Sulliden Mining Capital Inc.

(An Exploration Stage Mining Company)

ANNUAL
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended

July 31, 2018 and 2017

(expressed in Canadian dollars)

October 26, 2018

Independent Auditor's Report

To the Shareholders of
Sulliden Mining Capital Inc.

We have audited the accompanying consolidated financial statements of Sulliden Mining Capital Inc., which comprise the consolidated statements of financial position as at July 31, 2018 and July 31, 2017, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

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 IFRS, 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.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sulliden Mining Capital Inc. as at July 31, 2018 and July 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with IFRS.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

SULLIDEN MINING CAPITAL INC.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	Notes		July 31, 2018		July 31, 2017
ASSETS					
Current assets					
Cash and cash equivalents		$	428,968	$	1,023,175
Investments, at fair market value through profit and loss	5		12,371,859		14,693,725
Loans receivable	6		368,987		314,075
Amounts receivable and other			90,377		156,043
Prepaid expenses			164,160		12,119
Total current assets			13,424,351		16,199,137
Non-current assets					
Investment in associates	7		22,007,089		4,777,972
Exploration and evaluation assets	8		141,423		960,739
TOTAL ASSETS		$	35,572,863	$	21,937,848
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	1,098,418	$	1,524,865
Total current liabilities			1,098,418		1,524,865
SHAREHOLDERS' EQUITY					
Share capital	9		27,362,833		27,362,833
Share purchase warrant reserve	10		783,195		783,195
Share-based payment reserve	11		1,083,000		468,006
Accumulated other comprehensive loss			(3,401)		(131,799)
Retained profit (accumulated deficit)			5,248,818		(8,069,252)
Total shareholders' equity			34,474,445		20,412,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	35,572,863	$	21,937,848

Commitments and contingencies (Note 17)
Subsequent events (Note 19)

Approved by the Board of Directors:

Signed “Pierre Pettigrew”, Director

Signed “Stan Bharti”, Director

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

SULLIDEN MINING CAPITAL INC.

Consolidated Statements of Operations and Comprehensive Income/(Loss)

(Expressed in Canadian dollars)

	Note		For the years ended July 31, 2018		2017
Expenses					
Share-based payments	11	$	915,144	$	168,947
Professional, consulting and management fees	12		3,767,627		3,902,339
General and administrative expenses	13		633,238		680,268
			5,316,009		4,751,554
Other (income)/expenses					
Interest income			(40,770)		(17,580)
Interest expense and set up fee			-		15,006
Loan arrangement fees earned	6		-		(5,000)
Royalty buy-back earned			-		(1,256,700)
Foreign exchange loss			121,332		37,902
Loss from investment in associate	7		1,926,912		389,784
Realized (gain) on sale of investments	5, 7		(442,455)		(3,114,573)
Unrealized loss on investments	5		3,415,238		4,125,896
Gain on disposition of Troilus project	8		(23,614,336)		-
Net income/(loss) for the year		$	13,318,070	$	(4,926,289)
Other comprehensive income/(loss):					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation - associate	7		128,398		(179,414)
Net comprehensive income/(loss) for the year		$	13,446,468	$	(5,105,703)
Net income/(loss) per share					
Basic		$	0.32	$	(0.13)
Diluted		$	0.32	$	(0.13)
Weighted average common shares outstanding					
Basic			41,462,851		37,808,056
Diluted			41,802,742		37,808,056

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

SULLIDEN MINING CAPITAL INC.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Note	For the years ended July 31, 2018	2017
CASH FLOWS FROM:			
Operating activities			
Net income/(loss) for the year before income taxes		$ 13,318,070	$ (4,926,289)
Items not involving cash			
Share-based payments	11	915,144	168,947
Loss from investment in associate	7	1,926,912	389,784
Royalty received from investment in associate		-	(1,256,700)
Realized gain on sale of investments	5, 7	(442,455)	(3,114,573)
Unrealized loss on investment	5	3,415,238	4,125,896
Gain on disposition of Troilus project		(23,614,336)	-
Interest and arrangement fees earned		(40,690)	(22,023)
Foreign exchange loss		149,119	4,014
		(4,372,998)	(4,630,944)
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		(86,375)	148,169
Accounts payable and accrued liabilities		(493,619)	1,154,054
		(579,994)	1,302,223
Cash flows used in operating activities		(4,952,992)	(3,328,721)
Financing activities			
Private placement proceeds		-	1,150,000
Share issue costs		-	(12,216)
Payment for restricted share units		(228,986)	(322,155)
Cash flows from financing activities		(228,986)	815,629
Investing activities			
Purchase of investments		(3,900,694)	(6,124,366)
Proceeds from sale of investments	5	8,658,806	7,658,222
Royalty received from investment in associate		-	1,256,700
Loans issued		-	(550,717)
Loans repayment		-	532,464
Interest and arrangement fees received		-	74,018
Expenditures on exploration and evaluation assets	8	(166,348)	(631,349)
Change in exploration and evaluation payables		(3,993)	3,993
Cash flows from investing activities		4,587,771	2,218,965
Net change in cash and cash equivalents		(594,207)	(294,127)
Cash and cash equivalents, beginning of the year		1,023,175	1,317,302
Cash and cash equivalents, end of the year		$ 428,968	$ 1,023,175
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash		$ 428,968	$ 973,175
Cash equivalents		-	50,000
		$ 428,968	$ 1,023,175

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

SULLIDEN MINING CAPITAL INC.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Note	Number of Shares		Share Capital		Share purchase warrant reserve		Share-based payment reserve		Accumulated other comprehensive (loss)/income		Deficit		Total Shareholders' equity
Balance as at July 31, 2017		41,462,851	$	27,362,833	$	783,195	$	468,006	$	(131,799)	$	(8,069,252)	$	20,412,983
Share-based compensation	11	-		-		-		843,980		-		-		843,980
Purchase of restricted share units	11	-		-		-		(228,986)		-		-		(228,986)
Other comprehensive income - associate	7	-		-		-		-		128,398		-		128,398
Net income for the year		-		-		-		-		-		13,318,070		13,318,070
Balance as at July 31, 2018		**41,462,851**	**$**	**27,362,833**	**$**	**783,195**	**$**	**1,083,000**	**$**	**(3,401)**	**$**	**5,248,818**	**$**	**34,474,445**
Balance as at July 31, 2016		36,862,851	$	26,540,163	$	468,081	$	570,408	$	47,615	$	(3,142,963)	$	24,483,304
Private placement financing		4,600,000		834,886		315,114		-		-		-		1,150,000
Cost of issue		-		(12,216)		-		-		-		-		(12,216)
Share-based compensation		-		-		-		219,753		-		-		219,753
Purchase of restricted share units		-		-		-		(322,155)		-		-		(322,155)
Other comprehensive loss - associate	7	-		-		-		-		(179,414)		-		(179,414)
Net loss for the year		-		-		-		-		-		(4,926,289)		(4,926,289)
Balance as at July 31, 2017		**41,462,851**	**$**	**27,362,833**	**$**	**783,195**	**$**	**468,006**	**$**	**(131,799)**	**$**	**(8,069,252)**	**$**	**20,412,983**

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

1. NATURE OF OPERATIONS

Sulliden Mining Capital Inc. ("SMC" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) on June 10, 2014 and was a wholly-owned subsidiary of Sulliden Gold Corporation Ltd. ("Sulliden"). Pursuant to an arrangement between Rio Alto Mining Limited and Sulliden, whereby Rio Alto acquired the shares of Sulliden, shareholders of Sulliden received 0.10 of a common share of the Company. The Company assumed Sulliden's interests in the East Sullivan property in Quebec and was capitalized with $24.76 million in cash.

The head office of the Company is located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5 and the registered office of the Company is located at the same address. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "SMC".

In May 2016, Sulliden Moçambique, Lda, was incorporated in Mozambique, and became a 100% owned subsidiary of the Company. There is currently no activity in this subsidiary. The registered office of this subsidiary is located at Rua Damião de Góis, Numero 371, Maputo Cidade, Moçambique.

In June 2016, a numbered company, 2507868 Ontario Inc. ("2507868"), was incorporated under the *Business Corporations Act* (Ontario) and became a 100% owned subsidiary of the Company. This subsidiary's registered office was located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5. Activity with respect to this subsidiary related to the Troilus project. On December 20, 2017, the Company sold its interest in 2507868 (see Note 8).

The Company owns a 98% interest in the issued and outstanding shares of Daos International Ltd. ("Daos"), a Mauritius company. See Note 4.

2. BASIS OF PRESENTATION

The audited consolidated financial statements of the Company have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting for the year ended July 31, 2018.

The accounting policies as set out below were consistently applied to all the periods presented unless otherwise noted.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on October 26, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of measurement

The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss except for assets held for sale which is measured at fair value less cost of disposal. These annual financial statements are presented in Canadian Dollars, which is the Company's presentation currency.

b) Principles of consolidation

All entities in which the Company has a controlling interest (Note 1) are fully consolidated from the date that control commences until the date that the control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortized cost. Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

d) Fixed income investments

Fixed income investments, consisting of guaranteed investment certificates with maturities at the date of purchase of three months or more, are carried in the statement of financial position at amortized cost.

e) Amounts receivable and other

Amounts receivable and other receivables are amounts that are due from others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as noncurrent assets and discounted accordingly. Accounts receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less any provision for impairment.

f) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

<u>Financial assets and liabilities at fair value through profit and loss</u>

Financial assets and liabilities at fair value through profit and loss are considered to be held for trading. A financial asset or liability classified in this category is acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges. Financial assets and liabilities carried at fair value through profit and loss are initially recognized at fair value and are subsequently re-measured to their fair value at the end of the reporting period. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of operations in the period in which they arise.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. The Company classifies its accounts receivable, other assets and cash and cash equivalents in the statement of financial position, as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

<u>Other financial liabilities</u>

Other financial liabilities 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 the statement of operations over the period to maturity using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial instruments (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is significant or prolonged based on indicators such as significant adverse changes in the market, economic or legal environment.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the investments mature or are sold and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within interest and other income and finance costs, respectively.

g) Investments in associates

An associate is an entity over which the Company has significant influence, but not control, and is neither a subsidiary, nor an interest in a joint venture. Investments in which the Company has the ability to exercise significant influence are accounted for by the equity method. Under this method, the investment is initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the investee as if the investee had been consolidated. The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income ("OCI"), and for accounting changes that relate to periods subsequent to the date of acquisition. Where there is objective evidence that the investment in associates is impaired, the amount of impairment, calculated as the difference between the recoverable amount of the associate and its carrying value, is deducted from the carrying value and recognized as a loss in the statements of operations.

h) Exploration and evaluation assets

Exploration and evaluation assets include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves. Costs incurred before the Company has obtained the legal right to explore an area are recognized in the statement of operations and comprehensive income (loss).

Exploration and evaluation relating to the acquisition of, exploration for and development of mineral properties are capitalized and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; calculation and definition of mineral resource; test work on geology, metallurgy, mining, geotechnical and geophysical; and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Exploration and evaluation assets (continued)

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Capitalized exploration and evaluation assets for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation assets are transferred to mine development costs. Technical feasibility and commercial viability generally coincides with the establishment of proven and probable reserves and/or a decision to commence construction of a mine; however, this determination may be impacted by management's assessment of certain modifying factors including: legal, environmental, social and governmental factors. All subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within mine development costs.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Indicators of impairment include, but are not limited to:

- the period for which the right to explore is less than one year;
- further exploration expenditures are not anticipated;
- a decision to discontinue activities in a specific area; and
- the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that mine development assets are not expected to be recovered, they are charged to operations.

i) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. They are measured at the lower of their carrying value amount and fair value less costs of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the income statement. Once classified as held for sale, non-current assets are no longer amortized. Non-current assets and the assets of a disposal group classified as held for sale are presented separately from the other assets on the statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification. The liabilities of a disposal group classified as held for sale are presented separately from the other liabilities on the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Impairment of property and equipment and mine development assets

Property and equipment and mine development assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying value may not be recoverable. At each reporting date, the Company conducts an internal review of asset values which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future metals prices, trends in production costs, and other market factors are also monitored to assess for indicators of impairment. If any indications of impairment exist, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less costs to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount based on the Company's calculations, then an impairment charge is recorded to the statement of operations and the carrying amount of the asset on the statement of financial position is reduced to its recoverable amount.

Fair value less costs of disposal is determined as the amount that would be recovered from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. Fair value less costs of disposal is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate post-tax discount rate to arrive at a net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development discounted by an appropriate pre-tax discount rate. As such, these assumptions differ from those used in calculating fair value less costs of disposal.

In considering for indicators of impairment and performing impairment calculations, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The estimates of future discounted cash flows are subject to risks and uncertainties, including proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted into proven and probable reserves, future metals prices, discount rates, estimated capital and operating costs and exchange rates.

A previously recognized impairment loss on property and equipment is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in impairment. This reversal is recognized in the statement of operations and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized in prior years.

k) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note (note 11).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of operations and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Share-based payments (continued)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service. For those options that expire after vesting, the recorded value is transferred to retained earnings (deficit).

Restricted Share Units (“RSU”)

RSUs are granted to officers and employees under the terms of the Company's RSU Incentive Plan. The Company recognizes compensation expense equal to the market value of the common shares of the Company at the date of grant based on the number of RSUs expected to vest, recognized over the term of the vesting period using the graded vesting method, with a corresponding credit to share-based payment reserve for equity settled RSUs. The RSUs vest in three equal tranches. Compensation expense is adjusted for subsequent changes in management’s estimate of the number of RSUs that are expected to vest. The effect of these changes is recognized in the period of change. A trustee acting on behalf of the RSU holders purchases shares of the Company from the open market to distribute to RSU holders as compensation. These shares are restricted and reserved in trust for issuances. Upon settlement of equity settled RSUs, any difference between the cost of the shares purchased on the open market and the amount of credited to share-based payment reserve remains in share-based payment reserve.

Deferred Share Units (“DSUs”)

DSUs are granted to the Company’s non-executive directors under the terms of the Company's DSU Incentive Plan. The initial fair value of the DSU compensation liability is calculated at the date of grant based on the Company's share price on grant date. Subsequently, at each reporting date and on settlement, the DSU compensation liability is remeasured, with any change in fair value recorded as compensation expense in the statement of loss and comprehensive loss in the period. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date. The DSUs are settled in cash. The DSUs vest based on the pro-rata number of days each independent director remains a director of the Company until term, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

l) Earnings/loss per share

Earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive.

m) Investment income

Investment income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Investment income is on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Foreign exchange translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year unless the monetary item forms part of the reporting entity's net investment in a foreign operation, in which case, exchange gains or losses are reflected in other comprehensive income.

o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the annual statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and future accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has evaluated the potential impact of the adoption of IFRS 9 and expects the new standard to have no material impact on the measurement of its financial instruments.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is evaluating the impact of the adoption of IFRS 15 and at this time the Company does not anticipate a material impact to the financial statements.

IFRS 16, *Leases* ('IFRS 16") replaces IAS 17, *Leases* ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is evaluating the impact of the adoption of IFRS 16 and at this time the Company does not anticipate a material impact to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in these condensed interim financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Valuation of exploration and evaluation assets - The Company carries its mineral properties at cost less any impairment losses. The Company capitalizes exploration and evaluation costs, which are related to specific projects, until the commercial feasibility of the project is determinable, or the project is determined to be impaired. Costs are charged to operations when a property is abandoned or when impairment in value has been determined. The Company reviews the carrying values of mining properties and related expenditures whenever indicators of impairment exist or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates which are subject to various risks and uncertainties. Estimates may include, but are not limited to estimates of future metal prices, capital and operating costs, the quantities of mineral reserves to be mined and expected recoveries of minerals contained in ore, the ability to convert resources into economically mineable reserves, discount rates and; in the case of fair value less costs of disposal, the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs of disposal the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and exploration and evaluation assets.

- Income taxes and recoverability of potential deferred tax assets - In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments - Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Determination of Significant Influence of Investment in Associates **-** As at July 31, 2018, the Company has classified its investment in Troilus as an associate based on management's judgment that the Company has significant influence through its ownership of 29.6% of the voting rights.

(Expressed in Canadian dollars unless otherwise noted)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Assets and disposal groups held for sale -- As security for default on the loan with APIO Africa Ltd ("APIO"), in June 2016, the Company received 8,169 shares of APIO's subsidiary, Daos, a Mauritius company. As a result, the Company owned an 82% interest in Daos. The Company appointed three members to the board of Daos in June 2016 and controls the board of Daos. In October 2016, Daos issued additional shares to the Company in compensation for costs incurred by the Company related to Daos and the APIO loan. As at July 31, 2018, the Company owns 98% of the issued and outstanding shares of Daos. The Company has been in the process of selling the assets of Daos in order to recoup the defaulted loan. During the year ended July 31, 2018, Daos entered into an agreement to sell its 75% interest in a Mozambique company in exchange for common shares of Global Blockchain Technologies Corp. (the "Bloc shares"). The Company does not expect to receive any proceeds from the sale after Daos settles its liabilities and has valued the Daos assets, including the Bloc Shares, at $nil. The Company has also concluded that there is no constructive obligation on the part of the Company with respect to the Daos liabilities. Estimates are made, assumptions are used and management judgement is exercised in this assessment. These are subject to various risks and uncertainties which may ultimately have an effect on the expected recovery of these assets.

5. INVESTMENTS

As at July 31, 2018, the Company carried investments in certain public resource and other sector companies. These securities are classified as fair value through profit or loss ("FVTPL"). As at July 31, 2018, these securities have an estimated fair value of $12,371,859 (July 31, 2017: $14,693,725) (see Note 15).

Public Issuer	Note	Security description	Cost	Estimated Fair value
Current assets				
Aberdeen International Inc.*		3,751,000 common shares	576,796	468,875
	i.	4,790,000 warrants	221,436	6,227
African Gold Group		11,111,111 common shares	608,365	444,444
	ii.	11,111,111 warrants	391,635	53,333
Aguia Resources Ltd. (Note 7(a))		15,182,660 common shares	3,947,491	2,429,226
	iii.	1,071,429 warrants	84,919	19,393
ARHT Media Inc.		500,000 common shares	164,498	145,000
	iv.	431,818 warrants	347,691	39,332
Black Iron Inc.		6,924,089 common shares	353,204	657,788
Blue Sky Energy Inc.		955,000 common shares	911,770	477,500
Desert Lion Energy Inc.		1,217,000 common shares	243,400	900,580
Emerita Resources Corp.		9,610,000 common shares	663,607	480,500
	v.	1,250,000 warrants	52,839	4,797
Euro Sun Mining*		2,187,825 common shares	1,860,480	1,881,530
Fura Gems Inc.		4,400,000 common shares	1,283,448	1,980,000
Jourdan Resources Inc.		8,000,000 common shares	505,263	680,000
	vi.	4,000,000 warrants	94,737	160,400
Q-Gold Resources Ltd.		2,500,000 common shares	163,043	375,000
	vii.	2,500,000 warrants	86,957	186,000
QMX Gold Corporation		6,017,000 common shares	672,807	631,785
	viii	577,000 warrants	86,325	3,000
Others			890,680	347,149
			$ 14,211,391	$ 12,371,859

* Investments in related party entities –see Note 16.

5. INVESTMENTS (continued)

i. As at July 31, 2018, the Company holds 4,790,000 warrants of Aberdeen International Inc. with each warrant entitling the Company to acquire one common share at a price of $0.30 until November 24, 2019. The warrants were revalued at July 31, 2018 at an estimated value of $6,227 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 41.8%; risk-free interest rate of 2.03% and an expected average life of 1.3 years.

ii. As at July 31, 2018, the Company holds 11,111,111 warrants of African Gold Group where each warrant entitles the Company to acquire one common share of African Gold Group at a price of $0.12 until April 25, 2020. The warrants were revalued at July 31, 2018 at an estimated value of $53,333 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 77.1%; risk-free interest rate of 2.07% and an expected average life of 1.7 years.

iii. On April 12, 2018, the Company acquired 2,142,857 units of Aguia. Each unit comprised one common share of Aguia and one-half of one common share purchase warrant, where each warrant entitles the Company to acquire one common share of Aguia at a price of $0.60 until April 12, 2021. The warrants were revalued at July 31, 2018 at an estimated value of $19,393 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 66%; risk-free interest rate of 2.10% and an expected average life of 2.7 years. See Note 7(a).

iv. On February 1, 2018, the Company acquired 500,000 units of ARHT Media Inc. ("ARHT"). Each unit comprised one common share of ARHT and one-half of one common share purchase warrant, where each warrant entitles the Company to acquire one common share of ARHT at a price of $0.60 until February 1, 2020. The warrants were revalued at July 31, 2018 at an estimated value of $20,350 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 2.03% and an expected average life of 1.5 years. In addition, the Company holds 181,818 warrants of ARHT with each warrant entitling the Company to acquire one common share of ARHT at a price of $0.30, until February 25, 2019. The warrants were revalued at July 31, 2018 at an estimated value of $18,982 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 126%; risk-free interest rate of 1.58% and an expected average life of 0.6 years.

v. On December 20, 2017, the Company acquired 2,500,000 units of Emerita Resources Corp. ("Emerita"). Each unit comprised one common share of Emerita and one-half of one common share purchase warrant, where each warrant entitles the Company to acquire one common share of Emerita at a price of $0.20 until December 20, 2019. The warrants were revalued at July 31, 2018 at an estimated value of $4,797 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 86%; risk-free interest rate of 2.03% and an expected average life of 1.4 years.

vi. On June 12, 2018, the Company acquired 8,000,000 flow-through units of Jourdan Resources Inc. ("Jourdan"). Each unit comprised one flow through common share of Jourdan and one-half of one common share purchase warrant, where each warrant entitles the Company to acquire one common share of Jourdan at a price of $0.10 until June 12, 2020. The warrants were revalued at July 31, 2018 at an estimated value of $160,400 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 99%; risk-free interest rate of 2.07% and an expected average life of 1.9 years.

vii. On July 4, 2018, the Company acquired 2,500,000 units of Q-Gold Resources Ltd. ("Q-Gold"). Each unit comprised one common share of Q-Gold and one common share purchase warrant, where each warrant entitles the Company to acquire one common share of Q-Gold at a price of $0.15 until July 4, 2020. The warrants were revalued at July 31, 2018 at an estimated value of $186,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 94%; risk-free interest rate of 2.07% and an expected average life of 1.9 years.

(Expressed in Canadian dollars unless otherwise noted)

5. INVESTMENTS (continued)

viii. On October 5, 2017, the Company acquired 1,154,000 units of QMX Gold Corporation ("QMX"). Each unit comprised one common share of QMX and one-half of one common share purchase warrant, where each warrant entitles the Company to acquire one common share of QMX at a price of $0.35 until October 5, 2019. The warrants were revalued at July 31, 2018 at an estimated value of $3,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 77%; risk-free interest rate of 1.88% and an expected average life of 1.2 years.

For the year ended July 31, 2018, the Company sold investments for gross proceeds of $6,027,189, incurring commissions of $50,735 and realizing gains on the sale of investments of $445,369. For the year ended July 31, 2017, the Company sold investments for gross proceeds of $6,477,885, incurring commissions of $53,460 and realizing gains on the sale of investments of $4,678,471. As a result of the fair value adjustment to the investments held by the Company at July 31, 2018, an unrealized loss of $3,415,238, was recognized for the year ended July 31, 2018 (year ended July 31, 2017: unrealized loss of $4,125,896).

6. LOAN RECEIVABLE

The Company's loan receivable balances as at July 31, 2018 and 2017 are made up of the following:

Due from:		July 31, 2018		July 31, 2017
ANM Inc.	$	368,987	$	314,075
Balance	$	368,987	$	314,075

In July 2017, the Company entered into a convertible note purchase agreement with ANM Inc., purchasing a non-negotiable convertible promissory note for US$250,000 ($323,875). Unless the note was converted, principal and accrued interest was due to the Company in January 2018. Interest accrued at a rate of 12% per annum. The principal and any accrued interest would convert automatically in the event ANM Inc. consummated an equity financing prior to the maturity date with aggregate proceeds of not less than US$3,000,000. The principal and interest would convert into the number, class and series of securities as those issued by ANM Inc. in their equity financing at a price per share equal to 95% of the price per security for that financing. This note is unsecured.

On May 21, 2018, the convertible note purchase agreement was amended to extend the maturity date to (1) December 28, 2018 or (2) upon change of control of ANM Inc., whichever occurs first (the "Maturity Date"). On May 9, 2018, ANM Inc. had entered into a binding letter of intent with Apogee Opportunities Inc. ("Apogee") whereby ANM Inc. would combine with Apogee and shares of ANM Inc. would be exchanged for common shares of Apogee at an exchange ratio of 1.35 common shares of Apogee for each share of ANM Inc. (the "Business Combination"). According to the terms of the amended note purchase agreement, on closing of the Business Combination, the balance of the loan receivable, including unpaid interest, would automatically convert to the number of shares and warrants of ANM Inc. based on a conversion price equal to 60% of the purchase price of a unit of the resulting combined entity in a proposed equity financing, which was expected to be $0.40 per unit, multiplied by the exchange ratio of 1.35. The closing of the Business Combination was subject to a number of closing conditions and receipt of all necessary regulatory approvals and third-party consents and approvals. See Note 19.

An amount of $40,690 was accrued in interest for the year ended July 31, 2018 (July 31, 2017 - $1,950), and the Company recognized a foreign exchange gain of $14,222 during the year ended July 31, 2018 (July 31, 2017 – loss of $11,750).

(Expressed in Canadian dollars unless otherwise noted)

7. INVESTMENT IN ASSOCIATES

a) Aguia Resources Ltd. ("Aguia")

As at July 31, 2018, the Company owns 15,182,660 shares of Aguia, representing an 11.6% interest in Aguia. Aguia is incorporated in Australia and listed on both the ASX and TSX-V. Aguia's primary focus is on the exploration and development of large scale phosphate and potash projects in Brazil. During the year ended July 31, 2018, the Company sold some shares of Aguia for proceeds of $1,482,353, recognizing a loss on sale of investments of $2,914. The Company also reacquired shares in Aguia during the year ended July 31, 2018.

On April 12, 2018, Aguia closed a private placement financing. On this date management re-assessed the level of influence that the Company had with respect to Aguia and determined that it no longer had significant influence as the former President and CEO of the Company and current Executive Chairman of the Board of Aguia, Justin Reid, is no longer involved with the Company. As a result, the Company recorded a fair value adjustment of $154,544 upon recognition of its retained interest in Aguia as a financial asset (See Note 5). In addition, $160,037 previously recognised in other comprehensive income (loss) has been reclassified to foreign exchange gain(loss) in the consolidated statement of operations and comprehensive income/(loss).

July 31, 2016	$	4,569,754
Acquisition of 3,871,951 shares at cost		1,908,311
Sale of 2,646,841 shares at cost		(1,139,062)
Proportionate share of net loss		(670,835)
Gain on dilution of interest		281,051
Proportionate share of other comprehensive loss		(171,247)
July 31, 2017	$	4,777,972
Acquisition of 3,239,858 shares at cost		1,172,969
Sale of 3,515,088 shares at cost		(1,485,267)
Proportionate share of net loss		(242,315)
Proportionate share of other comprehensive income		(36,405)
Fair value adjustment to April 12, 2018		(154,544)
Recognition of financial asset (Note 5)		(4,032,410)
July 31, 2018	$	-

The Company recorded an equity loss of $242,315 for the year ended July 31, 2018 (year ended July 31, 2017: $670,835) which represents the proportionate share of Aguia's net loss through the nine months ended March 31, 2018. Aguia has a June fiscal year end and it is impractical to prepare financial statements to April 12, 2018, the date of recognition as a financial asset, as Aguia is a listed entity. It is expected that the difference in reporting dates is immaterial.

7. INVESTMENT IN ASSOCIATE (continued)

a) Aguia Resources Ltd. ("Aguia") (continued)

The following is a summary of the consolidated financial information of Aguia on a 100% basis for the nine months ended March 31, 2018 and the year ended June 30, 2017. These amounts are presented in Canadian dollars.

	Nine months ended March 31, 2018	Twelve months ended June 30, 2017
Net loss	(2,087,751)	(2,874,183)
Proportionate share of net loss adjusted for impairment	(242,315)	(485,679)
Other comprehensive (loss)/income	(343,254)	(95,737)
Proportionate share of other comprehensive (loss)/income	(36,405)	(16,918)
Total comprehensive loss	(2,431,005)	(2,969,920)
Proportionate share of total comprehensive loss	(278,720)	(502,597)

b) Troilus Gold Corporation ("Troilus")

As at July 31, 2018, the Company owns a 29.6% interest in Troilus. Troilus was formerly named Pitchblack Resources Ltd. ("Pitchblack") and listed on the TSX Venture Exchanged ("TSX-V"). Troilus's primary focus is the mineral expansion and potential mine re-start at the former gold and copper Troilus Mine.

On December 20, 2017, the Company received, as consideration in respect of the sale of 2507868 Ontario Inc. ("2507868"), 15,000,000 shares of Troilus (See Note 8), representing at that date a 36% shareholding interest in Troilus. As a result of this acquisition, management re-assessed the level of influence that the Company has with respect to Troilus and determined that from that date the Company has significant influence. On this basis, the investment, which had been accounted for as FVTPL on the statement of financial position prior to December 20, 2017, is now considered an associate and is accounted for using the equity method. The investment qualifies for this accounting treatment as SMC is considered to have significant influence because of its share ownership of 29.6% in Troilus Gold Corp. (as at July 31, 2018), and 29.6% ownership of voting rights. In addition, Pierre Pettigrew, a director of the Company, is a director of Troilus. The Company's interest in Troilus dropped since acquisition as a result of a Troilus financing in June 2018 which diluted the Company's position. As a result of this dilution, the Company recognized a gain on dilution of $1,924,495 during the year ended July 31, 2018.

During the year ended July 31, 2018, the Company disposed of some shares of Troilus for proceeds of $1,199,999, recognizing a gain on sale of investments of $nil.

7. INVESTMENT IN ASSOCIATE (continued)

b) Troilus Gold Corporation ("Troilus") (continued)

July 31, 2017	$	-
Acquisition of 150,000 shares at cost		60,000
Fair market valuation adjustment to December 20, 2017		186,000
Acquisition of 15,000,000 shares at fair value of consideration received (see Note 8)		24,600,000
Acquisition of 25,000 shares at cost		45,685
Disposition of 731,707 shares at cost		(1,199,999)
Gain on dilution of interest		1,924,495
Proportionate share of net loss		(3,609,092)
July 31, 2018	$	22,007,089
Fair market value of 14,443,293 shares at July 31, 2018	$	18,054,116

The Company is not exposed to any additional losses beyond its initial investment amount. No dividends or cash distributions were received by the Company from the associate during the period.

The Company recorded an equity loss of $3,609,092 for the from December 20, 2017 to July 31, 2018 which represents the proportionate share of Troilus's net loss through the year ended July 31, 2018. The Company's proportionate share of the Troilus net loss has been adjusted to reflect the difference in accounting policy related to exploration and evaluation expenditures. The Company has a policy of capitalizing exploration and evaluation expenditures, whereas Troilus expenses these expenditures as incurred. The Company and Troilus have the same fiscal year end of July 31 and the same reporting periods.

The following is a summary of the consolidated financial information of Troilus on a 100% basis as at July 31, 2018, which is the most recent publicly available information for Troilus. These amounts are presented in Canadian dollars.

		Year ended July 31, 2018
Cash	$	20,236,630
Total current assets		22,697,031
Total non-current assets		5,001,301
Total current liabilities		3,055,733
Total non-current liabilities		10,527,299

	Year ended July 31, 2018
Net loss	30,431,070
Proportionate share of net loss	(3,609,092)

(Expressed in Canadian dollars unless otherwise noted)

8. EXPLORATION AND EVALUATION ASSETS

	East Sullivan project	Troilus project	TOTAL
Balance as at July 31, 2016	$ 140,492	$ 188,898	$ 329,390
Capitalized expenditures for the year	-	501,717	501,717
Property acquisition and maintenance costs	653	128,979	129,632
Balance as at July 31, 2017	$ 141,145	$ 819,594	$ 960,739
Capitalized expenditures for the period	278	165,850	166,128
Property acquisition and maintenance costs	-	220	220
Disposition		(985,664)	(985,664)
Balance as at July 31, 2018	$ 141,423	$ -	$ 141,423

The East Sullivan property consists of 13 staked claim units referred to as the East Sullivan Property near Val D'Or Quebec. All claims are contiguous and 100% owned by the Company. The Company is maintaining these claims in good standing.

On May 2, 2016, the Company, through its subsidiary 2507868, entered into an option agreement with First Quantum Minerals Ltd. ("First Quantum") to acquire the past-producing Troilus mine, located in the Abitibi mining region of Quebec. Pursuant to the agreement, the Company would hold a two-year option to purchase a 100% interest in the Troilus project. To exercise the option, a minimum of $1,000,000 must be spent on engineering and technical studies to evaluate the economic viability of the project. Upon signing, an initial cash payment of $100,000 was made to First Quantum. An additional cash payment of $100,000 was made May 2, 2017 and a final cash payment of $100,000 is due on the date of exercise of the option. Additionally, a variable Net Smelter Royalty of 1.5% or 2.5% depending on the gold price being more or less than US$1,250/ounce during the reference period would be granted to First Quantum. The Company, through 2507868, also entered into an option agreement with 251 Ontario Ltd. ("251") in 2016 whereby 251 would be able to acquire 40% of the Troilus project.

In June 2017 and amended in September 2017 and October 2017, the Company entered into an agreement with Pitchblack Resources Ltd. ("Pitchblack") to sell the outstanding equity securities of 2507868, which holds the option agreement to acquire the Troilus project. According to the agreement the sale would be completed through the amalgamation of 2507868, 251 and a subsidiary of Pitchblack.

In November 2017, the Company's subsidiary, 2507868, completed a bought deal private placement offering selling an aggregate of 14,030,000 subscription receipts at a price of $1.64 per subscription receipt for aggregate gross proceeds of $23,009,200. Each subscription receipt entitled the holder to receive one common share of 2507868 and one common share purchase warrant upon satisfaction of the escrow release conditions. Each warrant entitled the holder to acquire one common share of 2507868, subject to standard adjustment provisions, at a price of $2.50 per share for a period of 36 months from the date of closing. The gross proceeds were held in escrow pending the satisfaction of certain escrow release conditions, including the completion of the amalgamation of 2507868, 251 and a subsidiary of Pitchblack, and the ultimate acquisition of the Troilus project by Pitchblack. Pitchblack consolidated their shares on a 4 to 1 basis concurrently with the completion of this transaction. On December 20, 2017, the Company announced that the escrow release conditions had been met and the subscription receipts were released to Pitchblack, and 2507868's shares and warrants issued upon the conversion of the subscription receipts were exchanged for Pitchblack common shares and warrants, on a post consolidation basis. In connection with the Transaction, Pitchblack changed its corporate name and brand identity to Troilus Gold Corp. ("Troilus").

(Expressed in Canadian dollars unless otherwise noted)

8. EXPLORATION AND EVALUATION ASSETS (continued)

On December 20, 2017, in exchange for the sale of 2507868 and its interest in the Troilus project, the Company received 15,000,000 shares of Troilus (formerly Pitchblack), on a post consolidation basis, with a fair market value of $24,600,000 resulting in a gain on disposition of 2507868 and the Troilus project of $23,614,336. As at December 20, 2017, the 15,000,000 shares represented approximately 36% of the issued and outstanding shares of Troilus. See Note 7.

9. SHARE CAPITAL

As at July 31, 2018, the Company's authorized number of common shares was unlimited without par value.

In May 2017, the Company completed a private placement financing, issuing 4,600,000 units of the Company for gross proceeds of $1,150,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.35 until May 17, 2019. The Company paid $12,216 in fees related to this financing.

10. SHARE PURCHASE WARRANT RESERVE

There was no change in warrants during the year ended July 31, 2018.

The following table summarizes the warrants outstanding as at July 31, 2018:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Value ($)	Weighted Average Remaining Contractual Life (years)
$ 0.50	November 24, 2019	2,499,979	2,499,979	468,081	1.32
$ 0.35	May 17, 2019	4,600,000	4,600,000	315,114	0.79
		7,099,979	7,099,979	783,195	0.98

11. SHARE-BASED PAYMENT RESERVE

	Share Purchase Options	Restricted Share Units	Total Reserve
Balance as at July 31, 2016	$ 612,163	$ (41,755)	$ 570,408
Share-based payments allocated to:			
Expenses	-	219,753	219,753
Purchase of restricted share units	-	(322,155)	(322,155)
Balance as at July 31, 2017	$ 612,163	$ (144,157)	$ 468,006
Share-based payments allocated to:			
Expenses	215,678	628,302	843,980
Purchase of restricted share units	-	(228,986)	(228,986)
Balance as at July 31, 2018	$ 827,841	$ 255,159	$ 1,083,000

(Expressed in Canadian dollars unless otherwise noted)

11. SHARE-BASED PAYMENT RESERVE (continued)

The share-based payments recorded on the consolidated statements of operations and comprehensive loss for the years ended July 31, 2018 and 2017 are presented in detail below.

Share-based payments	**Years ended July 2018**	**2017**
Share purchase options	$ 215,678	$ -
Restricted share units	628,302	219,753
Deferred share units	71,164	(50,806)
	$ 915,144	$ 168,947

The change in share purchase options during the period presented was as follows:

	Number of options	Weighted average exercise price	Value
Balance as at July 31, 2016	3,180,305	$0.37	$ 612,163
Expired	(376,900)	$0.58	-
Balance as at July 31, 2017	2,803,405	$0.35	$ 612,163
Granted	935,000	$0.35	215,678
Expired	(271,805)	$0.34	-
Balance as at July 31, 2018	3,466,600	$0.35	$ 827,841

The following table summarizes information on share purchase options outstanding as at July 31, 2018:

Exercise Price	**Expiry Date**	**Number Outstanding**	**Number Exercisable**	**Weighted Average Remaining Contractual Life**
$0.39	September 12, 2018	235,600	235,600	0.12
$0.46	September 17, 2019	1,001,000	1,001,000	1.13
$0.25	March 30, 2020	50,000	50,000	1.67
$0.24	January 5, 2021	200,000	200,000	2.44
$0.25	February 1, 2021	1,045,000	1,045,000	2.51
$0.35	December 12, 2022	915,000	915,000	4.37
$0.44	January 16, 2023	20,000	20,000	4.47
	Total	3,466,600	3,466,600	2.43

During the year ended July 31, 2018, 935,000 stock options were granted to directors, officers, employees and consultants of the Company. Stock-based compensation expense recognized related to these stock option grants was $215,678 for the year ended July 31, 2018 (July 31, 2017: $nil). The Company uses the Black-Scholes option pricing model to estimate the value of stock options granted.

(Expressed in Canadian dollars unless otherwise noted)

11. SHARE-BASED PAYMENT RESERVE (continued)

Date of Grant	Expiry	Share Purchase Options Granted	Exercise Price	Expected Volatility	Risk Free Interest Rate	Fair value at grant date
December 12, 2017	December 12, 2022	915,000	$ 0.35	84%	1.68%	$ 209,718
January 16, 2018	January 16, 2023	20,000	$ 0.44	87%	1.99%	$ 5,960
Total		935,000				$ 215,678

Restricted Share Unit and Deferred Share Unit Incentive Plans

On September 17, 2014, the Company adopted a Restricted Share Unit ("RSU") Incentive Plan and a Deferred Share Unit ("DSU") Incentive Plan.

On January 5, 2016, the Company granted and issued an aggregate of 500,000 RSUs to an officer of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 500,000 RSUs vest in three equal tranches, on each of January 5, 2017, January 5, 2018 and January 5, 2019. The fair value of these RSUs was determined to be $0.26 per unit on the date of grant.

On January 13, 2016, the Company granted and issued an aggregate of 875,000 RSUs to officers and employees of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 875,000 RSUs vested in three equal tranches, on each of February 1, 2016, February 1, 2017 and February 1, 2018. The fair value of these RSUs was determined to be $0.23 per unit on the date of grant.

On December 12, 2017, the Company granted and issued an aggregate of 2,945,000 RSUs to officers and employees of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 2,945,000 RSUs vest in three equal tranches, on each of June 1, 2018, February 1, 2019 and February 1, 2020. The fair value of these RSUs was determined to be $0.32 per unit on the date of grant.

On January 15, 2018, the Company granted and issued an aggregate of 25,000 RSUs to an employee of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 25,000 RSUs vest in three equal tranches, on each of June 1, 2018, February 1, 2019 and February 1, 2020. The fair value of these RSUs was determined to be $0.435 per unit on the date of grant.

During the year ended July 31, 2018, the Company granted 200,000 DSUs to the Company's independent directors. As at July 31, 2018, the Company has 1,100,000 DSUs outstanding. Each DSU entitles the holder to receive a cash payment equal to the market price of one common share of the Company upon ceasing to hold office. 966,667 DSUs that are currently issued are fully vested and 133,333 DSUs that are currently issued vest based on the pro-rata number of days each independent director remains a director of the Company until February 1, 2020, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

As at July 31, 2018, 1,023,404 DSUs related to current directors have vested and entitle the holders, upon ceasing to hold office, to receive a cash payment of $266,085 equal to an average market price of $0.26 for each DSU. This amount is recorded as a liability on the consolidated statements of financial position.

(Expressed in Canadian dollars unless otherwise noted)

11. SHARE-BASED PAYMENT RESERVE (continued)

Restricted Share Unit and Deferred Share Unit Incentive Plans (continued)

Details of RSUs and DSUs granted and outstanding are summarized in the table below and reflect the number of RSUs and DSUs that may vest based on conditions existing as at July 31, 2018:

	RSU		DSU			
	Non-vested	**Vested**	**Non-vested**	**Forfeited**	**Paid**	**Vested**
Balance as at July 31, 2016	2,083,334	2,291,666	283,577	218,002	31,998	616,423
Activity during the period:						
RSUs vesting from previous grant	(1,458,334)	1,458,334	-	-	-	-
DSUs vesting from previous grant	-	-	(213,021)	-	-	213,021
Balance as at July 31, 2017	625,000	3,750,000	70,556	218,002	31,998	829,444
Activity during the period:						
RSUs granted	2,970,000	-	-	-	-	-
DSUs granted	-	-	200,000	-	-	-
RSUs vesting from previous grant	(1,448,333)	1,448,333	-	-	-	-
DSUs vesting from previous grant	-	-	(193,960)	-	-	193,960
Balance as at July 31, 2018	2,146,667	5,198,333	76,596	218,002	31,998	1,023,404

During the year ended July 31, 2018, the Company re-purchased 489,996 shares of the Company from the market for a total cost of $228,986 net of commissions to cover the RSU obligations.

Upon vesting, the Company is obligated to deliver to the holders of the RSUs 166,667 common shares of the Company on January 5, 2019 and 990,000 common shares of the Company on each of June 1, 2018, February 1, 2019 and February 1, 2020. At July 31, 2018, shares had not been issued for 958,335 of the 990,000 RSUs that vested on June 1, 2018.

For the year ended July 31, 2018, share-based compensation expense of $628,302 was recognized for the RSUs (July 31, 2017: $219,753) and $71,164 was recognized for the DSU incentive plan (July 31, 2017: ($50,806)).

12. PROFESSIONAL, CONSULTING AND MANAGEMENT FEES

	Years ended July 31, 2018	2017
Salaries and benefits	760,125	$ 2,092,400
Directors fees	100,000	88,542
Consulting fees	2,281,903	1,145,538
Legal, audit and professional fees	625,599	575,859
	3,767,627	$ 3,902,339

(Expressed in Canadian dollars unless otherwise noted)

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended July 31, 2018	2017
General and office	$ 226,417	$ 282,430
Shareholder communication	152,023	184,520
Travel and accommodation	254,799	213,318
	$ 633,239	$ 680,268

14. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, warrants and share purchase options. The Company manages its capital structure and makes adjustments based on the funds available to support the acquisition, exploration and development of its mineral properties. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain future development of the business.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. The Company and its subsidiaries are not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities at July 31, 2018 and 2017 were as follows:

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
As at July 31, 2018				
Cash	$ 428,968	$	$ -	$ 428,968
Investments	12,371,859	-	-	12,371,859
Loan receivable	-	368,987	-	368,987
Amounts receivable and other	-	90,377	-	90,377
Accounts payable and accrued liabilities	-	-	1,098,418	1,098,418
As at July 31, 2017				
Cash and cash equivalents	$ 1,023,175	$	$ -	$ 1,023,175
Investments	14,693,725	-	-	14,693,725
Loans receivable	-	314,075	-	314,075
Amounts receivable and other	-	156,043	-	156,043
Accounts payable and accrued liabilities	-	-	1,524,865	1,524,865

15. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

- 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; and,
- Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at July 31, 2018 and 2017.

	Level 1	Level 2	Level 3	TOTAL
As at July 31, 2018				
Cash	$ -	$ 428,968	$ -	$ 428,968
Investments	11,856,122	515,737	-	12,371,859
As at July 31, 2017				
Cash and cash equivalents	$ -	$ 1,023,175	$ -	$ 1,023,175
Investments	12,361,110	2,332,615	-	14,693,725

The carrying value of cash and cash equivalents, loan receivable, amounts receivable and other, and accounts payable and accrued liabilities reflected in the condensed interim statement of financial position approximate fair value because of the relatively short-term maturities.

Interest rate risk

Loans receivable bear interest at fixed rates. All other financial assets are non-interest bearing. A 1% increase in interest rates, based on the balance of cash, cash equivalents and fixed income investments at July 31, 2018, would result in an increase in annual interest income of approximately $4,290. All liabilities as at July 31, 2018 are non-interest bearing.

Foreign currency risk

The Company operates in Canada and its functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has acquired some investments, including its investment in an associate, which are denominated in foreign currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, loans receivable and amounts receivable. The Company has no significant concentration of credit risk arising from operations.

Cash and cash equivalents are held in financial institutions from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist primarily of goods and services tax and harmonized sales tax due from the Federal Government of Canada.

(Expressed in Canadian dollars unless otherwise noted)

15. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

As at July 31, 2018, the Company had net working capital of $12,325,933, which included cash and cash equivalents of $428,968, investments of $12,371,859, loan receivable of $368,987 and amounts receivable and prepaid expenses of $254,537 offset by current liabilities of $1,098,418. The Company expects to rely on its existing net working capital to finance its ongoing planned activities.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodities prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Securities price risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as fair value through profit and loss where price volatility is reflected in earnings.

16. RELATED PARTY DISCLOSURES

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

Related party balances

The Company shares office space, resources and certain services with other corporations. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee. For the year ended July 31, 2018, the Company was charged $300,000 for these services (July 31, 2017: $325,000). As well, the Company was charged an additional $9,728 by 2227929 Ontario Inc. for other services (July 31, 2017: $93,429).

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel were as follows:

	Years ended July 31,	
	2018	2017
Management salaries and fees	$ 2,473,344	$ 1,276,284
Directors fees	100,000	88,542
Share-based payments	743,320	33,744
	$ 3,316,664	$ 1,398,570

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

(Expressed in Canadian dollars unless otherwise noted)

16. RELATED PARTY DISCLOSURES (continued)

As at July 31, 2018, the Company holds investments in certain public resource and other sector companies that are related party entities, related by virtue of the relationship with common directors and officers.

Public Issuer		Security description	Cost	Estimated Fair value
Aberdeen International Inc.	i.	3,751,000 common shares and 4,790,000 warrants	798,232	475,102
Euro Sun Mining (formerly Carpathian Gold Inc.)	ii.	2,187,825 common shares	1,860,480	1,881,530
			$ 2,658,712	$ 2,356,632

i. The Company's executive chairman, Stan Bharti, serves as director of this company.
ii. The Company's executive chairman, Stan Bharti, serves as director of this company. The Company's former executive director and senior vice president, Peter Tagliamonte and the Company's former CEO, Justin Reid, serve as directors of this company.

Public Issuer	Security description	Cost	Carrying value
Troilus Gold Corporaton	14,443,293 common shares	$23,505,686	$ 22,007,089

The Company's investment in associate, Troilus, is a related party by virtue of common director, Pierre Pettigrew.

17. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $375,000 (as at July 31, 2017 - $1,314,000) and additional contingent payments of approximately $3,150,000 (as at July 31, 2017 - $8,120,000) upon the occurrence of a change of control. As the likelihood of a change of control is not determinable, the contingent payments have not been reflected in these condensed interim financial statements.

The Company is obligated to deliver common shares of the Company to the holders of RSUs granted under the terms of its RSU Plan. See Note 11.

The Company is currently involved in a litigation proceeding with APIO Africa Ltd. ("APIO") whereby APIO is challenging the Company's actions with respect to the transfer of the DAOS shares. APIO is seeking monetary compensation. A reliable estimate of the amount of the claim cannot be made at this time given the early stages of the claim. The probability of the outcome is also uncertain. The Company is vigilantly defending its actions with respect to these claims.

(Expressed in Canadian dollars unless otherwise noted)

18. INCOME TAX

a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2017: 26.5%) were as follows:

	For the year ended July 31, 2018	For the year ended July 31, 2017
Income/(loss) before income taxes	$ 13,318,070	$ (4,478,654)
Statutory rate	26.50%	26.50%
Expected income tax expense/(recovery)	3,529,289	(1,186,843)
Adjustments to expected income tax recovery:		
Share-based payments	242,513	48,079
Non-deductible expenses	1,727	1,262,009
Change in tax benefit not recognized	(3,773,529)	(123,245)
Total	$ -	$ -

b) Deferred income tax balances

The following table summarizes the components of deferred income tax:

	For the year ended July 31, 2018	For the year ended July 31, 2017
Deferred income tax assets and (liabilities):		
Capital and non-capital tax losses carried forward	2,485,029	1,520,957
Share issue costs	2,643	119
Investments	631,937	45,675
Investment in associates	(2,909,886)	-
Mineral property	1,103,957	-
Others	305,410	1,444,910
Net deferred income tax assets and (liabilities)	1,619,090	3,011,661
Unrecognized deferred tax assets	(1,619,090)	(3,011,661)
Deferred income tax assets (liability)	$ -	$ -

19. SUBSEQUENT EVENTS

On September 12, 2018, 235,600 options with exercise prices of $0.39 expired, unexercised.

On September 28, 2018, the Company's loan receivable from ANM Inc. was converted to 1,556,316 shares and warrants of Halo Labs Inc. (formerly Apogee) ("Halo") as a result of the close of the Business Combination described in Note 6. The Business Combination was completed by way of a reverse triangular merger between Apogee Opportunities (USA) Inc. and ANM Inc., following which the merged company became a wholly-owned subsidiary of Halo. Halo shares commenced trading on the NEO Exchange on October 3, 2018.