



DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

January 31, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Discovery-Corp Enterprises Inc. (an exploration stage company) are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The accompanying unaudited condensed consolidated interim financial statements of Discovery-Corp Enterprises Inc. ("the Company"), for the six months ended January 31, 2018, have been prepared by management and have not been subject to a review by the Company's independent auditor.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of these unaudited condensed consolidated interim financial statements have been included and all such adjustments are of a normal recurring nature. Operating results for the six-month period ended January 31, 2018 are not necessarily indicative of the results that can be expected for the fiscal year ending July 31, 2018.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the fiscal year ended July 31, 2017.

"Alex Pannu"

Alex Pannu
Chief Executive Officer

"Iain Brown"

Iain Brown
Chief Financial Officer

Vancouver, British Columbia
March 15, 2018

DISCOVERY-CORP ENTERPRISES INC.**(an exploration stage company)****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited)

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

(Expressed in Canadian dollars)

	Notes	Three Months Ended Jan. 31, 2018	Six Months Ended Jan. 31, 2018	Three Months Ended Jan. 31, 2017	Six Months Ended Jan. 31, 2017
Expenses					
Administration	11	\$ 45,791	\$ 84,124	\$ 43,716	\$ 84,612
Exploration	12	-	284	-	-
Impairment of marketable securities	13	-	-	-	-
		(45,791)	(84,408)	(43,716)	(84,612)
Interest Income		55	97	597	867
Net loss for the period		(45,736)	(84,311)	(43,119)	(83,745)
Items of other comprehensive gain (loss)					
Recycled change in fair value of marketable securities	13	-	-	-	-
Change in fair value of marketable securities		(6,969)	(11,469)	14,856	22,316
Total recycled other comprehensive gain (loss)		(6,969)	(11,469)	14,856	22,316
Total comprehensive loss for the period		\$ (52,705)	\$ (95,780)	\$ (28,263)	\$ (61,429)
Loss per share (basic and diluted)		\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ (0.001)
Weighted average number of common shares outstanding		68,605,748	66,388,356	64,170,962	61,627,484

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

DISCOVERY-CORP ENTERPRISES INC.

(an exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Expressed in Canadian dollars)

	Notes	As at Jan. 31, 2018	As at July 31, 2017
ASSETS			
Current assets			
Cash		\$ 75,993	\$ 54,027
Marketable securities	13	48,246	59,715
Accounts receivable		2,106	1,680
Total current assets		<u>126,345</u>	<u>115,422</u>
Non-current assets			
Reclamation bonds	6	8,000	8,000
Resource property interests	7	20,916	20,916
Total assets		<u>\$ 155,261</u>	<u>\$ 144,338</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>\$ 2,023</u>	<u>\$ 11,516</u>
EQUITY			
Share capital	8	6,924,591	6,808,395
Reserves	8	127,494	127,494
Accumulated other comprehensive loss	13	25,899	37,368
Deficit		(6,924,746)	(6,840,435)
Total equity		<u>153,238</u>	<u>132,822</u>
Total equity and liabilities		<u>\$ 155,261</u>	<u>\$ 144,338</u>

APPROVED ON BEHALF OF THE BOARD:

"Iain Brown"

Iain Brown Director

"Alex Pannu"

Alex Pannu Director

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

DISCOVERY-CORP ENTERPRISES INC.

(an exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(Expressed in Canadian dollars)

	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance, July 31, 2016	55,170,962	\$ 6,541,725	\$ 484,392	\$ 6,764	\$ (7,020,937)	\$ 11,944
Net loss	-	-	-	-	\$ (40,626)	\$ (40,626)
Change in fair value of marketable securities (note 13)	-	-	-	\$ 7,460	-	\$ 7,460
Shares issued for private placement, net of share issuance costs (note 8)	9,000,000	\$ 266,670	-	-	-	\$ 266,670
Balance, October 31, 2016	64,170,962	\$ 6,808,395	\$ 484,392	\$ 14,224	\$ (7,061,563)	\$ 245,448
Net loss	-	-	-	-	\$ (43,119)	\$ (43,119)
Change in fair value of marketable securities (note 13)	-	-	-	\$ 14,856	-	\$ 14,856
Balance, January 31, 2017	55,170,962	\$ 6,808,395	\$ 484,392	\$ 29,080	\$ (7,104,682)	\$ 217,185
Net loss	-	-	-	-	\$ (43,389)	\$ (43,389)
Change in fair value of marketable securities (note 13)	-	-	-	\$ 10,126	-	\$ 10,126
Balance, April 30, 2017	64,170,962	\$ 6,808,395	\$ 484,392	\$ 39,206	\$ (7,148,071)	\$ 183,922
Net loss	-	-	-	-	\$ (49,262)	\$ (49,262)
Expired/Cancelled Options			\$ (356,898)		\$ 356,898	
Change in fair value of marketable securities (note 13)	-	-	-	\$ (1,838)	-	\$ (1,838)
Balance, July 31, 2017	64,170,962	\$ 6,808,395	\$ 127,494	\$ 37,368	\$ (6,840,435)	\$ 132,822
Net loss	-	-	-	-	\$ (38,575)	\$ (38,575)
Change in fair value of marketable securities (note 13)	-	-	-	\$ (4,500)	-	\$ (4,500)
Balance, October 31, 2017	64,170,962	\$ 6,808,395	\$ 127,494	\$ 32,868	\$ (6,879,010)	\$ 89,747
Net loss	-	-	-	-	\$ (45,736)	\$ (45,736)
Change in fair value of marketable securities (note 13)	-	-	-	\$ (6,969)	-	\$ (6,969)
Shares issued for private placement, net of share issuance costs (note 8)	8,000,000	\$ 116,196	-	-	-	\$ 116,196
Balance, January 31, 2018	72,170,962	\$ 6,924,591	\$ 127,494	\$ 25,899	\$ (6,924,746)	\$ 153,238

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

DISCOVERY-CORP ENTERPRISES INC.

(an exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

(Expressed in Canadian dollars)

	Notes	Three Months Ended Jan. 31, 2018	Six Months Ended Jan. 31, 2018	Three Months Ended Jan. 31, 2017	Six Months Ended Jan. 31, 2017
Operating Activities					
Net loss for the period		\$ (45,736)	\$ (84,311)	\$ (43,119)	\$ (83,745)
Adjustment for non-cash items					
Share-based payment	8	-	-	-	-
Impairment of marketable securities	13	-	-	-	-
		(45,736)	(84,311)	(43,119)	(83,745)
Changes in non-cash working capital items					
Accounts receivable		100	(426)	481	524
Accounts payable and accrued liabilities		(23,116)	(9,493)	(14,730)	(58,211)
Cash used in operating activities		(68,752)	(94,230)	(57,368)	(141,432)
Investing activities					
Reclamation bonds		-	-	-	-
Proceeds from sale of marketable securities		-	-	-	-
Cash provided by investing activities		-	-	-	-
Financing Activities					
Exercise of options, net of costs	8	-	-	-	-
Private placement, net of costs		116,196	116,196	-	266,670
Cash provided by financing activities		116,196	116,196	-	266,670
Increase (Decrease) in cash		47,444	21,966	(57,368)	125,238
Cash, beginning of period		28,549	54,027	193,326	10,720
Cash, end of period		\$ 75,993	\$ 75,993	\$ 135,958	\$ 135,958

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

DISCOVERY-CORP ENTERPRISES INC.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended January 31, 2018 and 2017

(Unaudited)

(Expressed in Canadian dollars)

NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

Discovery-Corp Enterprises Inc. (the “Company”) was incorporated under the laws of British Columbia on May 6, 1986 and maintains its head office and registered office at Suite 1108 - 193 Aquarius Mews, Vancouver, British Columbia, Canada, V6Z 2Z2. The Company is an exploration stage company engaged in exploration for base and precious metals.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since inception and as at January 31, 2018, has an accumulated deficit of \$6,924,746 (July 31, 2017 - \$6,840,435). The recoverability of amounts shown for resource property interests and the Company’s continued viability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production or proceeds from the disposition of its interests. There are no assurances that the Company will be successful in achieving these goals.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

NOTE 2 – STATEMENT OF COMPLIANCE**Statement of Compliance**

These unaudited condensed consolidated interim financial statements, including comparatives, of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). Should be read in conjunction with annual audited statements.

The accounting standards set out in Note 3 have been applied consistently to all periods presented.

The preparation of condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in Note 3.

Approval of the Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 15, 2018.

DISCOVERY-CORP ENTERPRISES INC.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended January 31, 2018 and 2017

(Unaudited)

(Expressed in Canadian dollars)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for the revaluation of assets carried at fair value. Amounts are stated in Canadian dollars, which is the functional and reporting currency for the Company and its subsidiary. The following reflects the significant accounting policies:

(a) Principles of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Prebble Resources USA, Inc. (a Nevada corporation). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany balances and transactions have been eliminated upon consolidation.

(b) Interest Income

Interest income derived from cash is recognized on an accrual basis as earned at the stated rate of interest.

(c) Exploration and Evaluation

The Company is in the exploration stage and capitalizes all acquisition costs related to its resource property interests until such time as the properties are put into commercial production, sold or abandoned. The Company expenses all exploration expenditures in the period incurred. Amounts shown as resource property interests represent acquisition costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values. If a property is put into commercial production, the acquisition costs relating to that property will be depleted based upon the proven reserves available.

From time to time, the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in income.

(d) Provisions for Environmental Rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

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(Unaudited)

(Expressed in Canadian dollars)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Share-based Payments

The Company has a stock option plan that is described in Note 8(c). The Company may grant share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded method. Fair value of share-based payments to non-employees is recognized and measured at the date the goods or services are received based on the fair value of such goods or services. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. Upon option expiry, related amounts are transferred from reserves to deficit.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

(f) Equity Units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants on a residual value basis. The value allocated to the common shares is based on the market price of the shares and the residual, if any, is allocated to the warrants. Consideration received for the exercise of warrants is recorded in share capital and the related amount recognized in warrant reserve is transferred to share capital.

(g) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(h) Impairment of Non-current Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually. Other non-financial assets, including resource property interests, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to net loss, except to the extent they reverse gains previously recognized in other comprehensive income (loss).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended January 31, 2018 and 2017

(Unaudited)

(Expressed in Canadian dollars)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net loss, except to the extent that if the income tax expense related to items recognized directly in equity, the income tax expense would also be recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position liability method. Under this method, deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Financial Instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity and available-for-sale (“AFS”). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at FVTPL

An instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in operations.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited)

(Expressed in Canadian dollars)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. These assets are subsequently measured at amortized cost.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial assets categories. They are all initially recognized at fair value and subsequent changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income (loss) and classified as a component of equity.

(ii) Financial liabilities

The Company classifies its financial liabilities as FVTPL or other financial liabilities.

FVTPL financial liabilities

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities classified as FVTPL are initially recognized at fair value and subsequent changes are recognized in profit or loss.

Other financial liabilities

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

Derivative financial liabilities

Derivatives, including separated embedded derivatives are classified as FVTPL and are recorded on the consolidated statement of financial position at fair value. Changes in fair value are recognized in profit or loss unless they are designated as effective hedging instruments. Transaction costs are recognized in profit or loss as incurred.

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial asset or liability and allocates interest income or expense over the period. The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended January 31, 2018 and 2017

(Unaudited)

(Expressed in Canadian dollars)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(iv) Fair value hierarchy

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).

(v) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(k) Significant Accounting Estimates and Judgments

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made 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, but are not limited to, the following:

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended January 31, 2018 and 2017

(Unaudited)

(Expressed in Canadian dollars)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Significant Accounting Estimates and Judgments (continued)

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax 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.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Estimates and assumptions made in the realization of the Company's investment in mineral property interests may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.

Impairment of marketable securities

Management assesses at each reporting date to determine whether there is any objective evidence that marketable securities are other than temporarily impaired. Marketable securities are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows. Management applies judgment in determining impairment by considering whether the decline in fair value is both significant and prolonged. All impairment losses are recognized in profit or loss.

Going concern

Management assesses the amount of cash on hand at each reporting date to determine whether the Company pursues any exploration programs or adjusts management salaries and other expenses in the following year. Management ensures that the Company has enough cash to cover the operating expenses. Based on the analysis, the Company will be going concern for the next 12 months.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended January 31, 2018 and 2017

(Unaudited)

(Expressed in Canadian dollars)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(l) Pending Accounting Pronouncements**

Certain new standards, interpretations, amendments and improvements to the existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning on August 1, 2017 or later periods. The standards impacted that are applicable to the Company are as follows:

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities; and are effective for the Company's annual period beginning August 1, 2017.

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for the Company's annual period beginning on August 1, 2019.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

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NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Pending Accounting Pronouncements (continued)

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets:

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- Classification and measurement of financial liabilities:

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- Impairment of financial assets:

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting:

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The final version of this new standard is effective for the Company's annual period beginning August 1, 2018.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for the Company's annual period beginning on August 1, 2018.

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NOTE 4 – FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows: cash, as financial assets at FVTPL; marketable securities, as AFS; reclamation bonds, as held-to-maturity; and accounts payable and accrued liabilities, as other financial liabilities. With the exceptions of cash and marketable securities, all financial instruments held by the Company are measured at amortized cost.

The carrying value of accounts payable and accrued liabilities approximates its fair value due to the short-term maturity of the financial instrument. Cash and marketable securities are recorded at fair value based on quoted market prices in accordance with Level 1 of the fair value hierarchy.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash and reclamation bonds. The Company limits exposure to credit risk by maintaining its cash and reclamation bonds with major financial institutions.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At January 31, 2018, the Company had cash of \$75,993 (July 31, 2017 - \$54,027) available to apply against short-term business requirements and current liabilities of \$2,023 (July 31, 2017 - \$11,516). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company holds 280,449 Global Resource Investment Trust, plc ("GRIT") common shares traded on the London Stock Exchange and as such the Company is exposed to significant market risk. The Company's sensitivity analysis suggests that a 25% decrease in market prices would change comprehensive loss by \$12,062.

The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially since July 31, 2017.

NOTE 5 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource property interests. In the management of capital, the Company includes the components of equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, option its resource property interests for cash and/or expenditures or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

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NOTE 5 – CAPITAL MANAGEMENT (continued)

The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not changed its capital risk management strategy during the six month period ended January 31, 2018 and is not subject to externally imposed capital requirements.

NOTE 6 – RECLAMATION BONDS

The reclamation bonds are comprised of a \$1,000 (July 31, 2017 - \$1,000) cash deposit plus term deposits held in a financial institution as security for reclamation obligations pursuant to the *Mines Act and Health, Safety and Reclamation Code for Mines* in British Columbia. The \$2,000 (July 31, 2017 - \$2,000) term deposit bears interest at 0.55% per annum and matures September 12, 2018. The \$5,000 (July 31, 2017 - \$5,000) term deposit bears interest at prime minus 2.4% and matures January 7, 2019. The deposits are renewed annually.

NOTE 7 – RESOURCE PROPERTY INTERESTS

	January 31, 2018	July 31, 2017
Galaxy Property, British Columbia, Canada	\$20,916	\$ 20,916

Galaxy Property, British Columbia, Canada

The Company holds an undivided 100% interest in seven mineral claims and two Crown-granted mineral claims in the Kamloops Mining Division of British Columbia, Canada, known as the Galaxy Property.

Rock Creek, Nevada, USA

The Company holds a 50% interest in the Rock Creek property. The Company has written off the property for accounting purposes, but retains its interest for viable projects in the future.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

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NOTE 7 – RESOURCE PROPERTY INTERESTS (continued)**Title**

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

Realization

The investment in resource properties comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

NOTE 8 – EQUITY

(a) Authorized: unlimited number of common shares without par value

(b) Issued:

(i) On December 12, 2017 the Company closed a non-brokered private placement of 8,000,000 units at a price of \$0.015 per unit for total gross proceeds of \$120,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of \$0.05 until December 11, 2020. No finder's fees were paid. Total share issuance costs of \$3,804 were incurred yielding net proceeds of \$116,196. All securities issued pursuant to the Offering are subject to a four-month resale restriction expiring on April 12, 2018.

(ii) On September 6, 2016, the Company closed a non-brokered private placement of 9,000,000 units at a price of \$0.03 per unit for total gross proceeds of \$270,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of \$0.05 until September 6, 2019. No finder's fees were paid. Total share issuance costs of \$3,330 were incurred yielding net proceeds of \$266,670.

(iii) No shares were issued during the year ended July 31, 2016.

(c) Stock Options

The Company established a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to employees and persons providing investor-relation or consulting services up to a limit of 5%, 2% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. The stock options are fully vested on the date of grant, except for options granted to persons providing investor relations services, which vest over a twelve-month period. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date.

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NOTE 8 – EQUITY (continued)

(c) Stock Options (continued)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. There were no options granted during the years ended July 31, 2017 and 2016 and no options granted during the six month period ended January 31, 2018.

400,000 options exercisable at \$0.12 due to expire on September 23, 2018 were cancelled on July 17, 2017 and the related reserve amount of \$39,160 was transferred to deficit. On February 2, 2017, 2,975,000 options exercisable at \$0.10 per share expired unexercised and the related reserve amount of \$297,158 was transferred to deficit. On May 17, 2017, 175,000 options exercisable at \$0.10 per share expired unexercised and the related reserve amount of \$20,580 was transferred to deficit.

Expected stock price volatility is based on the historical volatility of the Company to the extent of the expected life of the option. A summary of the changes in the Company's stock options is as follows:

	January 31, 2018		July 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,050,000	\$ 0.12	4,600,000	\$ 0.11
Cancelled	-	-	(400,000)	\$ 0.12
Expired	500,000	-	(3,150,000)	\$ 0.10
Outstanding, end of period	550,000	\$ 0.12	1,050,000	\$ 0.12

As at January 31, 2018 and July 31, 2017, the following share purchase options were outstanding and exercisable:

	January 31, 2018		July 31, 2017
Expiry Dates	Exercise Price	Number of Options	Number of Options
August 25, 2017	\$ 0.12	-	500,000
September 23, 2018	\$ 0.12	400,000	400,000
January 17, 2019	\$ 0.12	150,000	150,000
		550,000	1,050,000

The weighted average remaining contractual life of options outstanding at January 31, 2018 is .7 (July 31, 2017 - 0.7) years.

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NOTE 8 – EQUITY (continued)

(d) Warrants

Details of the status of the Company's warrants as at January 31, 2018 and July 31, 2017 and changes during the years then ended are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2016	2,000,000	\$ 0.10
Issued	9,000,000	\$ 0.05
Balance, July 31, 2017	11,000,000	\$ 0.06
Issued	8,000,000	\$ 0.05
Balance, January 31, 2018	19,000,000	\$ 0.05

The warrants outstanding at January 31, 2018 are as follows:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	\$ 0.10	June 16, 2020*
9,000,000	\$ 0.05	September 6, 2019
8,000,000	\$ 0.05	December 11, 2020
19,000,000		

The weighted average remaining contractual life of warrants outstanding at January 31, 2018 is 2.17 (July 31, 2017 – 2.24) years.

* These warrants were originally issued with an expiration date of June 16, 2017. The expiration date of these warrants has been extended to June 16, 2020.

NOTE 9 – RELATED PARTY TRANSACTIONS

The condensed consolidated interim financial statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. The remuneration of directors and other key management personnel was as follows:

	January 31, 2018	January 31, 2017
Short-term employee benefits	\$ 57,000	\$ 58,000

Key management personnel were not paid any post-employment benefits, termination benefits or other long-term benefits during the respective periods.

NOTE 10 – SEGMENT DISCLOSURE

The Company operates in one business segment, mining exploration, and its consolidated non-current assets are held in Canada.

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NOTE 11 – ADMINISTRATION EXPENSES

The administration expenses for the Company expressed in Canadian dollars are broken down as follows:

	Three Month Period ended Jan. 31, 2018	Six Month Period ended Jan.31, 2018	Three Month Period ended Jan. 31, 2017	Six Month Period ended Jan. 31, 2017
Share-based payment expense (Note 8)	\$ -	\$ -	\$ -	\$ -
Consulting fees (Note 9)	28,500	57,000	29,500	58,000
Professional fees	4,230	5,940	4,224	6,299
Travel	-	340	23	114
Rent	4,500	9,000	4,500	9,000
Listing, filing and transfer agent fees	7,271	9,579	4,261	8,460
Office and miscellaneous	942	1,492	927	2,095
Shareholder and investor relations	231	496	185	346
Bank charges and interest	117	277	96	298
	\$ 45,791	\$ 84,124	\$ 43,716	\$ 84,612

NOTE 12 – EXPLORATION EXPENSES

The exploration expenses for the Company expressed in Canadian dollars are broken down as follows:

	Three Month Period ended Jan.31, 2018	Six Month Period ended Jan 31, 2018	Three Month Period ended Jan 31, 2017	Six Month Period ended Jan. 31, 2017
Drill Program	\$ -	\$ -	\$ -	\$ -
First Nations Consultation	-	284	-	-
Government fees	-	-	-	-
	\$ -	\$ 284	\$ -	\$ -

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NOTE 13 – MARKETABLE SECURITIES

On March 4, 2014, the Company entered into a share exchange agreement with GRIT, an arm's length party, listed on the London Stock Exchange. The Company received 280,449 ordinary shares of GRIT at a deemed value of £1.00 per GRIT share for a total value of £280,449 (\$510,000). The Company will seek to maximize the proceeds it receives from the sale of its GRIT Shares; there is no assurance as to the timing of disposition or the amount that will be realized. Funds realized from the sale of the GRIT shares will be used by the Company for working capital.

The fair value of the shares is based on the quoted market price on the London Stock Exchange.

During the year ended July 31, 2015, the cumulative unrealized losses in the value of marketable securities were determined to be other-than-temporary. Therefore, the cumulative unrealized losses of \$429,285 recycled from accumulated other comprehensive income. During the year ended July 31, 2016, the Company recorded a further impairment of \$58,368. For the period ending January 31, 2018 the fair market value decreased \$6,969 (January 31, 2017 increased \$14,856).

	GRIT Share Cost	Market Value Adjustment	Fair Value
January 31, 2018	\$ 510,000	\$ (461,754)	\$ 48,246
October 31, 2017	\$ 510,000	\$ (454,785)	\$ 55,215
July 31, 2017	\$ 510,000	\$ (450,285)	\$ 59,715
July 31, 2016	\$ 510,000	\$ (480,889)	\$ 29,111