

# **American Pacific Mining Corp.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the Six Months Ended June 30, 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 six months ended June 30, 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>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,593,036	\$ 3,414,736
Sales tax receivable	29,008	-
Subscriptions receivable (notes 9 and 10)	-	19,000
Deposits	126,322	-
Prepaid expenses (notes 4 and 11)	169,549	316,633
	<b>1,917,915</b>	<b>3,750,369</b>
<b>Non-current assets</b>		
Investments (note 5)	33,200	-
Reclamation deposit (note 6)	26,255	-
Equipment (note 7)	2,097	-
Exploration and evaluation assets (note 8)	345,982	25,000
	<b>407,534</b>	<b>25,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,325,449</b>	<b>\$ 3,775,369</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 11)	\$ 272,594	\$ 134,582
<b>Non-current liabilities</b>		
Convertible notes (notes 9 and 10)	-	500,023
<b>TOTAL LIABILITIES</b>	<b>272,594</b>	<b>634,605</b>
<b>EQUITY</b>		
Equity portion of convertible notes (notes 9 and 10)	-	362,381
Subscriptions received in advance (notes 9 and 10)	-	126,500
Share capital (notes 10)	4,406,424	532,332
Stock options reserve	389,145	-
Warrants reserve (notes 10)	28	2,560,178
Accumulated deficit	(2,740,413)	(440,627)
Accumulated other comprehensive loss	(2,329)	-
<b>TOTAL EQUITY</b>	<b>2,052,855</b>	<b>3,140,764</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 2,325,449</b>	<b>\$ 3,775,369</b>

*Corporate information and continuance of operations (note 1)*

*Commitments (note 8)*

*Segmented information (note 12)*

*Subsequent events (note 15)*

*The accompanying notes are an integral part of these condensed interim consolidated 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 June 30, 2018	For the six months ended June 30, 2018
<b>EXPENSES</b>		
Accretion of interest (note 9)	\$ -	\$ 19,347
Bank charges	940	1,877
Consulting fees	121,964	244,846
Depreciation (note 7)	180	300
Exploration and evaluation costs	769,162	850,500
Foreign exchange loss	3,336	5,623
General and administrative costs	23,061	34,775
Professional fees	52,543	220,298
Project evaluation costs	8,039	10,898
Share-based payments (note 10)	35,950	389,145
Shareholder information and investor relations	228,872	327,495
Transfer agent, regulatory and listing fees	63,764	123,238
Travel	49,834	71,444
<b>NET LOSS FOR THE PERIOD</b>	<b>\$ 1,357,645</b>	<b>\$ 2,299,786</b>
<b>OTHER COMPREHENSIVE EXPENSES</b>		
Foreign currency translation differences for foreign operations	\$ 2,329	\$ 2,329
<b>TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 1,359,974</b>	<b>\$ 2,302,115</b>
<b>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)</b>	<b>\$ 0.04</b>	<b>\$ 0.09</b>
<b>Weighted average number of common shares outstanding (basic and diluted)</b>	<b>32,551,667</b>	<b>25,292,551</b>

*The accompanying notes are an integral part of these condensed interim consolidated 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	Accumulated other comprehensive income (loss)	Total
		Number of shares	Amount			Options	Warrants			
<b>Balance at December 31, 2017</b>		<b>10,730,001</b>	<b>\$ 532,332</b>	<b>\$ 362,381</b>	<b>\$ 126,500</b>	<b>\$ -</b>	<b>\$ 2,560,178</b>	<b>\$ (440,627)</b>	<b>\$ -</b>	<b>\$ 3,140,764</b>
Share issue costs	10	-	(4,119)	-	-	-	-	-	-	(4,119)
Shares issued for exploration and evaluation assets	8 and 10	766,666	191,667	-	-	-	-	-	-	191,667
Warrants issued for cash	10	-	-	-	-	-	177,500	-	-	177,500
Warrant issue costs	10	-	-	-	-	-	(26,554)	-	-	(26,554)
Fair value of finders' warrants	10	-	(28)	-	-	-	28	-	-	-
Shares issued for warrant exercise	10	11,365,000	2,711,124	-	-	-	(2,711,124)	-	-	-
Shares issued for conversion of convertible debentures	9 and 10	9,690,000	975,448	(401,856)	-	-	-	-	-	573,592
Equity portion of convertible debentures	9 and 10	-	-	39,475	-	-	-	-	-	39,475
Subscriptions received in advance	9 and 10	-	-	-	(126,500)	-	-	-	-	(126,500)
Share-based payments	10	-	-	-	-	389,145	-	-	-	389,145
Net loss for the period		-	-	-	-	-	-	(2,299,786)	-	(2,299,786)
Other comprehensive loss for the period		-	-	-	-	-	-	-	(2,329)	(2,329)
<b>Balance at June 30, 2018</b>		<b>32,551,667</b>	<b>\$ 4,406,424</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 389,145</b>	<b>\$ 28</b>	<b>\$ (2,740,413)</b>	<b>\$ (2,329)</b>	<b>\$ 2,052,855</b>

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

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

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	For the six months ended June 30, 2018	
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$	(2,299,786)
<b>Adjustments for items not affecting cash:</b>		
Depreciation		300
Share-based payments		389,145
Accretion of interest		19,347
Effect of currency exchange rate changes on reclamation deposit		(1,652)
<b>Net changes in non-cash working capital items:</b>		
Sales tax receivable		(29,008)
Prepaid expenses		147,084
Deposits		(126,322)
Accounts payable and accrued liabilities		135,114
<b>Net cash flows used in operating activities</b>		<b>(1,765,778)</b>
<b>FINANCING ACTIVITIES</b>		
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
<b>Net cash flows from financing activities</b>		<b>133,024</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment		(2,397)
Reclamation deposits		(24,603)
Exploration and evaluation assets		(161,946)
<b>Net cash flows used in investing activities</b>		<b>(188,946)</b>
<b>Net decrease in cash</b>		<b>(1,821,700)</b>
<b>Cash, beginning of period</b>		<b>3,414,736</b>
<b>Cash, end of period</b>	<b>\$</b>	<b>1,593,036</b>
<b>Supplementary cash flow information</b>		
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
Share received in exchange of evaluation and exploration assets	\$	32,506

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

**American Pacific Mining Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2018**  
**(Expressed in Canadian Dollars)**

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**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.

As of 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 June 30, 2018, the Company had working capital of \$1,645,321 and an accumulated deficit of \$2,740,413. 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 six months ended June 30, 2018 were approved by the Board of Directors on August 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.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2018**  
**(Expressed in Canadian Dollars)**

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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)**  
**For the Six Months Ended June 30, 2018**  
(Expressed in Canadian Dollars)

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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
<b>Financial assets:</b>		
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
<b>Financial liabilities:</b>		
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.

**American Pacific Mining Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2018**  
**(Expressed in Canadian Dollars)**

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

**IFRS 9 Financial Instruments (continued)**

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.

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.

**American Pacific Mining Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2018**  
**(Expressed in Canadian Dollars)**

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

***IFRS 9 Financial Instruments (continued)***

***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.

***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 \$104,549 and social media services of \$26,250 (Note 10).

**American Pacific Mining Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2018**  
(Expressed in Canadian Dollars)

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**5. INVESTMENTS**

	in USD	in CAD
<b>Initial Recognition</b>	<b>25,290</b>	<b>32,506</b>
Effect of movements in exchange rates	-	694
<b>Balance as at June 30, 2018</b>	<b>25,290</b>	<b>33,200</b>

On May 3, 2018, the Company received 500,000 common shares of AAA Equity Holdings Corp. (“AAA”), a private B.C. corporation related to the vend out of the JPL Project (Note 8). As there were no quoted prices in active market for AAA’s shares, the Company valued the shares at US\$25,290 which was the carrying value of the JPL Project exchanged.

As at June 30, 2018, the carrying value of the investments is \$33,200 (December 31, 2017 – \$nil).

**6. RECLAMATION DEPOSITS**

The Company has reclamation deposits of \$26,255 (US\$20,000). These bonds were put up as collateral for the Tuscarora project in the event of future operations (December 31, 2017 – \$nil).

**7. EQUIPMENT**

	<b>Computer equipment</b>
<b>Cost</b>	
As at December 31, 2017	\$ -
Additions	2,397
<b>Balance as at June 30, 2018</b>	<b>\$ 2,397</b>
<b>Depreciation</b>	
As at December 31, 2017	\$ -
Charged for the period	(300)
<b>Balance as at June 30, 2018</b>	<b>\$ (300)</b>
<b>Net book value</b>	
As at December 31, 2017	\$ -
<b>As at June 30, 2018</b>	<b>\$ 2,097</b>

**American Pacific Mining Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2018**  
(Expressed in Canadian Dollars)

**8. EXPLORATION AND EVALUATION ASSETS**

	South Lida claims	Tuscarora property	JPL Property	Total
Balance as at December 31, 2017	\$ 25,000	\$ -	\$ -	\$ 25,000
Acquisition costs				-
- cash		125,000	19,354	144,354
- shares	125,000	66,667	-	191,667
Staking costs	4,315	-	13,277	17,592
Disposal	-	-	(32,506)	(32,506)
Effect of movements in exchange rates	-	-	(125)	(125)
<b>Balance as at June 30, 2018</b>	<b>\$ 154,315</b>	<b>\$ 191,667</b>	<b>\$ -</b>	<b>\$ 345,982</b>

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 10));
- 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
- 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 two of the Vendors are officers and directors of the Company.

**American Pacific Mining Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended June 30, 2018**  
**(Expressed in Canadian Dollars)**

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**8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**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 8(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 10)) 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)**  
**For the Six Months Ended June 30, 2018**  
**(Expressed in Canadian Dollars)**

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**8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**Tuscarora property (Nevada, US) (continued)**

The Company's evaluation and exploration costs during the six months ended June 30, 2018 related to Tuscarora property are broken down as follows:

	<b>Tuscarora</b>
Consulting	\$ 128,241
Drilling	522,175
Equipment rental	7,851
Field	23,114
Field office administration	970
Geological	87,935
Sample analysis	50,585
Transportation	8,293
Travel	21,336
	<b>\$ 850,500</b>

**JPL Gold Project (Nevada, US)**

On April 5, 2018 (the "Effective Date"), the Company entered into an option agreement ("Agreement") for the JPL Property with Curellie LLC, a private company based in Nevada USA ("Curellie"). The property consists of 54 unpatented mining claims situated in Esmeralda County, Nevada.

Curellie granted to the Company the exclusive option and right ("Option") to acquire ownership of the JPL Property by making the following minimum payments to Curellie:

- Execution of the Agreement – US\$15,000 (Paid)
- First anniversary of the Effective Date – US\$20,000
- Second anniversary of the Effective Date – US\$25,000
- Third anniversary and each succeeding anniversary of the Effective Date – US\$30,000

APM will pay a 3 percent production royalty to Curellie based on the Net Smelter Returns from the production and sale of minerals from the Property.

On May 3, 2018, the Company, through its wholly-owned subsidiary, APM US, vended out the JPL Project to AAA. APM US has agreed to assign, transfer and set over 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.

In consideration for the assignment, AAA will:

- a) issue 500,000 of its common shares to the Company; (issued)
- b) complete \$75,000 in exploration expenditures on the JPL Property within twelve months; and
- c) in the event that AAA elects to exercise the Option (as defined in the Agreement), pay to APM US a 1% net smelter return on the JPL Property.

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**9. CONVERTIBLE NOTES**

Balance as at December 31, 2017	<u>\$ 500,023</u>
Additions	54,222
Accretion of interest	19,347
Conversion	<u>(573,592)</u>
Balance as at June 30, 2018	<u>\$ -</u>

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 six months ended June 30, 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 June 30, 2018, the carrying value of the convertible notes is \$nil (December 31, 2017 – \$500,023).

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**10. SHARE CAPITAL**

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At June 30, 2018, the Company had 32,551,667 common shares issued and with a value of \$4,406,424.

**During the six months ended June 30, 2018**

- The Company issued 500,000 common shares with a fair value of \$125,000 in exchange for the South Lida Property (Note 8).
- The Company issued 266,666 common shares with a fair value of \$66,667 in exchange for the Tuscarora Property (Note 8).
- 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 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 issued during the six months ended June 30, 2018, the Company incurred \$4,119 in share issue costs.

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**10. SHARE CAPITAL (CONTINUED)**

**c) Warrants**

During the six months ended June 30, 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.

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 six months ended June 30, 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 June 30, 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	0.69
March 9, 2019	5,682,500	\$ 0.35	\$ -	0.69
	<b>6,021,300</b>	<b>\$</b>	<b>28</b>	<b>0.69</b>

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**10. SHARE CAPITAL (CONTINUED)**

**c) 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 six months ended June 30, 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 a consultant. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- On June 29, 2018, the Company granted 300,000 options with an exercise price of \$ \$0.25 to a 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 six months ended June 30, 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.99%
Expected annual volatility	80.74%
Expected life (in years)	5
Expected dividend yield	0.00%

The following summarizes information about stock options outstanding and exercisable at June 30, 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	4.69
March 19, 2023	100,000	100,000	\$ 0.30	\$ 18,717	4.72
June 29, 2023	300,000	300,000	\$ 0.25	\$ 35,950	5.00
	<b>2,450,000</b>	<b>2,450,000</b>		<b>\$ 389,145</b>	<b>4.73</b>

During the six months ended June 30, 2018, the Company recognized share-based payments expense arising from stock options of \$389,145.

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**11. 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 six months ended June 30, 2018 is as follows:

Short-term benefits	\$	<b>337,593</b>
Share-based payments		<b>195,792</b>
	\$	<b>533,385</b>

***During the six months ended June 30, 2018***

- The Company incurred consulting fees of \$75,965 to Harbourside Consulting Ltd. which is controlled by the Chief Executive Officer and a Director of the Company.
- The Company incurred consulting fees of \$10,000 to Inlet Consulting Ltd. which is controlled by the Chief Financial Officer and Director of the Company.
- The Company paid \$79,560 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 \$39,375 was charged to the statement of loss and comprehensive loss as shareholder information and investor relations expenses and \$26,250 remained as prepaid expenses as at June 30, 2018 (December 31, 2017 – \$65,625).

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$68,491, as at June 30, 2018 (December 31, 2017 – \$13,332), which were paid subsequent to June 30, 2018. These amounts are unsecured, non-interest bearing and payable on demand.

**12. 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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**13. 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 six months ended June 30, 2018. The Company is not subject to externally imposed capital requirements.

**14. 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:

	June 30, 2018		December 31, 2017	
	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost
<b>Financial assets:</b>				
Cash	\$ 1,593,036	\$ -	\$ 3,414,736	\$ -
Subscriptions receivable	-	-	-	19,000
Investments	33,200	-	-	-
Reclamation deposit	-	26,255	-	-
<b>Financial liabilities:</b>				
Accounts payable and accrued liabilities	-	272,594	-	134,582
Convertible notes	-	-	-	500,023

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**14. FINANCIAL INSTRUMENTS (CONTINUED)**

**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 June 30, 2018, the Company had cash of \$1,593,036 and accounts payable and accrued liabilities of \$272,594. 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 June 30, 2018 would result in an approximately \$16,000 change to the Company's net loss for the six months ended June 30, 2018.

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

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**14. 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 June 30, 2018:

	in Canadian dollars	in US dollars
Cash	1,577,183	12,076
Sales tax receivable	29,008	-
Deposits	126,322	-
Investments	-	25,290
Reclamation deposit	-	20,000
Accounts payable and accrued liabilities	(67,058)	(156,568)
<b>Total foreign currencies</b>	<b>1,665,455</b>	<b>(99,202)</b>
Foreign currency rate	1.000	1.3128
<b>Equivalent to Canadian dollars</b>	<b>\$ 1,665,455</b>	<b>\$ (130,228)</b>

Based on the above net exposures as at June 30, 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 \$13,000.

**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.

**15. SUBSEQUENT EVENTS**

Subsequent to June 30, 2018:

- On July 20, 2018, the Company issued 200,000 common shares to an investor relations consultant.