

# **GOLDEN CARIBOO RESOURCES LTD.**

## **FINANCIAL STATEMENTS**

**(Expressed in Canadian Dollars)**

**SEPTEMBER 30, 2018**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Golden Cariboo Resources Ltd.

We have audited the accompanying financial statements of Golden Cariboo Resources Ltd., which comprise the statements of financial position as at September 30, 2018 and 2017, and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows 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 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 Golden Cariboo Resources 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 describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Golden Cariboo Resources Ltd.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
January 22, 2019

An independent firm associated with  
Moore Stephens International Limited  
**MOORE STEPHENS**

**GOLDEN CARIBOO RESOURCES LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT**  
(Expressed in Canadian Dollars)

	<b>September 30, 2018</b>	September 30, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 86,718	\$ 14,324
Receivables (Note 10)	1,168	16,685
Deposit (Note 8)	35,000	-
Investments (Note 4)	<u>355,443</u>	<u>820,778</u>
	<u>\$ 478,329</u>	<u>\$ 851,787</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Trade payables (Notes 6 and 11)	\$ 85,620	\$ 461,740
Accrued liabilities	<u>17,472</u>	<u>17,570</u>
	<u>103,092</u>	<u>479,310</u>
<b>Shareholders' equity</b>		
Share capital (Note 5)	11,862,480	11,612,480
Reserve (Note 5)	1,701,997	1,701,997
Other comprehensive income	126,793	523,030
Deficit	<u>(13,316,033)</u>	<u>(13,465,030)</u>
	<u>375,237</u>	<u>372,477</u>
	<u>\$ 478,329</u>	<u>\$ 851,787</u>

Nature and continuance of operations (Note 1)  
Contingency (Note 7)

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

**GOLDEN CARIBOO RESOURCES LTD.**  
**STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
**YEARS ENDED SEPTEMBER 30,**  
(Expressed in Canadian Dollars)

	<b>2018</b>	2017
<b>EXPENSES</b>		
Consulting (Note 11)	\$ 63,000	\$ 4,217
Exploration	18,922	-
Office and miscellaneous	19,341	18,170
Professional fees (Note 11)	34,890	27,163
Transfer agent and regulatory fees	18,409	15,394
Travel and promotion	33,205	-
	<u>(187,767)</u>	<u>(64,944)</u>
<b>OTHER ITEMS</b>		
Loss on foreign currency	(78)	(687)
Write-off of payables (Note 6)	375,888	-
Gain (loss) on sale of investments (Note 4)	(39,046)	34,373
	<u>336,764</u>	<u>33,686</u>
<b>Net income (loss) before taxes</b>	<b>148,997</b>	<b>(31,258)</b>
<b>Deferred income tax recovery</b> (Note 4 and 8)	<b>-</b>	<b>19,851</b>
<b>Net income (loss) for the year</b>	<b>148,997</b>	<b>(11,407)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gain (loss) on investments (Note 4)	<u>(396,237)</u>	<u>86,164</u>
<b>Comprehensive income (loss) for the year</b>	<b>\$ (247,240)</b>	<b>\$ 54,906</b>
<b>Basic and diluted earnings (loss) per common share</b>	<b>\$ 0.01</b>	<b>\$ (0.00)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<b>16,891,776</b>	<b>13,850,680</b>

The accompanying notes are an integral part of these financial statements

**GOLDEN CARIBOO RESOURCES LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	<u>Share Capital</u>			Reserve	Other Comprehensive Income	Total Shareholders' Equity
	Common Shares	Amount	Deficit			
Balance, September 30, 2016	13,850,680	\$ 11,612,480	\$ (13,453,623)	\$ 1,701,997	\$ 436,866	\$ 297,720
Net loss for the year	-	-	(11,407)	-	-	(11,407)
Change in value of investments (Note 4)	-	-	-	-	86,164	86,164
Balance, September 30, 2017	13,850,680	11,612,480	(13,465,030)	1,701,997	523,030	372,477
Private placement (Note 5)	5,000,000	250,000	-	-	-	250,000
Net income for the year	-	-	148,997	-	-	148,997
Change in value of investments (Note 4)	-	-	-	-	(396,237)	(396,237)
<b>Balance, September 30, 2018</b>	<b>18,850,680</b>	<b>\$ 11,862,480</b>	<b>\$ (13,316,033)</b>	<b>\$ 1,701,997</b>	<b>\$ 126,793</b>	<b>\$ 375,237</b>

The accompanying notes are an integral part of these financial statements

**GOLDEN CARIBOO RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30,**  
(Expressed in Canadian Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the year	\$ 148,997	\$ (11,407)
Items not affecting cash:		
(Gain) loss on sale of investments	39,046	(34,373)
Write-off of payables	(375,888)	-
Deferred income tax recovery	-	(19,851)
Changes in non-cash working capital items:		
Receivables	15,517	(349)
Deposit	(35,000)	-
Accounts payable and accrued liabilities	<u>(330)</u>	<u>5,535</u>
<b>Net cash used in operating activities</b>	<u>(207,658)</u>	<u>(60,445)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investment	<u>30,052</u>	<u>67,485</u>
<b>Net cash provided by investing activities</b>	<u>30,052</u>	<u>67,485</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from share issuances, net of finders fees	<u>250,000</u>	<u>-</u>
<b>Net cash provided by investing activity</b>	<u>250,000</u>	<u>-</u>
<b>Increase in cash during the year</b>	<b>72,394</b>	<b>7,040</b>
<b>Cash, beginning of year</b>	<u>14,324</u>	<u>7,284</u>
<b>Cash, end of year</b>	<u>\$ 86,718</u>	<u>\$ 14,324</u>

Supplemental disclosure with respect to cash flows:

During the year ended September 30, 2018, the Company adjusted its value of investment through other comprehensive income by \$(396,237) (2017 - \$86,164).

The accompanying notes are an integral part of these financial statements

**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated in under the *Business Corporations Act* (British Columbia) on September 23, 1987. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company's head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several conditions cast doubt on the validity of this assumption. The Company has incurred ongoing losses and has an accumulated deficit. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These financial statements, including comparatives, 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"). They have been prepared on a historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

**Approval of the financial statements**

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 22, 2019.

**Comparative figures**

Certain comparative figures may have been reclassified to conform with the current year's presentation.

**2. BASIS OF PRESENTATION (continued)**

**New or revised accounting standards not yet adopted**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 - Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018.

IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated. Other standards issued by not yet effective were determined to not have an effect on the Company's financial statements.

**Critical accounting estimates and judgments**

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 period, 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:

- i) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- ii) The recorded value of provision. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.
- iii) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Exploration and evaluation assets**

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. Exploration and evaluation costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.



**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Exploration and evaluation assets** (continued)

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset 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. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

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

**Decommissioning liabilities**

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of tangible assets**

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes 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 purchase common shares at the average market price during the period. 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.

**Share-based payments**

The Company grants 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 for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. 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.

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income taxes**

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income 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, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Flow-through shares**

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

**Financial instruments**

IFRS 7 *Financial Instruments: Disclosures* requires classification of fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- 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).

(i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit and loss ("FVTPL"), loans and receivables, 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.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial instruments** (continued)

(a) 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.

(b) Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

(c) Available-for-sale investments

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets, other than impairment losses, are recognized as other comprehensive income and classified as a component of equity.

(d) 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 the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the reporting period in which they are identified. Interest income is recognized by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities and equity

Debt and equity instruments are classified as either FVTPL, other financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred. The liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

**GOLDEN CARIBOO RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**  
(Expressed in Canadian Dollars)

**4. INVESTMENTS**

Investments consist of common shares of Barkerville Gold Mines Ltd. (“Barkerville”).

	<b>September 30, 2018</b>		<b>September 30, 2017</b>	
	<b>Number of shares</b>	<b>Market Value</b>	<b>Number of shares</b>	<b>Market Value</b>
Barkerville	<b>911,393</b>	<b>\$355,443</b>	954,393	\$820,778

During the year ended September 30, 2018, the Company sold 43,000 common shares of Barkerville for net proceeds of \$30,052 recognizing a loss on sale of share of \$39,046. The Company recognized an unrealized mart-to-market loss of \$396,237 to other comprehensive loss.

During the year ended September 30, 2017, the Company sold 114,000 common shares of Barkerville for net proceeds of \$67,485 recognizing a loss on sale of \$12,243. Accordingly, the Company derecognized a previously recorded unrealized mark-to-market gain of \$53,580 and deferred income tax recovery (“DIT”) of \$6,964. The result was a net gain on the sale of shares of \$34,373. The Company also recognized an unrealized mark-to-market gain of \$152,631 and a DIT recovery of \$19,851. The result was a net recovery of \$86,164 to other comprehensive income.

**5. SHARE CAPITAL**

**Authorized:**

Unlimited common shares without par value

**Issued:**

During the year ended September 30, 2018, the following private placement was completed:

On February 20, 2018 the Company closed a private placement for 5,000,000 units at a price of \$0.05 for total proceeds of \$250,000. Each unit consisted of one common share and one non-transferable share purchase warrant, with each warrant exercisable for a period of two years at a price of \$0.075 per share.

During the year ended September 30, 2017, the Company did not enter into any share capital transactions.

**Stock options:**

The Company has a rolling stock option plan (the “Plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company’s shares at the date of grant, subject to a minimum exercise price of \$0.05 per share. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

No Stock options are outstanding at September 30, 2018 and 2017.

**GOLDEN CARIBOO RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**  
(Expressed in Canadian Dollars)

**5. SHARE CAPITAL** (continued)

**Warrants:**

Warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, September 30, 2016 and 2017	-	\$ -
Issued	<u>5,000,000</u>	<u>0.075</u>
Outstanding and exercisable, September 30, 2018	<u>5,000,000</u>	<u>\$ 0.075</u>

As at September 30, 2018, the following share purchase warrants were outstanding:

Number of warrants	Exercise price	Expiry dates
5,000,000	\$ 0.075	February 21, 2020

The weighted average price of outstanding warrants is \$0.075 and the weighted average life of outstanding warrants is 1.39 years.

**Reserve:**

The reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**6. PROVISION**

Between taxation years 2004 and 2008, the Company has estimated \$1.32 million flow through share proceeds were raised in excess of qualifying flow-through share expenditures incurred over this period. The Company failed to incur these expenditures within the time period required.

No amount has been recorded for any indemnification to flow-through shareholders. Management has estimated and recorded interest and penalties relating to Part XII.6 taxes payable and unremitted owing to the Canada Revenue Agency ("CRA") of \$375,888; however, the amount was written off in the current year as management assessed that this amount would be statute barred.

**7. CONTINGENCY**

The Company has been named in a writ to a group of companies and individuals from a self-represented plaintiff claiming unspecified damages. The Company has not yet been served with the writ. The Company believes this action is without merit.

**8. DEPOSIT**

During the year ended September 30, 2018, the Company deposited \$35,000 with the Ministry of Energy, Mines and Petroleum Resources pertaining to the reclamation on the Hixon Gold property, which the Company is in discussions to acquire. To date, no agreement has been signed regarding the acquisition or option of this property.

**GOLDEN CARIBOO RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**  
(Expressed in Canadian Dollars)

**9. INCOME TAXES**

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2017 - 26%) to income before income taxes. The reasons for the differences are as follows:

	<b>2018</b>	2017
Income (loss) for the year	\$ <b>148,997</b>	\$ (31,258)
Statutory income tax rate	<b>27%</b>	26%
Expected income tax (recovery)	\$ <b>40,000</b>	\$ (8,000)
Permanent difference	-	(4,000)
Other	<b>(47,000)</b>	(18,851)
Adjustment to prior year provision versus statutory tax returns	<b>(142,000)</b>	-
Change in unrecognized benefit of deferred tax assets	<b>149,000</b>	11,000
Income tax (recovery)	\$ -	\$ (19,851)

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	<b>2018</b>	2017
Exploration and evaluation assets	\$ <b>853,000</b>	\$ 863,000
Share issuance costs	-	4,000
Marketable securities	<b>43,000</b>	6,000
Allowable capital losses	<b>106,000</b>	103,000
Non-capital losses available for future period	<b>645,000</b>	511,000
Unrecognized deferred tax assets	\$ <b>1,647,000</b>	\$ 1,487,000

The Company has non-capital losses of approximately \$2,390,000 that may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire 2026 through 2038. Exploration and evaluation assets, property and equipment and net capital losses have no expiry date. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, receivables, investments and trade payables. Cash has been designated as FVTPL, receivables as loans and receivables, investments as AFS and trade payables are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments. Cash and investments are valued at level 1 of the fair value hierarchy.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the year.

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. There is nominal risk associated with receivables as this is due primarily from a government agency.

b) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2018. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk.

d) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.



**GOLDEN CARIBOO RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. RELATED PARTY TRANSACTIONS**

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

	<b>2018</b>	2017
Consulting fees	\$ <b>60,000</b>	\$ -
Professional fees	<b>8,250</b>	9,000
Total	<b>\$ 68,250</b>	\$ 9,000

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

- b) Included in receivables at September 30, 2018 is \$Nil (2017 - \$6,000) due from companies with common directors and \$Nil (2017 - \$2,706) due from a former director. These amounts are unsecured and non-interest bearing with no repayment terms.
- c) Included in trade payables at September 30, 2018 is \$13,000 (2017 - \$Nil) due to officers and \$802 (2017 - \$Nil) due to a former director. These amounts are unsecured, non-interest bearing with no repayment terms.

**12. CAPITAL MANAGEMENT**

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year.