Condensed Interim Financial Statements of

VIKING GOLD EXPLORATION INC.

For the Nine Months Ended September 30, 2018

VIKING GOLD EXPLORATION INC.

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

November 28, 2018

VIKING GOLD EXPLORATION INC.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

	September 30, 2018	December 31, 2017
Assets		
Current		
Cash	$ 41,199	$ 3,390
Receivables (note 6)	15,964	6,046
Investments (note 5)	16,000	32,000
	73,163	41,436
Equipment (note 4)	665	890
	$ 73,828	$ 42,326
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 10 and 11b)	$ 425,418	$ 489,871
Loan payable (note 8)	102,534	-
Interest payable on convertible debentures (note 11b and 16)	54,277	42,039
Convertible debentures (note 11b and 16)	107,500	107,500
Provision for indemnification of flow-through subscribers (note 9)	401,633	415,000
	1,091,362	1,054,410
Shareholders' Deficiency		
Share capital (note 7b)	9,009,002	9,009,002
Equity-settled employee benefit reserve (note 11)	-	8,751
Deficit	(10,026,536)	(10,029,837)
	(1,017,534)	(1,012,084)
	$ 73,828	$ 42,326

Nature and Continuance of Operations (note 1)
Commitments and Contingencies (notes 9, 12 & 16)

Approved on behalf of the Board:

"Mark Edwards" ……………………………… Director
Mark Edwards

"Marc Carter" ……………………………… Director
Marc Carter

See accompanying notes to the condensed interim financial statements.

VIKING GOLD EXPLORATION INC.

CONDENSED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2018	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Expenses				
Depreciation (note 4)	$ 75	$ 75	$ 225	$ 225
Interest expense	6,438	3,500	15,497	10,500
Management fees (note 11a)	7,500	5,500	22,500	18,000
Office and administration	2,251	58	4,875	145
Professional and regulatory fees	5,869	10,675	16,869	17,794
	(22,133)	(19,808)	(59,966)	(46,664)
Other Items				
Gain on disposition of exploration and evaluation assets (note 3)	-	-	79,800	-
Realized loss on investments (note 5)	-	-	(15,284)	-
Unrealized loss on investments (note 5)	-	-	(10,000)	-
Gain on settlement of loans payable	-	-	-	92,556
Net and Comprehensive Income (Loss) for the Period	$ (22,133)	$ (19,808)	$ (5,450)	$ 45,892
Basic and Diluted Loss Per Share	$ (0.000)	$ (0.000)	$ (0.000)	$ (0.001)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	79,778,229	79,778,229	78,778,229	78,778,229

See accompanying notes to the condensed interim financial statements.

VIKING GOLD EXPLORATION INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(Unaudited - Expressed in Canadian dollars)

	2018	2017
Operating Activities		
Net income (loss)	$ (5,450)	$ 45,892
Items not involving cash		
Depreciation	225	225
Interest accrued on loan payable	3,259	-
Other income	(54,516)	(92,556)
Changes in non-cash working capital		
Receivables	(9,918)	(2,687)
Interest payable on convertible securities	12,238	10,500
Accounts payable and accrued liabilities	(64,453)	(2,853)
Cash Used in Operating Activities	(118,615)	(41,479)
Investing Activity		
Proceeds on disposition of investments	70,516	-
Cash Provided by Investing Activity	70,516	-
Financing Activities		
Loan proceeds	99,275	8,000
Flow-through indemnification payment	(13,367)	-
Cash Provided by Financing Activities	85,908	8,000
Inflow (Outflow) of Cash	37,809	(33,479)
Cash, Beginning of Period	3,390	36,926
Cash, End of Period	$ 41,199	$ 3,447

VIKING GOLD EXPLORATION INC.

CONDENSED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Unaudited - Expressed in Canadian dollars)

	Number of Shares	Share Capital	Equity-Settled Employee Benefit Reserve	Deficit	Total
Balance, December 31, 2016	**79,778,229**	**$ 9,009,002**	**$ 18,751**	**$ (10,093,597)**	**$ (1,065,844)**
Expiry of stock options (note 7c)	-	-	(10,000)	10,000	-
Net loss and comprehensive loss for the period	-	-	-	45,892	45,892
Balance, September 30, 2017	**79,778,229**	**9,009,002**	**8,751**	**(10,037,705)**	**(1,019,952)**
Net loss and comprehensive loss for the period	-	-	-	7,868	7,868
Balance, December 31, 2017	**79,778,229**	**9,009,002**	**8,751**	**(10,029,837)**	**(1,012,084)**
Expiry of stock options (note 7c)	-	-	(8,751)	8,751	8,751
Net loss and comprehensive loss for the period	-	-	-	(5,450)	(5,450)
Balance, September 30, 2018	**79,778,229**	**$ 9,009,002**	**$ -**	**$ (10,026,536)**	**$ (1,017,534)**

See accompanying notes to the condensed interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Viking Gold Exploration Inc. (the "Company") is a Canadian mineral exploration company with interests in projects located in Quebec. The Company is incorporated under the laws of the Province of Ontario and is a reporting issuer in the Provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta, and was a Tier-2 listed company on the TSX Venture Exchange ("TSX-V"), that previously traded under the symbol VGC. The Company is currently under a Cease Trade Order that was filed December 8, 2015 for failure to file its financial statements. The Company has been transferred to the NEX, but is still halted from trading.

The Company's exploration projects are described in Note 3. There has been no determination whether the Company's properties contain mineral reserves that are economically recoverable. Since its reorganization in 2004, the Company has not earned significant revenue and is considered to be an exploration stage entity.

During the nine months ended September 30, 2018, the Company had a net loss of $5,450 (2017 – net income of $45,892) and an accumulated deficit of $10,026,536 as at September 30, 2018 (December 31, 2017 - $10,029,837), and it has not generated positive cash flow from operations. As at September 30, 2018, the Company also had a working capital deficiency of $1,018,199 (December 31, 2017 - $1,012,974).

Continuing operations of the Company are dependent on its ability to generate future cash flows, obtain additional financing and secure debt settlements with creditors. Management believes that sufficient working capital will be obtained from external financing to meet the Company's current and future liabilities and commitments as they become due, though there is a significant risk that additional financing may not be available on a timely basis or on terms acceptable to the Company.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its exploration and evaluation properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed above, there is a material uncertainty that may cast significant doubt regarding the ultimate applicability of the Company's going concern assumption.

Although the Company has taken steps to verify title to the properties 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, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, negotiation of contracts, currency fluctuations and political uncertainty.

The address of the Company's registered office is #2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3.

2. BASIS OF PRESENTATION

a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The condensed interim financial statements of the Company should be read in conjunction with the Company's 2017 annual financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2018.

b) Basis of Measurement

These condensed interim financial statements are prepared on the historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim financial statements are prepared using the accrual basis of accounting except for cash flow information. The Company uses the Canadian dollar for both its functional and presentation currencies.

c) Use of Judgements, Estimates and Assumptions

The Company makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The estimates and underlying assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. Accounting estimates are reviewed on an ongoing basis and revisions are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant items in these condensed interim financial statements that involve the use of estimates include the following items:

- Estimation of decommissioning and restoration costs and the timing of expenditure

  Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

2. BASIS OF PRESENTATION (continued)

c) Use of Judgements, Estimates and Assumptions (continued)

- Income, value added, withholding and other taxes

  The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

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

- Commitments, contingencies and provisions

  See Notes 9 and 12.

d) Significant accounting policies

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 3 to the audited financial statements for the year ended December 31, 2017.

3. EXPLORATION AND EVALUATION ASSETS

a) In January 2018, the Company sold three interests in the North West Territories to Goldmining Inc. for 60,000 shares of Goldmining Inc. with a fair value of $79,800 based on the quoted market price of the shares on the date of the agreement.

b) During the year ended December 31, 2016, the Company sold its 60% interest in Viking Yellowknife JV for $70,000 and a conditional 250,000 shares of the purchasing company if the property was ever taken public, resulting in a gain of $70,000. The Company retains a 0.6% net smelter royalty ("NSR"), which the purchaser can buy back for $1,000,000.

During the year ended December 31, 2017, the Company received the conditional 250,000 shares of the purchasing company, resulting in a gain of $20,000 based on the quoted market price of the shares on the date they were received.

(Unaudited - Expressed in Canadian dollars)

4. EQUIPMENT

A continuity schedule of the Company's equipment for the nine months ended September 30, 2018 and the year ended December 31, 2017 is as follows:

	Total
Cost	
As at December 31, 2016 and 2017 and September 30, 2018	$ 4,741
Accumulated Depreciation	
As at December 31, 2016	3,551
Depreciation for year	300
As at December 31, 2017	3,851
Depreciation for the period	225
As at September 30, 2018	4,076
Net Book Value	
As at December 31, 2017	$ 890
As at September 30, 2018	$ 665

5. INVESTMENTS

	September 30, 2018	December 31, 2017
Investment in Troy Energy Corp. At September 30, 2018 and December 31, 2017 - 250,000 common shares with a cost of $20,000.	$ 10,000	$ 20,000
Investment in Cartier Resources Inc At September 30, 2018 – 50,000 common shares with a cost of $6,000; At December 31, 2017 - 100,000 common shares with a cost of $12,000.	$ 6,000	$ 12,000
	$ 16,000	$ 32,000

60,000 shares of Goldmining Inc. were received in January 2018 and during the nine months ended September 30, 2018 were sold for net proceeds of $63,864, resulting in a loss on sale of investments of $15,936.

50,000 shares of Cartier Resources Ltd. were sold during the nine months ended September 30, 2018 for net proceeds of $6,652, resulting in a gain on sale of investments of $652.

6. RECEIVABLES

	September 30, 2018	December 31, 2017
Receivables		
Sales tax refundable (HST/QST)	$ 15,964	$ 6,046
Total receivables	$ 15,964	$ 6,046

(Unaudited - Expressed in Canadian dollars)

7. SHARE CAPITAL

a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of voting common shares without nominal or par value.

b) Issued Share Capital

There were no changes to issued share capital during the nine months ended September 30, 2018 or the year ended December 31, 2017.

c) Common Share Purchase Options

Under the Company's stock option plan, common share purchase options may be granted to employees for up to 10% of the issued and outstanding common shares. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than $0.10 per share. The maximum exercise period for a granted option is 5 years.

All of the Company's outstanding options have a 5-year term and vested at their respective grant dates.

A continuity schedule of the Company's outstanding and exercisable common share purchase options for the nine months ended September 30, 2018 and the year ended December 31, 2017 is as follows:

Expiry date	Exercise price	January 1, 2017	Expired 2017	December 31, 2017	Expired 2018	September 30, 2018
February 9, 2017	$0.175	150,000	(150,000)	-	-	-
May 1, 2018	$0.10	525,000	-	525,000	(525,000)	-
Total options		675,000	(150,000)	525,000	(525,000)	-
Weighted-average exercise price		$ 0.117	$ 0.175	$ 0.10	$ 0.10	$ Nil

8. LOAN PAYABLE

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$33,425	$2,152	$35,577**
July 17, 2018	November 14, 2018	10%/20%*	$40,850	$840	$41,690
August 22, 2018	December 20, 2018	10%/20%*	$25,000	$267	$25,267
Total			$99,275	$3,259	$102,534

*The loan bears interest at 10% untils its maturity date, after which the interest rate increases to 20% if not repaid.

**The loan agreement includes a bonus payment of $10,000 to the lender if the Company's common shares are reinstated for trading.

(Unaudited - Expressed in Canadian dollars)

9. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company has made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% CEE "super-allowance";
- Of the $552,828 shortfall, $73,329 applies to Ontario subscribers and $479,499 applies to Quebec subscribers; and
- Subscribers will be assessed two year's interest on reassessed amounts.

As at September 30, 2018 and December 31, 2017, the Company has also accrued in trade and other payables (see Note 10), the estimated Federal Part XII.6 tax and similar Quebec tax for 2013 and prior years.

As at December 31, 2012, the Company had a $69,000 flow-through share premium liability which was transferred to the deferred tax provision effective December 31, 2013, in recognition of the Company's indemnification accrual.

Additional contingent liabilities with respect to the Company's flow-through share commitments for 2011 and prior years are discussed in Note 12a.

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
Trade payables	$ 30,191	$ 32,662
Accrued expenses	43,600	63,600
Accrued Part XII.6 tax and related amounts (Note 9)	100,627	100,627
Due to related parties (Note 11b)	251,000	292,982
	$ 425,418	$ 489,871

During the year ended December 31, 2017, the Company settled several debts with creditors for a net gain of $92,556.

(Unaudited - Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The Company considers its related parties to consist of: i) the Company's key management personnel (namely officers and directors) and those companies subject to their control or significant influence; and ii) advisory committee members and consultants providing services to the Company on a basis similar to employees.

a) Summary of Related Party Transactions

Details of the Company's transactions with related parties for the nine months ended September 30, 2018 and 2017, are as follows:

	September 30, 2018	September 30, 2017
Statements of Loss and Comprehensive Loss		
Management fees – officers' companies	$ 20,000	$ 18,000

The Company's officers receive fees through their companies pursuant to fee-for-service arrangements in lieu of salaries. The Company's Board of Directors approves these fees and any share-based compensation.

b) Related Party Balances

As at September 30, 2018, amounts payable to related parties of $251,000 (December 31 2017 - $292,982) represents fees owed/accrued to officers and their companies/law firm and also to advisory committee members. These liabilities are unsecured, non-interest bearing and due within 30 days.

As at September 30, 2018 and December 31, 2017, related parties were also invested in the convertible debentures (see Note 16).

12. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

The Company's original December 31, 2012 flow-through share commitment is discussed in Note 9.

b) Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

13. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish 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 properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

14. FINANCIAL RISK FACTORS

a) Financial Instruments

The Company's financial instruments include cash, trade and other payables, convertible debentures and interest payable on convertible debentures. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. In addition, the Company's financial instruments that are carried at fair value consist of FVTPL investments, classified as "level 1" within the fair value hierarchy.

b) Financial Risks

Risk exposures and the impact on the Company's financial instruments are summarized below.

Credit Risk
The Company's financial assets are exposed to some credit risk. The Company has no significant concentration of credit risk arising from operations. The Company does not use derivatives to manage credit risk.

Liquidity Risk
The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company has a substantial deficiency of financial liabilities over financial assets of $1,018,199; accordingly, liquidity risk is assessed as critical.

As at September 30, 2018, the Company's trade and other payables have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's provision for indemnification of flow-through subscribers is recorded as a current liability though there is uncertainty regarding the actual amount and timing of the realization of this liability. The Company may potentially reduce its liquidity risk through additional private placements and debt settlements with creditors.

14. FINANCIAL RISK FACTORS (continued)

b) Financial Risks (continued)

Market Risk
The Company’s market risk has three components – interest rate risk, foreign currency risk and price risk.

(i) Interest rate risk

The Company has cash balances and fixed rate debentures. The Company's current policy is to periodically invest temporary cash surpluses in guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

(ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and all purchases are transacted in Canadian dollars. The Company has no foreign operations and thus has no foreign exchange risk derived from either currency conversions or from holding foreign currencies. The Company does not speculate in the foreign currency market nor does it have any need to acquire foreign currency hedges.

(iii) Price risk

The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action. The Company is exposed to price risk with respect to its investments. Unfavourable market conditions could result in dispositions of investments at less than favourable prices.

c) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

For the nine months ended September 30, 2018, a 10% change in the closing prices of its portfolio investments would result in an estimated change in net income (loss) of $1,600 (December 31, 2017 - $3,200) based on the fair value of the investments held at September 30, 2018.

15. SEGMENTED INFORMATION

The Company’s operations comprise a single operating segment engaged in the acquisition, exploration and development of mineral properties in Canada.

16. CONVERTIBLE DEBENTURES

On July 7, 2014, the Company completed a private placement of $107,500 10% unsecured convertible debentures (the "Debentures") that matured on June 30, 2015. A related party invested $10,000 in the placement. The Debentures bear interest at the rate of 10% per annum which interest will be paid on maturity.

The Debentures (plus any unpaid and accrued interest) are convertible, at the option of the holder, into units (each a "Unit") at a conversion price (the "Conversion Price") of $0.01 per Unit over the term of the Debenture, subject to the TSX-V minimum pricing requirement of $0.05 for the first 12 months and $0.10 thereafter until maturity. In the event of a share consolidation by the Company, the Conversion Price will be adjusted proportionately, though it will still be subject to the same $0.05 and $0.10 TSX-V minimum pricing requirements on a post-consolidation basis.

Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at the Conversion Price for a period of 36 months from the date of issuance of the warrant.

Interest expense on the Debentures for the nine months ended September 30, 2018 was $7,988 (2017 – $7,000).

Assuming that $107,500 of the Debentures are subsequently converted by the holders at a $0.10 conversion price, and there is no share consolidation, this would result in the issuance of 1,075,000 Units, representing the equivalent of 1,075,000 common shares and 1,075,000 warrants (or a combined potential 2,150,000 common shares if all the warrants were subsequently exercised). No value has been assigned to the equity conversion option as the conversion rate substantively exceeds the market value of the equity and the limited time to maturity result in the value of the conversion option not being significant.

On June 30, 2015, the debenture holders agreed to extend the maturity of the debentures, under the same terms and conditions, to December 31, 2015. No further extensions have been given and therefore, the full balance of the convertible debentures has been presented as a current liability.