

American Pacific Mining Corp.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2018

(Expressed in Canadian Dollars)

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF 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 consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

The accompanying unaudited condensed consolidated condensed consolidated interim financial statements of American Pacific Mining Corp for the three months ended March 31, 2018 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

American Pacific Mining Corp.
Condensed Consolidated Interim Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)

<i>As at</i>	March 31, 2018		December 31, 2017	
ASSETS				
Current assets				
Cash	\$	2,694,635	\$	3,414,736
Sales tax receivable		15,787		-
Subscriptions receivable (notes 8 and 9)		-		19,000
Prepaid expenses (notes 4 and 10)		482,863		316,633
		3,193,285		3,750,369
Non-current assets				
Reclamation deposit (note 5)		25,785		-
Equipment (note 6)		2,277		-
Exploration and evaluation assets (note 7)		345,982		25,000
		374,044		25,000
TOTAL ASSETS	\$	3,567,329	\$	3,775,369
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 10)	\$	190,450	\$	134,582
Non-current liabilities				
Convertible notes (notes 8 and 9)		-		500,023
TOTAL LIABILITIES		190,450		634,605
EQUITY				
Equity portion of convertible notes (notes 8 and 9)		-		362,381
Subscriptions received in advance (notes 8 and 9)		-		126,500
Share capital (notes 9)		4,406,424		532,332
Stock options reserve		353,195		-
Warrants reserve (notes 9)		28		2,560,178
Accumulated deficit		(1,382,768)		(440,627)
TOTAL EQUITY		3,376,879		3,140,764
TOTAL EQUITY AND LIABILITIES	\$	3,567,329	\$	3,775,369

Corporate information and continuance of operations (note 1)

Commitments (notes 7 and 14)

Segmented information (note 11)

Subsequent events (note 14)

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

These interim financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Warwick Smith Director

/s/ Alnesh Mohan Director

American Pacific Mining Corp.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)
(Expressed in Canadian Dollars)

	For the three months ended March 31, 2018	
EXPENSES		
Accretion of interest (note 8)	\$	19,347
Bank charges		937
Consulting fees		122,882
Depreciation (note 6)		120
Exploration and evaluation costs		84,197
Foreign exchange loss		2,287
General and administrative costs		11,714
Professional fees		167,755
Share-based payments (note 9)		353,195
Shareholder information and investor relations		98,623
Transfer agent, regulatory and listing fees		59,474
Travel		21,610
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$	942,141
Basic and diluted loss per share for the period attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	\$	0.13
Weighted average number of common shares outstanding (basic and diluted)		7,222,778

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

American Pacific Mining Corp.
Condensed Consolidated Interim Statements of Changes in Equity (unaudited)
(Expressed in Canadian Dollars)

	Note	Share capital		Equity portion of convertible debentures	Subscriptions received in advance	Reserves		Accumulated deficit	Total
		Number of shares	Amount			Options	Warrants		
Balance at December 31, 2017		10,730,001	\$ 532,332	\$ 362,381	\$ 126,500	\$ -	\$ 2,560,178	\$ (440,627)	\$ 3,140,764
Share issue costs	9	-	(4,119)	-	-	-	-	-	(4,119)
Shares issued for exploration and evaluation assets	7 and 9	766,666	191,667	-	-	-	-	-	191,667
Warrants issued for cash	9	-	-	-	-	-	177,500	-	177,500
Warrant issue costs	9	-	-	-	-	-	(26,554)	-	(26,554)
Fair value of finders' warrants	9	-	(28)	-	-	-	28	-	-
Shares issued for warrant exercise	9	11,365,000	2,711,124	-	-	-	(2,711,124)	-	-
Shares issued for conversion of convertible debentures	8 and 9	9,690,000	975,448	(401,856)	-	-	-	-	573,592
Equity portion of convertible debentures	8 and 9	-	-	39,475	-	-	-	-	39,475
Subscriptions received in advance	8 and 9	-	-	-	(126,500)	-	-	-	(126,500)
Share-based payments	9	-	-	-	-	353,195	-	-	353,195
Net loss per the period		-	-	-	-	-	-	(942,141)	(942,141)
Balance at March 31, 2018		32,551,667	\$ 4,406,424	\$ -	\$ -	\$ 353,195	\$ 28	\$ (1,382,768)	\$ 3,376,879

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

American Pacific Mining Corp.
Condensed Consolidated Interim Statements of Cash Flows (unaudited)
(Expressed in Canadian Dollars)

	For the three months ended March 31, 2018
Cash flows provided from (used by):	
OPERATING ACTIVITIES	
Net loss for the period	\$ (942,141)
Adjustments for items not affecting cash:	
Depreciation	120
Share-based payments	353,195
Accretion of interest	19,347
Effect of currency exchange rate changes on reclamation deposit	(1,182)
Net changes in non-cash working capital items:	
Sales tax receivable	(15,787)
Prepaid expenses	(166,230)
Accounts payable and accrued liabilities	55,868
Net cash flows used in operating activities	(696,810)
FINANCING ACTIVITIES	
Proceeds on issuance of common shares, net of cash share issue costs	(4,119)
Proceeds on issuance of convertible notes, net of cash issuance costs	87,197
Proceeds on issuance of warrants, net of cash issuance costs	30,946
Subscriptions received in advance	19,000
Net cash flows from financing activities	133,024
INVESTING ACTIVITIES	
Purchase of equipment	(2,397)
Reclamation deposits	(24,603)
Exploration and evaluation assets	(129,315)
Net cash flows used in investing activities	(156,315)
Net decrease in cash	(720,101)
Cash, beginning of period	3,414,736
Cash, end of period	\$ 2,694,635
Supplementary cash flow information	
Shares issued for conversion of convertible debentures	\$ 975,448
Shares issued for conversion of special warrants	\$ 2,711,124
Shares issued for exploration and evaluation assets	\$ 191,667

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

American Pacific Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Three Months Ended March 31, 2018
(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

American Pacific Mining Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on July 1, 2017, and is in the business of mineral exploration and development.

The Company's head office, principal address, registered address and records office is Suite 910 - 510 Burrard Street, Vancouver, B.C., V6C 3A8, Canada.

At the date of the unaudited condensed consolidated interim financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These unaudited condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. As at March 31, 2018, the Company had working capital of \$3,002,835 and an accumulated deficit of \$1,382,768. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to fund operating costs over the next twelve months with cash and cash equivalents and through further equity financings. Management believes that the Company has sufficient working capital to meet its liabilities for the next twelve months.

These unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2018 were approved by the Board of Directors on May 29, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, 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 unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited financial statements for the year ended December 31, 2017.

American Pacific Mining Corp.
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation (continued)

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017. However, this interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS.

Basis of consolidation

These unaudited condensed consolidated interim financial statements comprise the accounts of the Company and the following wholly-owned subsidiary of the Company:

- American Pacific Mining (US) Inc. (“APM US”)

APM US has a reporting date of December 31.

Subsidiaries

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The unaudited condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2018.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company’s annual financial statements. This pronouncement did not affect the Company’s financial results nor did it result in adjustments to previously-reported figures.

IFRS 9 Financial Instruments

Effective January 1, 2018, the Company has adopted IFRS 9 retrospectively. Prior periods were not restated and no material changes resulted from adopting this new standard. IFRS 9 introduced a revised model for classification and measurement. The Company completed an assessment of its financial instruments as at January 1, 2018 and determined that neither the classification nor the measurement of the financial instruments were impacted from adopting this standard.

American Pacific Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
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3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments (continued)

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification classification IAS 39	New classification IFRS 9
Financial assets:		
Cash	Fair value through profit or loss	Fair value through profit or loss
Subscriptions receivable	Loans and receivables, measured at amortized cost	Amortized cost
Reclamation deposit	Loans and receivables, measured at amortized cost	Amortized cost
Financial liabilities:		
Accounts payable and accrued liabilities	Financial liabilities, measured at amortized cost	Amortized cost
Convertible notes	Financial liabilities, measured at amortized cost	Amortized cost

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and since the Company does not have any financial liabilities designated at FVTPL, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

As a result of the adoption of IFRS 9, the Company's accounting policy for financial assets has been updated as follows:

Financial instruments

Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

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3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments (continued)

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

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3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 15 Revenue from Contracts with Customers

Effective January 1, 2018, the Company has adopted IFRS 15. This standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The adoption of this standard did not have an impact on the unaudited condensed consolidated interim financial statements.

New accounting standards not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company:

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

4. PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for services which will be amortized over the term of the contract. Prepaid expenses include amounts paid for consulting services of \$197,135 and social media services of \$285,728 (Note 8).

5. RECLAMATION DEPOSITS

The Company has reclamation deposits of \$25,785 (US\$20,000). These bonds were put as collateral for the Tuscarora project in the event of future operations (December 31, 2016 – \$nil).

American Pacific Mining Corp.
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For the Three Months Ended March 31, 2018
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6. EQUIPMENT

	<u>Computer equipment</u>
Cost	
As at December 31, 2017	\$ -
Additions	2,397
Balance as at March 31, 2018	\$ 2,397
Depreciation	
As at December 31, 2017	\$ -
Charged for the period	(120)
Balance as at March 31, 2018	\$ (120)
Net book value	
As at December 31, 2017	\$ -
As at March 31, 2018	\$ 2,277

7. EXPLORATION AND EVALUATION ASSETS

	South Lida claims	Tuscarora property	Total
Balance as at December 31, 2017	\$ 25,000	\$ -	\$ 25,000
Acquisition costs			-
- cash	-	125,000	125,000
- shares	125,000	66,667	191,667
Staking costs	4,315	-	4,315
Balance as at March 31, 2018	\$ 154,315	\$ 191,667	\$ 345,982

Title to exploration and evaluation assets 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 exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

South Lida claims (Nevada, US)

On July 1, 2017, the Company entered into a Claims Purchase Agreement (the "Claims Purchase Agreement") with David Saderholm (the "Trustee"), Eric Saderholm, Patricia Saderholm, Warwick Smith and Tarin Smith (collectively, the "Vendors") (the "Claims Purchase Agreement") whereby the Vendors agreed to sell the South Lida Property in exchange for shares in the Company.

Under the Claim Purchase Agreement, the Company will issue to the Vendors a total of 3,000,000 common shares (the "Property Shares") as follows:

- a) 500,000 Property Shares on July 1, 2017 (issued);
- b) 500,000 Property Shares on the listing date (issued (Note 9));
- c) 1,000,000 Property Shares on the earlier of (i) six months after the listing date and (ii) the date the Property is sold or otherwise transferred as part of a transaction for value approved by the Board of the Purchaser; and

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

South Lida claims (Nevada, US) (continued)

- d) 1,000,000 Property Shares on the earlier of (i) the one-year anniversary after the listing date and (ii) the date the Property is sold or otherwise transferred as part of a transaction for value approved by the Board of the Purchaser.

On July 1, 2017 and March 8, 2018, the Company issued 500,000 and 500,000 common shares with a fair value of \$25,000 and \$125,000, respectively, to the Vendors in exchange for the South Lida Property pursuant to the Claims Purchase Agreement.

The acquisition of the South Lida property is a related party transaction as one of the Vendors is also an officer and director of the Company.

Tuscarora property (Nevada, US)

On November 6, 2017, the Company entered into an option agreement (the "Option Agreement") with Novo Resources Corp. Pursuant to the Option Agreement, Novo Resources Corp. will grant the Company the exclusive right and option to acquire a 100% right, title, and interest in and to the Tuscarora Property (the "Option").

In consideration of the Option, the Company will:

- a) make cash payments to Novo Resources Corp. of \$375,000, in three equal installments of \$125,000 as follows:
- (i) the first instalment due on the earlier of the listing date (Note 7(c)) and January 31, 2018 (Paid on January 24, 2018);
 - (ii) the second instalment due on the earlier of the first anniversary of the listing date and January 31, 2019; and
 - (iii) the third instalment due on the earlier of the second anniversary of the listing date and January 31, 2020;
- b) issue common shares of the Company with total value of \$200,000 to Novo Resources Corp. in three equal instalments, with one-third issued on each of the listing date (issued (Note 9)) and the first and second anniversaries of the listing date; and
- c) incur USD\$100,000 in expenditures on the property annually, starting on the twelve-month period commencing on the first anniversary of the listing date and per each successive twelve-month period thereafter.

The property is subject to net smelter returns royalties of 0.5%.

On March 19, 2018 the Company expanded the Tuscarora Gold Project through the additional staking of 67 claims in Elko County, Nevada. The 24 claim, 447-acre project has significantly increased in size to 91 claims and 1,818 acres. Tuscarora consists of two previously tested, high grade gold drill targets, the South Navajo and the East Pediment Zones. Tuscarora is a low sulphidation, epithermal gold prospect 50 km northwest of Elko, Nevada.

American Pacific Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
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8. CONVERTIBLE NOTES

Balance as at December 31, 2017	\$	500,023
Additions		54,222
Accretion of interest		19,347
Conversion		(573,592)
Balance as at March 31, 2018	\$	-

On December 22, 2017, the Company issued 3-year, non-interest bearing convertible notes in the aggregate principal amount of \$867,500. The convertible notes mature on December 21, 2020 and are convertible at any point prior to maturity, at the option of the note holders, into common shares at the conversion price per common share equal to \$0.10.

On January 5, 2018, the Company issued 3-year, non-interest bearing convertible notes in the aggregate principal amount of \$101,500 of which \$6,500 was received during the period ended December 31, 2017. The convertible notes mature on January 4, 2021 and are convertible at any point prior to maturity, at the option of the note holders, into common shares at the conversion price per common share equal to \$0.10.

Using a risk-adjusted discount rate of 20%, the Company calculated and recorded the equity portion of the notes to be \$42,762 before the allocation of issuance costs.

In connection with the convertible notes, the Company incurred issuance costs of \$7,803. These issuance costs are recorded as a reduction of the carrying value of the liability (\$4,516) and equity (\$3,287) portions of the convertible notes.

During the three months ended March 31, 2018, accretion expense of \$19,347 was recorded as accretion of interest with a corresponding increase in the carrying value of the liability.

On March 2, 2018, the convertible notes with a principal value of \$969,000 were converted into common shares and the equity portion was reclassified to share capital.

As at March 31, 2018, the carrying value of the convertible notes is \$nil (December 31, 2017 – \$500,023).

American Pacific Mining Corp.
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9. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At March 31, 2018, the Company had 32,551,667 common shares issued and with a value of \$4,406,424.

During the three months ended March 31, 2018

- The Company issued 500,000 common shares with a fair value of \$125,000 in exchange for the South Lida Property (Note 7).
- The Company issued 266,666 common shares with a fair value of \$66,667 in exchange for the Tuscarora Property (Note 7).
- The Company issued 9,690,000 common shares for the conversion of the convertible notes. As a result of the conversion, the Company reclassified \$573,592 and \$401,856 from convertible notes and equity portion of convertible notes, respectively, to share capital.
- The Company issued a total of 11,365,000 common shares and 5,682,500 share purchase warrants for the conversion of the special warrants (the "Special Warrant"). Each warrant will entitle the holder thereof to subscribe for one common share of the Company at an exercise price of \$0.35 per common share of the Company until March 9, 2019. As a result of the conversion, the Company reclassified \$2,711,124 from warrants reserve to share capital.
- In connection with the shares issuance during the three months ended March 31, 2018, the Company incurred \$4,119 in share issue costs.

c) Warrants

During the three months ended March 31, 2018, the Company issued 710,000 Special Warrants (the "Special Warrant") for total proceeds of \$177,500 of which \$120,000 was received during the period ended December 31, 2017.

Each Special Warrant will automatically convert, without the payment of any additional consideration, into one common share of the Company and one-half of a transferable share purchase warrant (the "Warrant") on the earlier of the date of:

- a) the third business day after a receipt for a final prospectus qualifying the distribution of the Shares and Warrants issuable upon the conversion of the Special Warrants.
- b) four months and one day after the issue date of the Special Warrants.

American Pacific Mining Corp.
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9. SHARE CAPITAL (CONTINUED)

c) Warrants (continued)

Each whole Warrant will entitle the holder to purchase one common share of the Company at any time at a price of \$0.35 per share for a period equal to the shorter of:

- a) one year after the listing date that the common shares of the Company are listed on the Canadian Securities Exchange (“CSE”) or another stock exchange recognized under provincial securities laws; and
- b) five years after the issue date of the Special Warrants, subject to abridgement on an occurrence of a trigger event which is at any time after the listing date, the Company may abridge the exercise period of the Warrants if the ten-day volume weighted average trading price of the Shares is greater than \$0.50.

In connection with this Special Warrants, the Company incurred issuance costs of \$26,554.

On March 2, 2018, 11,365,000 Special Warrants were converted into common shares.

During the three months ended March 31, 2018, the Company issued 338,800 finders’ warrants in connection with the private placement completed in fiscal year 2017. The Company estimated the grant date fair value of finders’ warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.64%, an expected life of 1.2 years, an expected volatility of 64.19% and an expected dividend yield of 0%, which totaled \$28, and recorded this value in warrant reserve.

The following summarizes information about warrants outstanding at March 31, 2018:

Expiry date	Warrants outstanding	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
March 8, 2019	338,800	\$ 0.35	\$ 28	0.94
March 9, 2019	5,682,500	\$ 0.35	-	0.94
	6,021,300		\$ 28	0.94

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9. SHARE CAPITAL (CONTINUED)

d) Stock Options

The Company has a Stock Option Plan (the "Plan") applicable to directors, officers and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is ten years from the grant date. Under the stock option plan, management has the option of determining vesting periods.

During the three months ended March 31, 2018

- On March 8, 2018, the Company granted 2,050,000 options with an exercise price of \$ \$0.25 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- On March 19, 2018, the Company granted 100,000 options with an exercise price of \$ \$0.30 to its consultant. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

The estimated grant date fair value of the options granted during the three months ended March 31, 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.98%
Expected annual volatility	80.99%
Expected life (in years)	5
Expected dividend yield	0.00%

The following summarizes information about stock options outstanding and exercisable at March 31, 2018:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
March 8, 2023	2,050,000	2,050,000	\$ 0.25	\$ 334,478	4.94
March 19, 2023	100,000	100,000	\$ 0.30	\$ 18,717	4.97
	2,150,000	2,150,000		\$ 353,195	4.94

During the three months ended March 31, 2018, the Company recognized share-based payments expense arising from stock options of \$353,195.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Total compensation of key company personnel during the three months ended March 31, 2018 is as follows:

Short-term benefits	\$	195,730
Share-based payments		195,792
	\$	391,522

During the three months ended March 31, 2018

- The Company incurred consulting fees of \$38,104 to Harbourside Consulting Ltd. which is controlled by the Chief Executive Officer and a Director of the Company.
- The Company paid \$52,100 for accounting fees to Quantum Advisory Partners LLP whose incorporated partner is a Director of the Company.
- The Company paid \$78,750 to Tarin Smith, the spouse of the Chief Executive Officer and a Director of the Company, for one-year social media services, of which \$19,687 was charged to the statement of loss and comprehensive loss as shareholder information and investor relations expenses and \$45,938 remained as prepaid expenses as at March 31, 2018 (December 31, 2017 – \$65,625).

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$68,803, as at March 31, 2018 (December 31, 2017 – \$13,332), which were paid subsequent to March 31, 2018. These amounts are unsecured, non-interest bearing and payable on demand.

11. SEGMENTED INFORMATION

The Company operates in one reportable segment being the exploration and development of mineral properties. All of the Company's non-current assets are located in the United States.

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12. CAPITAL MANAGEMENT

The Company defines its components of equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages its 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 capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

The Company's investment policy is to keep its cash on deposit in an interest-bearing Canadian chartered bank account. There have been no changes to the Company's approach to capital management at any time during the three months ended March 31, 2018. The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS

a) Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy. The carrying values of accounts payable and accrued liabilities, and convertible notes approximate their fair values due to the relatively short period to maturity of those financial instruments.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices 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 that are not based on observable market data.

Set out below are the Company's financial assets by category:

	March 31, 2018		December 31, 2017	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
Financial assets:				
Cash	\$ 2,694,635	\$ -	\$ 3,414,736	\$ -
Subscriptions receivable	-	-	-	19,000
Reclamation deposit	-	25,785	-	-
Financial liabilities:				
Accounts payable and accrued liabilities	-	190,450	-	134,582
Convertible notes	-	-	-	500,023

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13. FINANCIAL INSTRUMENTS

b) Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash, and subscriptions receivable.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Management believes that the credit risk related to its cash and subscriptions receivable is negligible.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

At March 31, 2018, the Company had cash of \$2,694,635 and accounts payable and accrued liabilities of \$190,450. All accounts payable and accrued liabilities are current.

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held at a Canadian chartered bank. Management believes that the credit risk concentration with respect to cash is remote as the cash are easily accessible

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash. A 1% change in interest rates on cash balances at March 31, 2018 would result in an approximately \$27,000 change to the Company's net loss for the three months ended March 31, 2018.

The Company's convertible debentures are not subject to interest rate risk as they are non-interest bearing.

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13. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

Market risk

Foreign Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars ("CAD"). The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, subscriptions receivable, and accounts payable and accrued liabilities are held in CAD and United States dollars ("USD"); therefore, USD accounts are subject to fluctuation against the CAD.

The Company's financial instruments were denominated as follows as at March 31, 2018:

	in Canadian dollars	in US dollars
Cash	2,669,728	19,319
Subscriptions receivable	-	-
Reclamation deposit	-	20,000
Accounts payable and accrued liabilities	(143,200)	(36,650)
Total foreign currencies	2,542,315	2,669
Foreign currency rate	1.000	1.2892
Equivalent to Canadian dollars	\$ 2,542,315	\$ 3,441

Based on the above net exposures as at March 31, 2018, and assuming that all other variables remain constant, a 10% change of the CAD against the USD would change profit or loss by approximately \$350.

Price risk

Price risk relates to fluctuations in equity prices. The Company is not exposed to price risk as its common shares are not publicly traded at this time.

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14. SUBSEQUENT EVENTS

Subsequent to March 31, 2018:

- In April 2018 the Company started a gravity survey that will cover the 1,818-acre property and the data will be incorporated into a 3D Gravity Model. The survey is designed to show where the major faults/structures are on the historic gold property. Gravity will assist in determining the direction and extent of the known veins, and whether any new unknown vein targets exist on the land package. This survey will also assist in determining the location of the main valley-bounding faults to the south of the property. Results will be incorporated into the 19-hole drill campaign. The data gathered from the Gravity Survey will be the most comprehensive close-spaced gravity survey ever done on the property.
- On April 5, 2018 the Company entered into an option agreement for the JPL Property with Curellie LLC, a private company based in Nevada. The property consists of 54 unpatented mining claims situated in Esmeraldo County, Nevada. Curellie has granted the Company the exclusive option and right to acquire JPL for a series of yearly payments. JPL is a gold prospect in Esmeralda County, Nevada with widespread high-grade gold in surface samples, the project is located 50 miles south of Tonapah and 160miles north of Las Vegas in the Walker Lane structural zone.

Curellie LLC has granted to American Pacific Mining (US) Corp, the exclusive option and right to acquire ownership of the JPL Property.

APM shall pay the following Minimum Payments to Owner:

On party's execution of the Agreement	US\$15,000
First anniversary of Effective Date	US\$20,000
Second anniversary of Effective Date	US\$25,000
Third anniversary of Effective Date	US\$30,000

APM will pay a 3 percent (3.0%) production royalty to Curellie based on the Net Smelter Returns from the production and sale of minerals from the property. The term of this agreement shall commence on the Effective Date and shall continue for 10 years subject to APM's right to extends the agreement for 2 additional terms of 10 years each.

- On May 2, 2018 commenced the drilling program at the 1,818-acre Tuscarora Gold Project. The staged drill program will include an initial 7,500 feet of drilling, or approximately 10-12 holes. Results will be evaluated and then a second stage of drilling will complete the approximate 19-hole program.
- On May 3, 2018 the Company announced that through its wholly-owned subsidiary, APM US, has vended out the recently acquired Property to AAA Equity Holdings Corp. ("AAA"), a private BC corporation. AAA intends to apply for and list on the Canadian stock exchange in the near future, however, there is no guarantee that AAA will be approved for listing on any stock exchange. APM US has agreed to assign, transfer all of its rights and obligations arising out of the exploration lease and option to purchase agreement between APM US and Curellie LLC to AAA.

Inconsideration for the assignment, AAA will:

- (a) Issue 500,000 of its common shares to APM;
- (b) Complete CAD\$75,000 in exploration expenditures on the Property within twelve months; and
- (c) In the event that AAA elects to exercise the Option, pay to APM US a 1% net smelter royalty.