EnGold

ENVIRONMENT. ENGAGEMENT. GOLD.

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

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Independent Auditor's Report

To the Shareholders of EnGold Mines Ltd.

We have audited the accompanying financial statements of EnGold Mines Ltd., which comprise the statements of financial position as at September 30, 2018 and 2017 and the statements of comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of EnGold Mines Ltd. as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company has not yet achieved profitable operations and has an accumulated deficit of $51,189,030. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants

Vancouver, British Columbia
December 18, 2018

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EnGold Mines Ltd.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at		September 30, 2018		September 30, 2017
ASSETS				
Current				
Cash	$	219,754	$	1,570,640
Receivables (Note 12c)		35,335		104,160
Prepaid expenses		31,285		58,550
Total current assets		286,374		1,733,350
Reclamation deposits (Note 4)		147,000		147,000
Other assets		1,008		1,008
Restricted Cash (Note 5)		11,500		-
Property and equipment (Note 6)		48,349		24,811
Mineral properties (Note 7)		2,572,409		2,488,909
Total assets	$	3,066,640	$	4,395,078
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 10)	$	146,102	$	484,375
Other liabilities (Note 9)		23,034		-
Total current liabilities		169,136		484,375
Shareholders' equity				
Share capital (Note 9)		40,695,116		39,409,175
Reserves (Note 9)		13,391,418		12,780,694
Deficit		(51,189,030)		(48,279,166)
Total shareholders' equity		2,897,504		3,910,703
Total liabilities and shareholders' equity	$	3,066,640	$	4,395,078

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 11)

Approved and authorized by the Board of Directors on December 17, 2018:

"Robert Gordon" Director
Robert Gordon

"David Brett" Director
David Brett

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

EnGold Mines Ltd.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the year ended September 30		2018		2017
EXPENSES				
Depreciation (Note 6)	$	12,088	$	6,466
Exploration and evaluation expenditures (Notes 8 and 10)		1,745,658		2,627,057
Filing and regulatory		39,777		49,745
Insurance		26,611		12,269
Office and other		75,409		47,822
Management, salaries and consulting (Note 10)		261,708		261,352
Professional fees		160,361		243,366
Share-based payments (Note 9)		592,959		484,137
Shareholder communications		96,358		33,462
Travel and promotion		37,257		2,775
Loss before other items and taxes		(3,048,186)		(3,768,451)
OTHER ITEMS				
Gain on extinguishment of debt		17,986		-
Other income (Note 9)		120,336		572,326
Loss and comprehensive loss for the year	$	(2,909,864)	$	(3,196,125)
Basic and diluted loss per common share	$	(0.01)	$	(0.02)
Weighted average number of common shares outstanding		196,323,177		180,537,127

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

EnGold Mines Ltd.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the year-ended ended September 30		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(2,909,864)	$	(3,196,125)
Non-cash items:				
Depreciation		12,088		6,466
Gain on extinguishment of debt		(17,986)		-
Other income		(120,336)		(572,326)
Share-based payments		592,959		484,137
Changes in non-cash working capital items:				
Receivables		68,825		(36,024)
Prepaid expenses		27,265		(30,421)
Accounts payable and accrued liabilities		(320,287)		183,160
Net cash used in operating activities		(2,667,336)		(3,161,133)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of exploration and evaluation asset		(10,000)		-
Purchase of property, plant and equipment		(35,626)		-
Proceeds from sale of equipment		-		1,050
Net cash (used in) provided by investing activities		(45,626)		1,050
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issuances (Note 9)		1,061,100		3,500,000
Exercise of stock options		-		410,000
Exercise of warrants		498,741		1,004,933
Repayment of loan from related party (Note 10)		-		(52,500)
Transfer to restricted cash (Note 5)		(11,500)		-
Share issuance costs		(186,265)		(246,536)
Net cash provided by financing activities		1,362,076		4,615,897
Change in cash during the period		(1,350,886)		1,455,814
Cash, beginning of period		1,570,640		114,826
Cash, end of period	$	219,754	$	1,570,640
Supplemental cash flow information:				
Broker warrants issued as share issuance costs	$	30,082	$	181,987
Shares issued for exploration and evaluation asset	$	73,500	$	-
Fair value of warrants exercised	$	12,317	$	-
Flow-through premium liability recognized	$	143,370	$	550,000

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

EnGold Mines Ltd.
STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
Balance, September 30, 2016	162,081,542	$ 35,276,401	$ 12,310,934	$ (45,083,041)	$ 2,504,294
Private placements	2,204,000	110,200	-	-	110,200
Private placements – flow through	13,640,000	3,389,800	-	-	3,389,800
Share issuance costs – cash	-	(246,536)	-	-	(246,536)
Share issuance costs – warrants	-	(181,987)	181,987	-	-
Flow-through premium liability	-	(550,000)	-	-	(550,000)
Exercise of stock options	5,604,000	606,364	(196,364)	-	410,000
Exercise of warrants	10,243,334	1,004,933	-	-	1,004,933
Share-based payments	-	-	484,137	-	484,137
Loss for the period	-	-	-	(3,196,125)	(3,196,125)
Balance, September 30, 2017	193,772,876	39,409,175	12,780,694	(48,279,166)	3,910,703
Private placements	270,000	70,200	-	-	70,200
Private placements – flow through	3,428,000	990,900	-	-	990,900
Share issuance costs – cash	-	(186,265)	-	-	(186,265)
Share issuance costs – warrants	-	(30,082)	30,082	-	-
Flow-through premium liability	-	(143,370)	-	-	(143,370)
Exercise of warrants	5,302,586	511,058	(12,317)	-	498,741
Shares issued for exploration and evaluation asset	350,000	73,500	-	-	73,500
Share-based compensation	-	-	592,959	-	592,959
Loss for the period	-	-	-	(2,909,864)	(2,909,864)
Balance, September 30, 2018	203,123,462	$ 40,695,116	$ 13,391,418	$ (51,189,030)	$ 2,897,504

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

1. NATURE OF OPERATIONS AND THE ABILITY TO CONTINUE AS A GOING CONCERN

EnGold Mines Ltd. (the "Company") was incorporated in British Columbia under the Business Corporations Act. The Company is in the business of exploring for and evaluating economically viable mineral properties in Canada.

The Company's registered and records office is 725 Granville Street, Pacific Centre, Suite 400, Vancouver, BC V7Y 1G5.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. For the year ended September 30, 2018, the Company incurred a loss of $2,909,864, has an accumulated deficit of $51,189,030 and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at securing additional funding, however, there is no assurance that such plans will be successful and if so, that the funding will be provided on terms acceptable to the Company.

If the Company is unable to obtain adequate additional financing and the continued support of related parties, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

2. BASIS OF PREPARATION *(cont'd…)*

Use of Estimates and Judgments

Critical accounting estimates

i. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Critical accounting judgments

i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

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

iii. The estimate for contingencies and settlement provisions require management to make judgments as to the likelihood of outcomes and estimates of the timing and the possible outflow of economic benefits.

iv. The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and stock options are classified as equity instruments.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use or abandonment. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property and Equipment

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not amortized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the operations during the financial period in which they are incurred.

Major Maintenance and Repairs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in operations as incurred.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in statement of comprehensive income (loss).

Depreciation

Depreciation is recognized in operations and is recognized at the following rates over the assets economic useful life:

Field equipment	20%
Vehicles	20%
Office furniture and equipment	20%
Computer equipment	33%
Computer software	50%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. The premium is recognized as other income and the related deferred tax is recognized as a tax provision as and when qualifying flow-through expenditures are incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures within a two-year period in accordance with Government of Canada flow-through share regulations.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through share regulations. When applicable, this tax is accrued as a financial expense until paid.

Exploration and evaluation licenses

All direct costs related to the acquisition of mineral property interests (Mineral properties) are capitalized into intangible assets on a property by property basis. License costs paid in connection with a right to explore in an exploration area, for a period in excess of one year, are capitalized and amortized over the term of the license.

Exploration and evaluation expenditures

Exploration costs, net of incidental revenues, are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into mineral properties. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

The Company may be entitled to certain refundable tax credits on qualified exploration expenditures incurred in the province of British Columbia ("BC"). The provincial government of BC provides for a refundable tax on net qualified mining exploration expenditures incurred in BC by companies resident in BC. Management has estimated and accrued the likely refundable amount arising from expenses incurred in the current year. The determination of the expenditures which would qualify as mining exploration expenses was based on the previous years' tax filings and subsequent reviews by government auditors.

The refundable tax credit rate based on qualified expenditures incurred is 20% in British Columbia. In accordance with IAS 20, any tax credits receivable are credited against the costs incurred at the time they are determined to be receivable.

Joint Operations

A joint arrangement is an arrangement of which two or more parties have joint control. The Company determines the type of joint arrangement in which it is involved either was a joint operation or a joint venture and this depends on the rights and obligations of the parties to the joint arrangement. A joint operation is joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. Those parties are called joint operators. Joint control is the contractually agreed sharing of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. None of the parties involved have unilateral control of a joint venture. The Company accounts for its interests' joint operations by recognizing its share of assets, liabilities, revenues, and expenses in accordance with its contractually conferred rights and obligations.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

Provisions

Environmental rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of comprehensive loss. The Company had no significant rehabilitation obligations as at September 30, 2018 and 2017.

Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. (Note 11)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Share-based payments

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

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to operations over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments (cont'd…)

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of a valuation model.

All equity-based share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Reclamation Deposits

Cash which is subject to contractual restrictions on use for mineral properties is classified separately as reclamation deposits. Reclamation deposits are classified as non-current assets.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Loans and receivables

The Company's cash is classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

<u>Financial instrument disclosures</u>

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about 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:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Segment Reporting

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties. All significant assets are held within Canada.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after October 1, 2017. They have not been early adopted in these consolidated financial statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company determined there will be no impact on these financial statements as the Company has yet to have revenue.

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15 Revenue from Contracts with Customers. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized costs, fair value through OCI and fair value through P&L. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company determined that adoption of this IFRS will have no material impact on these financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. RECLAMATION DEPOSITS

As at September 30, 2018 the Company held $147,000 (September 30, 2017 - $147,000) in deposits with a financial institution as security for reclamation requirements.

5. RESTRICTED CASH

Restricted cash consists of a term deposit of $11,500 (September 30, 2017 - $nil) held as security for a corporate credit card.

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Field Equipment	Vehicles	Office Furniture and equipment	Computer Equipment	Computer Software	Total
Cost						
Balance, September 30, 2016	$ 102,713	$ 105,760	$ 53,679	$ 34,996	$ 45,167	$ 342,315
Disposals	-	(1,050)	-	-	-	(1,050)
Balance, September 30, 2017	102,713	104,710	53,679	34,996	45,167	341,265
Additions	-	35,626	-	-	-	35,626
Balance, September 30, 2018	$ 102,713	$ 140,336	$ 53,679	$ 34,996	$ 45,167	$ 376,891
Accumulated depreciation						
Balance, September 30, 2016	$ 92,337	$ 85,258	$ 52,230	$ 34,996	$ 45,167	$ 309,988
Additions	2,075	4,100	291	-	-	6,466
Balance, September 30, 2017	94,412	89,358	52,521	34,996	45,167	316,454
Additions	1,660	10,196	232	-	-	12,088
Balance, September 30, 2018	$ 96,072	$ 99,554	$ 52,753	$ 34,996	$ 45,167	$ 328,542
As at September 30, 2017	$ 8,301	$ 15,352	$ 1,158	$ -	$ -	$ 24,811
As at September 30, 2018	$ 6,641	$ 40,782	$ 926	$ -	$ -	$ 48,349

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

	Lac La Hache
Balance, September 30, 2016, and 2017	$ 2,488,909
Additions	83,500
Balance, September 30, 2018	$ 2,572,409

Balance of exploration and evaluation assets represents acquisitions costs paid by the Company.

Lac La Hache

The following descriptions apply to adjacent properties in the Clinton Mining and Cariboo Divisions located near Lac La Hache, British Columbia:

a) Miracle/Murphy

The Company owns a 100% interest in four mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated October 27, 1994, there is a 2% net smelter return (“NSR”) which will be reduced to 1% upon an aggregate total payment of $1,500,000 to the original vendor.

b) Peach Lake

The Company owns an 100% interest in seven mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated December 1, 1994, there is a 3% NSR due to the original vendor on four of the seven claims to a maximum of $500,000 and a 1% NSR in favour of Peach Lake Resources Ltd., purchasable at any time for $3,000,000.

During the year ended September 30, 2018, the Company signed an agreement amending the NSR purchase price from $3,000,000 to $2,000,000. In exchange for the revised agreement, the Company paid $10,000 cash and issued 350,000 common shares valued at $73,500.

c) Ann

The Company owns a 100% interest in two mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreements, the claims are subject to a 5% net profits royalty to a maximum of $500,000.

d) Murphy Lake

The Company owns a 100% interest in six mineral claims located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated June 3, 1993, the Company has agreed with the original vendor to issue 300,000 common shares, when it is confirmed that an ore body exists and the plans to commence commercial production are in place, and pay a 3% NSR to a maximum of $1,000,000. No shares have been issued to the date of these financial statements.

e) PMA/Cassidy

The Company owns a 100% interest in four mineral claims, located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated February 14, 2000, the Company is not required to pay a NSR to the original vendor.

7. EXPLORATION AND EVALUATION ASSETS *(cont'd …)*

Lac La Hache *(cont'd…)*

f) Candorado Option Agreement

During the year ended September 30, 2012, the Company and Candorado Operating Company Ltd. entered into an option agreement whereby the Company acquired a 100% interest in certain unpatented mineral claims located east of Williams Lake, BC, near Lac La Hache. Consideration issued and paid was as follows:

- Cash payments of $870,000;
- Issuance of 2,400,000 common shares, valued at $600,000; and
- Share purchase warrants, issuance of 2,000,000 share purchase warrants with each warrant exercisable to purchase one additional common share at an exercise price of $0.40 until January 2014. These warrants were valued at $144,000 and have expired.

The agreement was originally subject to a 2% NSR but this was waived by the vendor in an amendment to the agreement.

Red Property

On July 5, 2016, the Company entered into a joint agreement with Pacific Empire Minerals Corp. ("PEMC") that is accounted for as a joint operation under IFRS 11 *Joint Arrangements*. Both parties hold certain adjacent claims located in the Clinton Mining Division of British Columbia and agreed to combine into single property to be known as the Red Property (the "Property") and form an unincorporated joint operation for the purpose of exploring and developing the Property. The participating interests of both parties at the time of the joint operation is 50% with each party responsible for payment of its proportionate share of operating and capital costs, including reclamation and remediation obligations.

Upon formation of the joint operation, a management committee (the "Management Committee") consisting of two representatives of each party and holding voting rights in accordance with each party's participating interest, was established which shall make all decisions which are required to be made by the joint operation participants. The Management Committee shall be responsible for the exploration and development of the Property and for the negotiation of any option or sale of the Property.

During the year ended September 30, 2018, PEMC carried out exploration work on the Property at their sole expense with no dilution to EnGold.

8. PREMISES OPERATING LEASE

During the year ended September 30, 2018 the Company recorded premises rental payments of $35,927 (September 30, 2017 - $30,478) in exploration and evaluation expenditures in the statement of comprehensive loss.

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

b) Issued share capital

During the year ended September 30, 2018:

a) The Company issued 350,000 common shares at a price of $0.21 per share (fair value of the common shares on the date of their issuance) to amend the NSR on its Peach Lake property (Note 7).

b) The Company completed a non-brokered private placement of 625,000 flow-through shares at a price of $0.24 per share for gross proceeds of $150,000. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $31,250. During the period ended June 30, 2018, the Company spent all flow-through expenditures required under the issuance and $31,250 was recognized in the statement of comprehensive loss as other income.

c) The Company completed the first tranche of a brokered private placement for 2,429,667 Flow-Through units (the "FT Units") at a price of $0.30 per unit and 193,000 Non-Flow-Through units (the "NFT Units") at a price of $0.26 per unit for gross proceeds of $779,080. Each FT Unit consists of one flow-through common share and one non-flow-through common share purchase warrant entitling the holder to acquire one common share at a price of $0.40 until May 16, 2020. Each NFT Unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of $0.35 per share until May 16, 2020. In connection with the closing, the Company paid finders' fees of $86,699 and issued 170,076 agents' warrants with an exercise price of $0.40 and 13,510 agents' warrants with an exercise price of $0.35, both expiring May 16, 2020. The agent's warrants were fair valued at $27,484 using the Black-Scholes pricing model using a share price of $0.25, expected life of two years, and a volatility of 137.99%. The Company incurred additional closing costs of $60,358 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded a flow-through liability of $97,187. During the year ended September 30, 2018, the Company spent approximately 92% of the required flow-through expenditures under the issuance and $89,086 was recognized in the statement of comprehensive loss as other income.

d) The Company completed the second tranche of a brokered private placement for 373,333 Flow-Through units (the "FT Units") at a price of $0.30 per unit and 77,000 Non-Flow-Through units (the "NFT Units") at a price of $0.26 per unit for gross proceeds of $132,020. Each FT Unit consists of one flow-through common share and one non-flow-through common share purchase warrant entitling the holder to acquire one common share at a price of $0.40 until August 10, 2020. Each NFT Unit consists of one common share and one warrant with each warrant entitling the holder to acquire one common share at a price of $0.35 per share until August 10, 2020. In connection with the closing, the Company paid finders' fees of $19,241 and issued 26,133 agents' warrants with an exercise price of $0.40 and 5,390 agents' warrants with an exercise price of $0.35, both expiring August 10, 2020. The agent's warrants were fair valued at $2,598 using the Black-Scholes pricing model using a share price of $0.17, expected life of two years, and a volatility of 128.48%. The Company incurred additional closing costs of $39,672 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded a flow-through liability of $14,933. As at September 30, 2018, the entire amount of the obligation remained.

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

b) Issued share capital *(cont'd…)*

During the year ended September 30, 2017:

a) The Company completed the second tranche of a non-brokered private placement for 4,140,000 Flow-Through units (the "FT Units") at a price of $0.07 per unit and 2,204,000 Non-Flow-Through units ("The NFT Units") at a price of $0.05 for gross proceeds of $400,000. Each FT Unit consist of one flow-through common share and one non-flow-through common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.10 until October 12, 2018. Each NFT Unit consists of one common share and one warrant with each warrant entitling the holder to acquire one non-flow through common share at a price of $0.08 per share until October 12, 2018. In connection with the offering, the Company paid finder's fees of $27,510 and issued 437,080 warrants with the same terms as above with a fair value of $26,661 using the Black-Scholes pricing model using a share price of $0.07, expected life of two years, and a volatility of 212.04%. The Company incurred additional closing costs of $9,026 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $Nil. During the year ended September 30, 2017, the Company spent all flow-through expenditures required under the issuance.

b) The Company completed a non-brokered private placement of 5,500,000 FT Units at $0.20 per Unit for gross proceeds of $1,100,000. The Units consist of one FT share and one warrant to purchase one non-FT common share at a price of $0.30 for two years. The Company paid $79,026 in finder's fees and issued 350,000 finder's warrants with the same terms as above with a fair value of $29,050 using the Black-Scholes pricing model using a share price of $0.14, expected life of two years, and a volatility of 218.90%. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $550,000. During the year ended September 30, 2017, the Company spent all flow-through expenditures required under the issuance.

c) The Company completed a non-brokered private placement of 4,000,000 flow-through units at $0.50 per unit for gross proceeds of $2,000,000, Each unit consists of one flow-through share and one warrant to purchase one non-flow-through common share at a price of $0.60 for a period for two years. The Company paid $140,000 in finder's fees and issued 280,000 finder's warrants granting the holder the right to purchase one non-flow-through share at $0.60 per share for a period of two years with a fair value of $126,276 using the Black-Scholes pricing model using a share price of $0.56, expected life of two years, and a volatility of 185.57%. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $Nil.

c) Stock options and warrants

The Company has a share purchase option plan approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, and employees. The share purchase option plan (the "2011 Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of 7.5% of the Company's outstanding common shares, and may not exceed 5% to any individual, calculated from time to time. During the year ended September 30, 2018, the Rolling Option Plan was amended such that the maximum number of eligible shares reserved for issuance under the plan be reduced from 7.5% to 5% of the Company's outstanding common shares, of which 2.02% had been issued. Pursuant to the 2011 Rolling Option Plan, if outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the plan increases proportionately. The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts).

Under the Plan, if an optionee ceases to be a director, officer or employee for any reason other than death, this option shall terminate as specified by the Board and all rights to purchase common shares under such option shall cease and expire and be of no further force or effect. Options have a maximum term of five years and depending on who the optionee is and whether the optionee resigned or is terminated, will terminate on the effective date of resignation or termination or 18 months following termination, except in the case of death, in which case they terminate one year after death. Unless otherwise noted vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Vested options are exercisable at any time.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

c) Stock options and warrants *(cont'd…)*

Stock option and share purchase warrants transactions are summarized as follows:

	Options			Warrants		
	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Balance, September 30, 2016	6,050,000	$	0.09	13,600,920	$	0.10
Expired and cancelled	(800,000)		0.25	-		-
Issued	4,459,996		0.36	16,911,080		0.29
Exercised	(5,604,000)		0.07	(10,243,334)		0.10
Balance, September 30, 2017	4,105,996		0.39	20,268,666		0.26
Issued	-		-	3,288,109		0.40
Exercised	-		-	(5,302,586)		0.09
Balance, September 30, 2018 - outstanding	4,105,996	$	0.39	18,254,189	$	0.33
Balance, September 30, 2018 - exercisable	1,499,332	$	0.36	18,254,189	$	0.33

As at September 30, 2018, incentive stock options were outstanding as follows:

	Number		Exercise price	Expiry date
Stock Options	196,000	$	0.12	October 28, 2018(1)
	1,236,666	$	0.40	March 16, 2019
	66,666	$	0.40	August 8, 2019
	1,236,666	$	0.40	March 16, 2020
	66,666	$	0.40	August 8, 2020
	1,236,666	$	0.40	March 16, 2021
	66,666	$	0.40	August 8, 2021
	4,105,996			

(1) Subsequent to the year ended September 30, 2018, these options expired unexercised.

During the year ended September 30, 2018, the Company did not grant any options. During the year ended September 30, 2017, the Company granted 4,459,996 options with a weighted-average fair value of $0.36 per option to directors, officers and deemed employees that vest over a two to four-year period. Total share-based payments recognized in the statement of comprehensive loss for the year ended September 30, 2018 is $592,959 (2017 - $484,137) relating to options vested during the year. As the fair value of services provided by consultants could not be reliably measured, the fair value of the equity instruments issued was calculated by using the Black-Scholes option-pricing model

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the year:

	2018	2017
Risk-free interest rate	-	1.00%
Expected life of options	-	3 years
Expected annualized volatility	-	202.24%
Dividend yield	-	0.0%

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

c) Stock options and warrants *(cont'd…)*

As at September 30, 2018, share purchase warrants were outstanding as follows:

	Number		Exercise price	Expiry date
Share Purchase Warrants	2,640,000	$	0.10	October 12, 2018(1)
	2,196,080	$	0.08	October 12, 2018(2)
	5,850,000	$	0.30	December 8, 2018(3)
	4,280,000	$	0.60	April 12, 2019
	2,599,743	$	0.40	May 16, 2020
	206,510	$	0.35	May 16, 2020
	399,466	$	0.40	August 10, 2020
	82,390	$	0.35	August 10, 2020
	18,254,189			

(1) Subsequent to the year ended September 30, 2018, 1,100,000 of these warrants were exercised and the remaining 1,540,000 warrants expired unexercised.
(2) Subsequent to the year ended September 30, 2018, 1,910,830 of these warrants were exercised and the remaining 282,250 warrants expired unexercised.
(3) Subsequent to the year ended September 30, 2018, these warrants expired unexercised.

10. RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chief Executive Officer, Chief Financial Officer, Corporate Secretary, Vice President of Exploration and Directors of the Company. The remuneration of the key management personnel for the year ended September 30, 2018 is as follows:

- Included in management, salaries, and consulting fees was $120,000 (2017 - $105,000) for services provided by the CEO, $25,000 (2017 - $21,800) paid to the corporate secretary, $nil (2017 - $5,000) to a director of the Company and $48,000 (2017 - $8,000) to a company that employs the CFO of the Company.

- Included in exploration and evaluation expenditures are $170,974 (2017 - $192,600) for geological consulting services to a company controlled by the Vice President of Exploration.

- Share based payments of $538,329 (2017 - $384,982) related to the fair value of stock options issued to key management personnel.

- Included in shareholder communications was $45,000 (2017 - $nil) in fees paid to a Director of the Company.

An amount of $12,818 (2017 - $32,563) included in accounts payable is owed to related parties. These balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

During the year ended September 30, 2018, the Company repaid $nil (2017 - $52,500) in loans from a director of the Company.

11. COMMITMENTS AND CONTINGENCIES

i) From time to time, certain claims, lawsuits, and complaints may arise in the ordinary course of operations against the Company. Provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. The Company is not aware of any material unrecorded contingent liabilities which require recording in the financial statements for the year ended September 30, 2018.

In addition to the above, a former senior officer of the Company commenced litigation against the Company alleging wrongful dismissal and claiming unspecified damages. The Company is defending the cases, believes they are without merit and has issued a counterclaim. No provision has been recorded in relation to these legal proceedings.

11. COMMITMENTS AND CONTINGENCIES *(cont'd…)*

ii) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors. As of September 30, 2018, the Company has an obligation to incur $172,756 (2017 - $907,417) of eligible expenses pursuant to the terms of the flow through shares financing.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Interest Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, commodity prices, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2018, the Company is not materially exposed to market risk.

b) Interest Risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage risk. The Company's policy as it relates to its cash balances is to invest excess cash in a reputable Canadian chartered bank.

As of September 30, 2018, the Company's exposure to interest rate risk is cash with variable interest rate. A change in interest rates of 1% would not materially affect the Company's cash flows.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its reclamation deposit.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company anticipates that the current funds are not sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure financing including additional equity offerings. However, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by, among other things, the strength of the capital markets.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying values for receivables, and accounts payable and accrued liabilities approximates fair value due to their short-term nature.

13. CAPITAL MANAGEMENT

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital consists of shareholder's equity comprising: issued capital; share purchase warrants; reserves and deficit. The basis for the Company's capital structure is dependent on the Company's exploration programs. There were no changes in the Company's approach to capital management during the current year and the Company is not subject to externally imposed capital requirements, except when the Company issues flow-through shares. The Company is subject to certain requirements in relation to its use of funds raised through the issuance of flow-through shares. These funds have to be incurred for eligible exploration expenditures in accordance with Canadian federal and certain provincial income tax acts.

14. INCOME TAXES

A reconciliation of income tax expenses / (recovery) at statutory tax rates to the effective tax rate for the year ended September 30, 2018 is as follows:

	2018	2017
Income / (loss) before taxes for the year	$ (2,909,864)	$ (3,196,125)
Statutory tax rate	26.50%	26.00%
Expected income tax (recovery)	$ (771,000)	$ (831,000)
Non-deductible expenses	114,000	275,000
Impact of flow through shares	471,000	683,000
Impact of (over) / under provision in prior year	(375,000)	83,000
Impact of tax rate changes	(52,000)	-
Share issuance costs	(49,000)	(64,000)
Change in unrecognized deductible temporary differences	662,000	(146,000)
Income tax expense/(recovery)	$ -	$ -

(Expressed in Canadian Dollars)

14. INCOME TAXES *(cont'd…)*

The significant components of the Company`s unrecorded deferred tax assets (liabilities) are as follows:

	2018	2017
Deferred tax assets:		
Property, plant and equipment and other	115,000	153,000
Exploration and evaluation assets	1,594,000	1,586,000
Other	67,000	44,000
Non-capital losses available for future periods	2,237,000	1,568,000
	4,013,000	3,351,000
Unrecognized deferred tax assets	(4,013,000)	(3,351,000)
Net deferred tax assets	$ -	$ -

Tax losses carried forward are as follows:

	2018	2017	Expiry date range
Non-capital losses available for future periods	$8,442,000	$6,032,000	2026-2038

The deferred tax assets related to the temporary differences were not recognized, as its recoverability was not considered to be probable.