** | | - |
| Principal payments | | **(2,168,229)** | | - |
| Finance charges | | **(1,484,293)** | | - |
| Foreign exchange movement | | **238,512** | | - |
| | | **9,016,653** | | - |
| Current portion of finance lease | | **(2,128,568)** | | - |
| **Balance, end of period** | **$** | **6,888,085** | $ | - |

| | | Within 1 Year | | 2-5 Years | | Total |
|---|---|---|---|---|---|---|
| Future minimum lease payments | | 2,735,674 | | 7,678,541 | | 10,414,215 |
| Finance charges | | (607,107) | | (790,455) | | (1,397,562) |
| Present value of finance lease | $ | 2,128,567 | $ | 6,888,086 | $ | 9,016,653 |

## 11 Gold call options

| | | Nine Months Ended March 31, 2018 | | Year Ended June 30, 2017 |
|---|---|---|---|---|
| Balance, beginning of year | **$** | **543,560** | $ | - |
| Gold Call Options issued | | **-** | | 841,105 |
| Gold Call Options revaluation | | **611,928** | | (290,233) |
| Foreign exchange movement | | **(1,411)** | | (7,312) |
| **Balance, end of period** | **$** | **1,154,077** | $ | 543,560 |

In connection with the senior secured credit facility (Note 9), the Company issued Gold Call Options to the lender to purchase 6,000 ounces of gold at an exercise price of US$1,350 per ounce. The exercise price was repriced to US$1,275 per ounce pursuant to the amendment to the Facility agreement. The Gold Call Options expire on November 4, 2021 and may be settled by a cash payment, or an increase in the principal amount of the Facility, based on the difference between the exercise price and the prevailing market price of gold at the time of settlement.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 11 Gold call options (continued)

The fair value of the Gold Call Options was calculated when issued and are revalued each reporting period using the Black-Scholes option pricing model with the fair value gain or loss recorded in the consolidated statements of loss. The following assumptions were used when valuing the options:

| | **March 31, 2018** | June 30, 2017 | At Issue |
|---|---|---|---|
| Exercise price (US$ per ounce) | **$1,275** | $1,350 | $1,350 |
| Gold price (US$ per ounce) | **$1,324** | $1,242 | $1,303 |
| Volatility | **12.8%** | 15.2% | 14.5% |
| Interest rate | **1.77%** | 1.09% | 0.52% |
| Expected life of options (years) | **2.10** | 1.85 | 2.5 |

## 12 Provision for reclamation and remediation

| | | **Nine Months Ended March 31, 2018** | | Year Ended June 30, 2017 |
|---|---|---|---|---|
| Balance, beginning of period | **$** | **2,078,876** | $ | 1,055,130 |
| Change in estimate | | **244,800** | | 995,946 |
| Accretion | | **35,558** | | 22,899 |
| Foreign exchange movement | | **(13,296)** | | 4,901 |
| **Balance, end of period** | **$** | **2,345,938** | $ | 2,078,876 |

The Company's provision for reclamation and remediation relates to the environmental restoration and closure costs associated with the Moss Mine. The provision has been recorded at its net present value using a discount rate of 2.68% and a long-term inflation rate of 2%, with expenditures anticipated over a ten year period beginning in 2024. The provision is remeasured at each reporting date, with accretion being charged to the associated property asset.

During the year ended June 30, 2017, an updated reclamation plan for the Moss Mine was completed due to the advancement of the Moss Mine project. Estimates for the cost of restoration activities were updated to reflect the disturbances which occurred during construction. The total undiscounted amount of the Company's estimated obligation, based on land disturbances at the Moss Mine as of March 31, 2018, was $2,883,274 (US$2,236,136). All assumptions used in the calculation of the reclamation and remediation provision are subject to change.

## 13 Share capital and contributed surplus

### a) Share Capital

Authorized share capital consists of an unlimited number of common shares without par value.

Private placements completed during the nine months ended March 31, 2018 and the year ended June 30, 2017 were as follows:

During the nine months ended March 31, 2018, the Company completed the final tranche of a US$20,000,000 non-brokered private placement, issuing 23,849,230 units at a price of $0.52 per unit for gross proceeds of $11,880,106 (US$9,213,670). Each unit consists of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 for a period of two years from the date of issuance of the warrant and at a price of $1.04 for the remainder of the term of the warrant.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 13 Share capital and contributed surplus (continued)

The Company also closed a non-brokered private placement raising gross proceeds of $3,031,860, of which $2,381,600 was received during the year ended June 30, 2017. Pursuant to the private placement, the Company issued an aggregate of 5,830,500 units at a purchase price of $0.52 per unit. Each unit consists of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 for a period of two years from the date of issuance of the warrant and at a price of $1.04 for the remainder of the term of the warrant. Cash finders' fees of 6% on a portion of the gross proceeds raised under the private placement, totaling $147,513 were paid to certain finders at arm's length to the Company.

In June 2017, the Company completed the initial tranche of a US$20,000,000 non-brokered private placement for gross proceeds of $13,997,420 (US$10,786,330) by issuing a total of 27,920,000 units at a price of $0.52 per unit. Each unit consists of one common share of the Company and one half non-transferable share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 until July 18, 2019 and at a price of $1.04 from July 19, 2019 to June 9, 2022. The fair value of warrants issued was $4,284,034.

In December 2016, the Company completed a non-brokered private placement for gross proceeds of $1,354,500 by issuing an aggregate of 3,386,250 units at a purchase price of $0.40 per unit. Each unit consists of one common share of the Company and one half transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.65 expiring on December 3, 2018. The fair value of warrants issued was $351,651. The Company paid total cash finders' fees of $61,600 and share issuance costs of $15,929.

### b) Stock Options

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to employees, consultants, directors and officers, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years with vesting terms determined by the Board of Directors. No individual may be granted options exceeding 5% of the Company's common shares outstanding in any 12 month period.

Continuity of the Company's stock options issued and outstanding was as follows:

| | | **March 31, 2018** | | **June 30, 2017** |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** |
| Outstanding, beginning of period | 8,505,000 | $ 0.71 | 6,093,334 | $ 0.83 |
| Granted | 750,000 | 0.68 | 2,895,000 | 0.46 |
| Exercised | (750,000) | 0.38 | (183,334) | 0.25 |
| Forfeited /cancelled | (400,000) | 0.42 | (100,000) | 0.46 |
| Expired | (2,700,000) | 1.32 | (200,000) | 1.30 |
| **Outstanding, end of period** | **5,405,000** | **$ 0.47** | **8,505,000** | **$ 0.71** |

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 13 Share capital and contributed surplus (continued)

As at March 31, 2018, the following stock options were outstanding and exercisable:

| Exercise price | Number of options outstanding | Expiry date | Number of options exercisable | Remaining contractual life (years) |
|---|---|---|---|---|
| 0.85 | 200,000 | June 6, 2018 | 200,000 | 0.18 |
| 0.65 | 735,000 | September 25, 2018 | 735,000 | 0.49 |
| 0.25 | 1,625,000 | February 24, 2020 | 1,625,000 | 1.90 |
| 0.25 | 75,000 | March 31, 2020 | 75,000 | 2.00 |
| 0.46 | 1,520,000 | July 15, 2021 | 1,520,000 | 3.29 |
| 0.46 | 250,000 | September 14, 2021 | 250,000 | 3.46 |
| 0.46 | 250,000 | October 26, 2021 | 166,666 | 3.58 |
| 0.68 | 750,000 | September 29, 2022 | 250,000 | 4.50 |
| | **5,405,000** | | **4,821,666** | **2.55** |

The weighted-average remaining contractual life of options outstanding at June 30, 2017 was 1.92 years.

### c) Share-based payments

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in the condensed interim consolidated statements of loss for the nine months ended March 31, 2018 was $363,993 (2017: $712,691).

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

| | **March 31, 2018** | June 30, 2017 |
|---|---|---|
| Risk–free interest rate | **1.75%** | 0.58% - 0.73% |
| Expected life of options | **5.0 years** | 1.1 – 5.0 years |
| Dividend rate | **Nil** | Nil |
| Expected forfeiture rate | **0%** | 0% - 5% |
| Expected volatility | **109%** | 110% - 117% |

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

**13 Share capital and contributed surplus (continued)**

**d) Warrants**

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of warrants issued and outstanding for the nine months ended March 31, 2018 and the year ended June 30, 2017 were as follows:

| | | | March 31, 2018 | | | June 30, 2017 |
|---|---|---|---|---|---|---|
| | Number of warrants | | Weighted average exercise price | Number of warrants | | Weighted average exercise price |
| Outstanding, beginning of period | 38,246,845 | $ | 0.72 | 38,487,598 | $ | 0.76 |
| Issued | 14,839,865 | | 0.91 | 21,526,529 | | 0.90 |
| Exercised | (943,000) | | 0.45 | (12,290,608) | | 0.46 |
| Expired | (7,772,441) | | 0.48 | (9,476,674) | | 1.63 |
| **Outstanding, end of period** | **44,371,269** | **$** | **0.83** | **38,246,845** | **$** | **0.72** |

As at March 31, 2018, the Company had outstanding share purchase warrants as follows:

| Number of warrants | Exercise price | Expiry date |
|---|---|---|
| 1,693,125 | $ 0.65 | December 3, 2018 |
| 7,504,875 | 0.50 | March 31, 2019 |
| 500,000 | 0.50 | April 4, 2019 |
| 516,600 | 0.50 | July 14, 2019 |
| 5,356,804 | 1.00 | March 24, 2021 |
| 13,960,000 | 0.91 | June 9, 2022 |
| 2,676,250 | 0.91 | July 13, 2022 |
| 11,924,615 | 0.91 | July 19, 2022 |
| 239,000 | 0.91 | September 14, 2022 |
| **44,371,269** | **$ 0.83** | |

The fair value of warrants issued is estimated using the Black-Scholes option-pricing model and is included in contributed surplus until exercised, at which time the fair value is reclassified to share capital.

The weighted average remaining life of the outstanding warrants as at March 31, 2018 was 3.34 years (June 30, 2017: 2.82 years).

During the nine months ended March 31, 2018, the Company issued an aggregate total of 14,839,865 warrants in relation to the private placements completed during the period. The fair value of warrants issued related to the private placements was $5,172,372.

In March 2017, the Company completed a warrant exercise incentive program (the "Program"), pursuant to which, the Company issued an aggregate of 5,356,804 common share purchase warrants to warrant holders who exercised their warrants under the Program. Each incentive warrant entitles the holder to purchase one additional common share at an exercise price of $1.00 until March 24, 2021. The incentive warrants were issued with a fair value of $1,851,136.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 13 Share capital and contributed surplus (continued)

In July 2016, the Company issued 516,600 finders' warrants to parties at arm's length for a non-brokered private placement of unsecured convertible debentures. Each finders' warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.50 until July 14, 2019. The finders' warrants were issued with a fair value of $163,215.

The following assumptions were used for the Black–Scholes valuation of warrants issued and amended:

| | **March 31, 2018** | June 30, 2017 |
|---|---|---|
| Risk–free interest rate | **1.31%-1.63%** | 0.55%-1.12% |
| Expected life of warrants | **3.5 years** | 2-4 years |
| Dividend rate | **Nil** | Nil |
| Expected volatility | **115%-116%** | 114%-122% |
| Fair value per warrant issued and/or amended | **$0.35-$0.37** | $0.21-$0.35 |

## 14 Finance costs (income)

| | **Three Months Ended March 31,** | | **Nine Months Ended March 31,** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Interest on long term debt | **$ 26,484** | $ 510,924 | **$ 316,314** | $ 1,046,329 |
| Fair value loss (gain) on Gold Call Options | **405,867** | 226,877 | **611,928** | (243,117) |
| Interest income | **(71,530)** | (29,631) | **(265,159)** | (51,539) |
| | **$ 360,821** | $ 708,170 | **$ 663,083** | $ 751,673 |

## 15 Supplemental disclosure of non-cash activities

The following non-cash investing and financing activities occurred:

| | **Three Months Ended March 31,** | | **Nine Months Ended March 31,** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Convertible debentures financing finder's warrants | **$ -** | $ - | **$ -** | $ 163,215 |
| Shares issued as convertible debenture interest payment | **$ -** | $ - | **$ 194,865** | $ 139,094 |
| Shares issued as financing fees for debt | **$ -** | $ - | **$ 598,538** | $ 629,245 |
| Fair value of Gold Call Options at issue | **$ -** | $ - | **$ -** | $ 841,105 |
| Changes in trade and other payables included in mining interests | **$ 13,827** | $ 4,238 | **$ 13,487** | $ 65,131 |
| Changes in trade and other payables included in property, plant and equipment | **$ 2,434,297** | $ 334,308 | **$ (14,777,821)** | $ 1,364,351 |
| Depreciation and accretion included in mining interests | **$ 137,930** | $ 160,831 | **$ 342,891** | $ 288,657 |

## 16 Related party transactions

Related party transactions were incurred in the normal course of business and measured at their fair value as determined by management. Amounts due to or from related parties are non-interest bearing, unsecured and due on demand.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 16 Related party transactions (continued)

Balances due to related parties are as follows:

| | | March 31, 2018 | | June 30, 2017 |
|---|---|---|---|---|
| Shared office expenses receivable | **$** | **7,591** | $ | 1,373 |
| Consulting fees payable | **$** | **10,893** | $ | 17,863 |

Related party transactions are as follows:

| | Note | | Three Months Ended March 31, 2018 | | 2017 | | Nine Months Ended March 31, 2018 | | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Consulting fees | (i) | **$** | **67,500** | $ | 67,500 | **$** | **227,500** | $ | 247,500 |
| Shared office (recovery) expenses | (ii) | **$** | **(12,969)** | $ | 2,998 | **$** | **(24,603)** | $ | 5,077 |

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in professional fees, salaries and wages, and mining interest expenditures.

(ii) Shared office expenses charged to and from a company with directors in common are included in marketing, rent, travel, and office expenses.

**Commitments with related parties**

The Company entered into a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is $10,000 and renews annually.

## 17 Key management personnel compensation

The remuneration of the Company's directors and other key management personnel for the three and nine months ended March 31, 2018 and 2017 is as follows:

| | Note | | Three Months Ended March 31, 2018 | | 2017 | | Nine Months Ended March 31, 2018 | | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Salaries and short-term benefits | (i) | **$** | **347,506** | $ | 225,530 | **$** | **881,832** | $ | 718,672 |
| Termination benefits | | **$** | **-** | $ | - | **$** | **-** | $ | 400,000 |
| Share-based payments | (ii) | **$** | **95,062** | $ | 101,822 | **$** | **258,102** | $ | 417,771 |

(i) Salaries and short-term benefits are included in salaries and wages, management fees, construction in progress expenditures, and mining interests expenditures.

(ii) Share-based payments are the fair value of options granted to directors and other key management personnel.

## 18 Commitments

The Company has entered into contracts for leased premises, which expire at various dates through to December 2022. Total future minimum lease payments (net of sub-lease arrangement) under these contracts are as follows:

| | | |
|---|---|---|
| Within 1 year | $ | 139,961 |
| 2 to 3 years | | 64,010 |
| 4 to 5 years | | 53,977 |

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 19 Financial instruments and financial risk management

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. The Company has classified Gold Call Options in Level 2.

Level 3 – Inputs that are not based on observable market data. The Company has no financial instruments classified in Level 3.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at March 31, 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Assets | | | | |
| Cash | $ 16,959,846 | $ - | $ - | $ 16,959,846 |
| Accounts receivable | 36,095 | - | - | 36,095 |
| | 16,995,941 | - | - | 16,995,941 |
| Financial Liabilities | | | | |
| Trade and other payables | (10,652,402) | - | - | (10,652,402) |
| Current portion of long term debt | (14,445,169) | - | - | (14,445,169) |
| Current portion of finance lease | (2,128,568) | - | - | (2,128,568) |
| Gold Call Options | - | (1,154,077) | - | (1,154,077) |
| | $ (10,230,198) | $ (1,154,077) | $ - | $ (11,384,275) |

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

### 19 Financial instruments and financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Accounts receivables at March 31, 2018 related primarily to amounts for a refund and value-added taxes are expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company manages its liquidity risk through the preparation of annual expenditure budgets, which are regularly monitored and updated as management considers necessary, and through the Company's capital management activities.

(c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in development stage and has not yet developed commercial mineral interests; the underlying market prices realized by the Company for mineral sales are impacted by changes in the exchange rate between the Canadian and the US dollar. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

At March 31, 2018, $12,008,072 (US$9,312,914) of the Company's cash was denominated in US dollars. A 10% variation in the US dollar exchange rate would result in an impact of approximately $849,300 on the consolidated statements of loss.

### 19 Financial instruments and financial risk management (continued)

(ii) Commodity price risk

Commodity price risk is the risk that the current and future cash flows from the Company's financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and US dollar, as outlined above. Management closely monitors trends in commodity prices of gold and other precious and base metals as part of its routine activities, as these trends could significantly impact future cash flows. Fluctuations in gold prices affect the fair market value of the Gold Call Options as the fair value is based on the market price of gold at the end of each period. A 10% fluctuation in the price of gold would result in an impact of approximately US$275,311 on the consolidated statements of loss.

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash, which are held at variable market rates. The Company is also exposed to interest rate risk on its outstanding borrowings. The Company pays interest monthly for its senior secured credit facility, at an annual interest rate of 12-month USD LIBOR plus 8% and pays interest quarterly for its finance lease, at an annual rate of 3-month USD LIBOR plus interest rates ranging from 5% to 6.25%. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by $347,532 (US$269,530). The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

### 20 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern (Note 1) while maximizing the return to stakeholders through the optimization of the debt and equity. The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and future cash flow forecasts which are reviewed and approved by the Board of Directors. The Company continually makes strategic and financial adjustments according to market conditions to meet its objectives.

The capital structure of the Company consists of non-current debt, equity comprised of share capital, share option reserve, warrant reserve, equity component of convertible debentures, accumulated other comprehensive loss and deficit.

The Company is in compliance with externally imposed debt covenants relating to its debt facilities as at March 31, 2018.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

## 21 Segmented information

The Company has one reportable operating segment, being the acquisition, exploration and future development of mineral properties. Reporting by geographical area follows the same accounting policies as those used to prepare the consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

| | | | | | | **March 31, 2018** |
|---|---|---|---|---|---|---|
| | | **Canada** | | **USA** | | **Total** |
| Property, plant and equipment | $ | 22,220 | $ | 70,012,115 | $ | 70,034,335 |
| Restricted cash and reclamation deposits | | - | | 2,272,620 | | 2,272,620 |
| Mining interests | | - | | 29,155,368 | | 29,155,368 |
| **Total** | **$** | **22,220** | **$** | **101,440,103** | **$** | **101,462,323** |

| | | | | | | **June 30, 2017** |
|---|---|---|---|---|---|---|
| | | **Canada** | | **USA** | | **Total** |
| Property, plant and equipment | $ | 15,960 | $ | 17,051,619 | $ | 17,067,579 |
| Restricted cash and reclamation deposits | | - | | 1,161,837 | | 1,161,837 |
| Mining interests | | - | | 28,365,380 | | 28,365,380 |
| | **$** | **15,960** | **$** | **46,578,836** | **$** | **46,594,796** |

## 22 Subsequent events

Subsequent to March 31, 2018:

- 25,000 options were exercised for proceeds of $6,250;
- 550,000 options were issued at a price of $0.52 per share for a period of five years;
- 225,000 options at exercise prices ranging from $0.25 to $0.65 expired;
- 2,000 shares were issued from the conversion of $1,000 convertible debentures related to the July 14, 2016 private placement;
- 200,000 shares were issued pursuant to an advisory agreement with a non-related party; and
- the Company closed a non-brokered private placement, raising gross proceeds of $2,404,000, of which $702,000 was received during the nine months ended March 31, 2018. Pursuant to the private placement, the Company issued an aggregate of 4,623,076 units at a purchase price of $0.52 per unit. Each unit consists of one common share of the Company and one-half non-transferable common share purchase warrant. Each warrant has a term of two years and entitles the holder to acquire one common share of the Company at an exercise price of $0.68 until April 27, 2020. Cash finders' fees of 6% on a portion of the gross proceeds raised, totaling $102,120, were paid to certain finders at arm's length to the Company.