



**SULLIDEN**  
MINING CAPITAL

# **Sulliden Mining Capital Inc.**

**(An Exploration Stage Mining Company)**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended**

**October 31, 2018 and 2017**

**(expressed in Canadian dollars)**

**SULLIDEN MINING CAPITAL INC.****Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian dollars)**

<b>As at</b>		<b>October 31,</b>	<b>July 31,</b>
	<b>Notes</b>	<b>2018</b>	<b>2018</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 66,184	\$ 428,968
Investments, at fair market value through profit and loss	5	9,506,700	12,371,859
Loans receivable	6	-	368,987
Amounts receivable and other		73,407	90,377
Prepaid expenses		82,033	164,160
<b>Total current assets</b>		<b>9,728,324</b>	<b>13,424,351</b>
<b>Non-current assets</b>			
Investment in associates	7	21,997,985	22,007,089
Exploration and evaluation assets	8	141,423	141,423
<b>TOTAL ASSETS</b>		<b>\$ 31,867,732</b>	<b>\$ 35,572,863</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 907,033	\$ 1,098,418
<b>Total current liabilities</b>		<b>907,033</b>	<b>1,098,418</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		27,362,833	27,362,833
Share purchase warrant reserve		783,195	783,195
Share-based payment reserve	9	1,194,436	1,083,000
Accumulated other comprehensive loss		(9,027)	(3,401)
Retained profit		1,629,262	5,248,818
<b>Total shareholders' equity</b>		<b>30,960,699</b>	<b>34,474,445</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 31,867,732</b>	<b>\$ 35,572,863</b>

**Commitments and contingencies (Note 15)****Subsequent events (Note 17)**

Approved by the Board of Directors:

Signed "Pierre Pettigrew", DirectorSigned "Stan Bharti", Director

**SULLIDEN MINING CAPITAL INC.****Condensed Interim Consolidated Statements of Operations and Comprehensive (Loss)/Income****(Expressed in Canadian dollars)**

	Note	For the three months ended October 31,	
		2018	2017
<b>Expenses</b>			
Share-based payments	9	\$ (34,358)	\$ 104,979
Professional, consulting and management fees	10	334,026	696,298
General and administrative expenses	11	82,615	135,776
		<u>382,283</u>	<u>937,053</u>
<b>Other (income)/expenses</b>			
Interest income		(7,209)	(9,539)
Foreign exchange gain		(3,400)	(26,841)
Loss from investment in associate	7	9,104	52,079
Realized loss (gain) on sale of investments	5	53,429	(205,892)
Unrealized loss (gain) on investments	5	3,185,349	(3,526,275)
		<u></u>	<u></u>
<b>Net (loss)/income for the period</b>		<b>\$ (3,619,556)</b>	<b>\$ 2,779,415</b>
Other comprehensive (loss)/income:			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation		(5,626)	54,930
		<u></u>	<u></u>
<b>Net comprehensive (loss)/income for the period</b>		<b>\$ (3,625,182)</b>	<b>\$ 2,834,345</b>
<b>Net (loss)/income per share</b>			
Basic		\$ (0.09)	\$ 0.07
Diluted		\$ (0.09)	\$ 0.07
<b>Weighted average common shares outstanding</b>			
Basic		41,462,851	41,462,851
Diluted		41,462,851	41,556,748

**SULLIDEN MINING CAPITAL INC.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

		For the three months ended October 31,	
	Note	2018	2017
<b>CASH FLOWS FROM:</b>			
<b>Operating activities</b>			
Net (loss)/income for the period		\$ (3,619,556)	\$ 2,779,415
Items not involving cash			
Share-based payments	9	(34,358)	104,979
Loss from investment in associate	7	9,104	52,079
Realized loss (gain) on sale of investments	5	53,429	(205,892)
Unrealized loss (gain) on investment	5	3,185,349	(3,526,275)
Interest and arrangement fees earned		(7,204)	(9,488)
Foreign exchange gain		(3,053)	(274)
		<u>(416,289)</u>	<u>(805,456)</u>
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		99,097	19,312
Accounts payable and accrued liabilities		(45,592)	(1,003,879)
		<u>53,505</u>	<u>(984,567)</u>
Cash flows used in operating activities		<u>(362,784)</u>	<u>(1,790,023)</u>
<b>Investing activities</b>			
Purchase of investments		-	(1,063,885)
Proceeds from sale of investments	5	-	2,176,845
Expenditures on exploration and evaluation assets	8	-	(87,179)
Change in exploration and evaluation payables		-	(3,993)
Cash flows from investing activities		<u>-</u>	<u>1,021,788</u>
<b>Net change in cash</b>		(362,784)	(768,235)
<b>Cash, beginning of the period</b>		428,968	1,023,175
<b>Cash, end of the period</b>		<u>\$ 66,184</u>	<u>\$ 254,940</u>

**SULLIDEN MINING CAPITAL INC.**
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian dollars)**

	Note	Number of Shares	Share Capital	Share purchase warrant reserve	Share- based payment reserve	Accumulated other comprehensive (loss)/income	Deficit	Total Shareholders' equity
<b>Balance as at July 31, 2018</b>		41,462,851	\$ 27,362,833	\$ 783,195	\$ 1,083,000	\$ (3,401)	\$ 5,248,818	\$ 34,474,445
Share-based compensation	9	-	-	-	111,436	-	-	111,436
Other comprehensive loss		-	-	-	-	(5,626)	-	(5,626)
Net loss for the period		-	-	-	-	-	(3,619,556)	(3,619,556)
<b>Balance as at October 31, 2018</b>		<b>41,462,851</b>	<b>\$ 27,362,833</b>	<b>\$ 783,195</b>	<b>\$ 1,194,436</b>	<b>\$ (9,027)</b>	<b>\$ 1,629,262</b>	<b>\$ 30,960,699</b>
<b>Balance as at July 31, 2017</b>		41,462,851	\$ 27,362,833	\$ 783,195	\$ 468,006	\$ (131,799)	\$ (8,069,252)	\$ 20,412,983
Share-based compensation		-	-	-	17,331	-	-	17,331
Other comprehensive loss - associate	7	-	-	-	-	54,930	-	54,930
Net income for the period		-	-	-	-	-	2,779,415	2,779,415
<b>Balance as at October 31, 2017</b>		<b>41,462,851</b>	<b>\$ 27,362,833</b>	<b>\$ 783,195</b>	<b>\$ 485,337</b>	<b>\$ (76,869)</b>	<b>\$ (5,289,837)</b>	<b>\$ 23,264,659</b>

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

## **Sulliden Mining Capital Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

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### **1. NATURE OF OPERATIONS**

Sulliden Mining Capital Inc. (“SMC” or the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on June 10, 2014 and was a wholly-owned subsidiary of Sulliden Gold Corporation Ltd. (“Sulliden”). Pursuant to an arrangement between Rio Alto Mining Limited and Sulliden, whereby Rio Alto acquired the shares of Sulliden, shareholders of Sulliden received 0.10 of a common share of the Company. The Company assumed Sulliden’s interests in the East Sullivan property in Quebec and was capitalized with \$24.76 million in cash.

The head office of the Company is located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5 and the registered office of the Company is located at the same address. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “SMC”.

In May 2016, Sulliden Moçambique, Lda, was incorporated in Mozambique, and became a 100% owned subsidiary of the Company. There is currently no activity in this subsidiary. The registered office of this subsidiary is located at Rua Damião de Góis, Numero 371, Maputo Cidade, Moçambique.

In June 2016, a numbered company, 2507868 Ontario Inc. (“2507868”), was incorporated under the *Business Corporations Act* (Ontario) and became a 100% owned subsidiary of the Company. This subsidiary’s registered office was located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5. Activity with respect to this subsidiary related to the Troilus project. On December 20, 2017, the Company sold its interest in 2507868 (see Note 8).

The Company owns a 98% interest in the issued and outstanding shares of Daos International Ltd. (“Daos”), a Mauritius company. See Note 4.

### **2. BASIS OF PRESENTATION**

The condensed interim financial statements of the Company have been prepared by management in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, effective for the Company’s reporting for the period ended October 31, 2018. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended July 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies as set out below were consistently applied to all the periods presented unless otherwise noted.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on December 13, 2018.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies as set out in Note 3 of the Company’s annual financial statements for the year ended July 31, 2018 have been consistently applied to all the periods presented except for the adoption of the following new standards and amendments issued by the IASB that were effective for annual periods beginning on or after January 1, 2018.

## **Sulliden Mining Capital Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening retained profit balance on August 1, 2018 and did not result in any change in the carrying values of the Company's financial assets or liabilities.

IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”) addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. There was no impact on the Company's interim financial statements upon adoption of IFRS 15 on August 1, 2018

#### *Standards issued but not effective*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 16, *Leases* (“IFRS 16”) replaces IAS 17, *Leases* (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is evaluating the impact of the adoption of IFRS 16 and at this time the Company does not anticipate a material impact to the financial statements.

### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in these condensed interim financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

## **Sulliden Mining Capital Inc.**

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars unless otherwise noted)

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### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

- Valuation of exploration and evaluation assets - The Company carries its mineral properties at cost less any impairment losses. The Company capitalizes exploration and evaluation costs, which are related to specific projects, until the commercial feasibility of the project is determinable, or the project is determined to be impaired. Costs are charged to operations when a property is abandoned or when impairment in value has been determined. The Company reviews the carrying values of mining properties and related expenditures whenever indicators of impairment exist or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates which are subject to various risks and uncertainties. Estimates may include, but are not limited to estimates of future metal prices, capital and operating costs, the quantities of mineral reserves to be mined and expected recoveries of minerals contained in ore, the ability to convert resources into economically mineable reserves, discount rates and; in the case of fair value less costs of disposal, the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs of disposal the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and exploration and evaluation assets.
- Income taxes and recoverability of potential deferred tax assets - In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.
- Share-based payments - Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- Determination of Significant Influence of Investment in Associates - As at October 31, 2018, the Company has classified its investment in Troilus as an associate based on management's judgment that the Company has significant influence through its ownership of 29.6% of the voting rights.

## Sulliden Mining Capital Inc.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Assets and disposal groups held for sale -- As security for default on the loan with APIO Africa Ltd (“APIO”), in June 2016, the Company received 8,169 shares of APIO’s subsidiary, Daos, a Mauritius company. As a result, the Company owned an 82% interest in Daos. The Company appointed three members to the board of Daos in June 2016 and controls the board of Daos. In October 2016, Daos issued additional shares to the Company in compensation for costs incurred by the Company related to Daos and the APIO loan. As at July 31, 2018, the Company owns 98% of the issued and outstanding shares of Daos. The Company has been in the process of selling the assets of Daos in order to recoup the defaulted loan. During the year ended July 31, 2018, Daos entered into an agreement to sell its 75% interest in a Mozambique company in exchange for common shares of Global Blockchain Technologies Corp. (the “Bloc shares”). The Company does not expect to receive any proceeds from the sale after Daos settles its liabilities and has valued the Daos assets, including the Bloc Shares, at \$nil. The Company has also concluded that there is no constructive obligation on the part of the Company with respect to the Daos liabilities. Estimates are made, assumptions are used and management judgement is exercised in this assessment. These are subject to various risks and uncertainties which may ultimately have an effect on the expected recovery of these assets.

### 5. INVESTMENTS

As at October 31, 2018, the Company carried investments in certain public resource and other sector companies. These securities are classified as fair value through profit or loss (“FVTPL”). As at October 31, 2018, these securities have an estimated fair value of \$9,506,700 (July 31, 2018: \$12,371,859) (see Note 13).

Public Issuer	Note	Security description	Cost	Estimated Fair value
<b>Current assets</b>				
Aberdeen International Inc.*		3,751,000 common shares	576,796	262,570
	i.	4,790,000 warrants	221,436	-
African Gold Group		11,111,111 common shares	608,365	222,222
	ii.	11,111,111 warrants	391,635	7,778
Agua Resources Ltd. (Note 7(a))		15,182,660 common shares	3,947,595	2,353,312
	iii.	1,071,429 warrants	84,919	21,536
ARHT Media Inc.		500,000 common shares	164,498	47,500
	iv.	431,818 warrants	347,691	2,739
Black Iron Inc.		6,924,089 common shares	353,204	519,307
Blue Sky Energy Inc.		955,000 common shares	911,770	477,500
Desert Lion Energy Inc.		1,217,000 common shares	243,400	85,190
Emerita Resources Corp.		9,610,000 common shares	663,607	192,200
	v.	1,250,000 warrants	52,839	375
Euro Sun Mining*		2,187,825 common shares	1,860,480	1,334,573
	vi.	1,966,213 warrants	1,655,949	-
Fura Gems Inc.		4,400,000 common shares	1,283,448	1,408,000
Halo Labs Inc.		1,556,316 common shares	264,574	560,274
	vii.	1,556,316 warrants	108,942	224,110
Jourdan Resources Inc.		8,000,000 common shares	505,263	360,000
	viii.	4,000,000 warrants	94,737	44,800
Q-Gold Resources Ltd.		2,500,000 common shares	163,043	487,500
	ix.	2,500,000 warrants	86,957	251,000
QMX Gold Corporation		6,017,000 common shares	672,807	421,190
	x.	577,000 warrants	86,325	115
Others			837,250	222,909
			\$ 16,187,530	\$ 9,506,700

\* Investments in related party entities –see Note 14.

## Sulliden Mining Capital Inc.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

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### 5. INVESTMENTS (continued)

i. As at October 31, 2018, the Company holds 4,790,000 warrants of Aberdeen International Inc. with each warrant entitling the Company to acquire one common share at a price of \$0.30 until November 24, 2019. The warrants were revalued at October 31, 2018 at an estimated value of \$nil using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 40.1%; risk-free interest rate of 2.14% and an expected average life of 1 years.

ii. As at October 31, 2018, the Company holds 11,111,111 warrants of African Gold Group with each warrant entitling the Company to acquire one common share of African Gold Group at a price of \$0.12 until April 25, 2020. The warrants were revalued at October 31, 2018 at an estimated value of \$7,778 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 83.3%; risk-free interest rate of 2.29% and an expected average life of 1.5 years.

iii. As at October 31, 2018 the Company holds 1,071,429 warrants of Aguia Resources Limited ("Aguia") where each warrant entitles the Company to acquire one common share of Aguia at a price of \$0.60 until April 12, 2021. The warrants were revalued at October 31, 2018 at an estimated value of \$21,536 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 74%; risk-free interest rate of 2.3% and an expected average life of 2.5 years. See Note 7(b).

iv. As at October 31, 2018, the Company holds 250,000 warrants of ARHT Media Inc. ("ARHT"), with each warrant entitling the Company to acquire one common share of ARHT at a price of \$0.60 until February 1, 2020. The warrants were revalued at October 31, 2018 at an estimated value of \$2,575 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 118%; risk-free interest rate of 2.29% and an expected average life of 1.3 years. In addition, the Company holds 181,818 warrants of ARHT with each warrant entitling the Company to acquire one common share of ARHT at a price of \$0.30, until February 25, 2019. The warrants were revalued at October 31, 2018 at an estimated value of \$164 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 120%; risk-free interest rate of 1.73% and an expected average life of 0.3 years.

v. As at October 31, 2018, the Company holds 1,250,000 warrants of Emerita Resources Corp. ("Emerita") where each warrant entitles the Company to acquire one common share of Emerita at a price of \$0.20 until December 20, 2019. The warrants were revalued at October 31, 2018 at an estimated value of \$375 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 98%; risk-free interest rate of 2.14% and an expected average life of 1.1 years.

vi. As at October 31, 2018, the Company holds 1,966,213 warrants of Euro Sun Mining with each warrant entitling the Company to acquire one common share at a price of \$2.18 until May 19, 2019. The warrants were revalued at October 31, 2018 at an estimated value of \$nil using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 55.5%; risk-free interest rate of 1.88% and an expected average life of 0.6 years.

vii. On September 28, 2018, the Company's loan receivable from ANM Inc. was converted to 1,556,316 shares and warrants of Halo Labs Inc. (formerly Apogee) ("Halo") as a result of the close of the Business Combination described in Note 6. Each warrant entitles the Company to acquire one common share of Halo at a price of \$0.80 until December 31, 2020. The warrants were revalued at October 31, 2018 at an estimated value of \$224,110 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 106%, based on volatility of comparable companies; risk-free interest rate of 2.33% and an expected average life of 2.2 years.

viii. As at October 31, 2018, the Company holds 4,000,000 warrants of Jourdan Resources Inc. ("Jourdan") where each warrant entitles the Company to acquire one common share of Jourdan at a price of \$0.10 until June 12, 2020. The warrants were revalued at October 31, 2018 at an estimated value of \$44,800 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 93%; risk-free interest rate of 2.29% and an expected average life of 1.6 years.

## Sulliden Mining Capital Inc.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

### 5. INVESTMENTS (continued)

ix. As at October 31, the Company holds 2,500,000 warrants of Q-Gold Resources Ltd. ("Q-Gold"). Each warrant entitles the Company to acquire one common share of Q-Gold at a price of \$0.15 until July 4, 2020. The warrants were revalued at October 31, 2018 at an estimated value of \$251,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 88%; risk-free interest rate of 2.29% and an expected average life of 1.7 years.

x. As at October 31, the Company holds 577,000 warrants of QMX Gold Corporation ("QMX"). Each warrant entitles the Company to acquire one common share of QMX at a price of \$0.35 until October 5, 2019. The warrants were revalued at October 31, 2018 at an estimated value of \$115 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 66%; risk-free interest rate of 2.14% and an expected average life of 0.9 years.

The Company did not sell investments during the three months ended October 31, 2018. For the three months ended October 31, 2017, the Company sold investments for gross proceeds of \$1,455,184, incurring commissions of \$10,691 and realizing a gain on sale of investments of \$178,311. As a result of the fair value adjustment to the investments held by the Company at October 31, 2018, an unrealized loss of \$3,185,349, was recognized for the three months ended October 31, 2018 (three months ended October 31, 2017: unrealized gain of \$3,526,275).

### 6. LOAN RECEIVABLE

The Company's loan receivable balances as at October 31, 2018 and July 31, 2018 are made up of the following:

Due from:	October 31, 2018	July 31, 2018
ANM Inc.	\$ -	\$ 368,987
Balance	\$ -	\$ 368,987

In July 2017, the Company entered into a convertible note purchase agreement with ANM Inc., purchasing a non-negotiable convertible promissory note for US\$250,000 (\$323,875). Unless the note was converted, principal and accrued interest was due to the Company in January 2018. Interest accrued at a rate of 12% per annum. This note was unsecured.

On May 21, 2018, the convertible note purchase agreement was amended to extend the maturity date to (1) December 28, 2018 or (2) upon change of control of ANM Inc., whichever occurs first (the "Maturity Date"). On May 9, 2018, ANM Inc. had entered into a binding letter of intent with Apogee Opportunities Inc. ("Apogee") whereby ANM Inc. would combine with Apogee and shares of ANM Inc. would be exchanged for common shares of Apogee at an exchange ratio of 1.35 common shares of Apogee for each share of ANM Inc. (the "Business Combination"). According to the terms of the amended note purchase agreement, on closing of the Business Combination, the balance of the loan receivable, including unpaid interest, would automatically convert to the number of shares and warrants of ANM Inc. based on a conversion price equal to 60% of the purchase price of a unit of the resulting combined entity in a proposed equity financing, which was expected to be \$0.40 per unit, multiplied by the exchange ratio of 1.35. On September 28, 2018, the Business Combination closed and the Company's loan receivable, including interest accrued, from ANM Inc. was converted to 1,556,316 shares and warrants of Halo Labs Inc. See Note 5.

An amount of \$7,204 was accrued in interest for the three months ended October 31, 2018 (October 31, 2017 - \$9,488), and the Company recognized a foreign exchange loss of \$2,676 during the three months ended October 31, 2018 (October 31, 2017 - gain of \$10,526).

## Sulliden Mining Capital Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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### 7. INVESTMENT IN ASSOCIATES

#### a) Troilus Gold Corporation ("Troilus")

As at October 31, 2018, the Company owns a 29.6% interest in Troilus Gold Corporation ("Troilus"). Troilus was formerly named Pitchblack Resources Ltd. ("Pitchblack") and listed on the TSX Venture Exchange ("TSX-V"). Troilus's primary focus is the mineral expansion and potential mine re-start at the former gold and copper Troilus Mine.

On December 20, 2017, the Company received, as consideration in respect of the sale of 2507868 Ontario Inc. ("2507868"), 15,000,000 shares of Troilus (See Note 8), representing at that date a 36% shareholding interest in Troilus. As a result of this acquisition, management re-assessed the level of influence that the Company has with respect to Troilus and determined that from that date the Company has significant influence. On this basis, the investment, which had been accounted for as FVTPL on the statement of financial position prior to December 20, 2017, is now considered an associate and is accounted for using the equity method. The investment qualifies for this accounting treatment as SMC is considered to have significant influence because of its share ownership of 29.6% in Troilus Gold Corp. (as at October 31, 2018), and 29.6% ownership of voting rights. In addition, Pierre Pettigrew, a director of the Company, is a director of Troilus.

July 31, 2017	\$	-
Acquisition of 150,000 shares at cost		60,000
Fair market valuation adjustment to December 20, 2017		186,000
Acquisition of 15,000,000 shares at fair value of consideration received (see Note 8)		24,600,000
Acquisition of 25,000 shares at cost		45,685
Disposition of 731,707 shares at cost		(1,199,999)
Gain on dilution of interest		1,924,495
Proportionate share of net loss		(3,609,092)
July 31, 2018	\$	22,007,089
Proportionate share of net loss and adjustments		(9,104)
October 31, 2018	\$	21,997,985
Fair market value of 14,443,293 shares at October 31, 2018	\$	7,221,647

The Company is not exposed to any additional losses beyond its initial investment amount. No dividends or cash distributions were received by the Company from the associate during the period.

The Company recorded an equity loss of \$9,104 for the three months ended October 31, 2018 (three months ended October 31, 2017 - \$nil) which represents the proportionate share of Troilus's net loss through the three months ended October 31, 2018. The Company's proportionate share of the Troilus net loss has been adjusted to reflect the difference in accounting policy related to exploration and evaluation expenditures. The Company has a policy of capitalizing exploration and evaluation expenditures, whereas Troilus expenses these expenditures as incurred. The Company and Troilus have the same fiscal year end of July 31 and the same reporting periods.

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### 7. INVESTMENT IN ASSOCIATE (continued)

#### a) Troilus Gold Corporation ("Troilus") (continued)

The following is a summary of the consolidated financial information of Troilus on a 100% basis as at October 31, 2018, which is the most recent publicly available information for Troilus. These amounts are presented in Canadian dollars.

	Three months ended October 31, 2018	Year ended July 31, 2018
Cash	\$ 14,627,867	\$ 20,236,630
Total current assets	16,863,013	22,697,031
Total non-current assets	5,862,895	5,001,301
Total current liabilities	1,821,148	3,055,733
Total non-current liabilities	6,811,981	10,527,299

  

	Three months ended October 31, 2018	Three months ended October 31, 2017
Net loss	3,672,254	-
Proportionate share of net loss	(9,104)	-

#### b) Agua Resources Ltd. ("Agua")

On April 12, 2018, management re-assessed the level of influence that the Company had with respect to Agua and determined that it no longer had significant influence, as a result, the Company recognized its retained interest in Agua as a financial asset (see Note 5). During the comparative three month period ending October 31, 2017, the Company recorded an equity loss of \$52,079 which represented the proportionate share of Agua's net loss through the three months ended September 30, 2017. Agua has a June fiscal year end and it was impractical to prepare financial statements to October 31, 2017 as Agua is a listed entity. It is expected that the difference in reporting dates is immaterial. In addition, during the three months ended October 31, 2017, the Company sold some shares of Agua for proceeds of \$732,353, recognizing a gain on sale of investments of \$27,581.

### 8. EXPLORATION AND EVALUATION ASSETS

	East Sullivan project	Troilus project	TOTAL
<b>Balance as at July 31, 2017</b>	\$ 141,145	\$ 819,594	\$ 960,739
Capitalized expenditures for the period	278	165,850	166,128
Property acquisition and maintenance costs	-	220	220
Disposition		(985,664)	(985,664)
<b>Balance as at July 31 and October 31, 2018</b>	\$ 141,423	\$ -	\$ 141,423

The East Sullivan property consists of 13 staked claim units referred to as the East Sullivan Property near Val D'Or Quebec. All claims are contiguous and 100% owned by the Company. The Company is maintaining these claims in good standing.

In June 2017 and amended in September 2017 and October 2017, the Company entered into an agreement with Pitchblack Resources Ltd. ("Pitchblack") to sell the outstanding equity securities of 2507868, which held the option agreement to acquire the Troilus project. According to the agreement the sale would be completed through the amalgamation of 2507868, 251 and a subsidiary of Pitchblack. In connection with the sale and amalgamation, Pitchblack changed its corporate name and brand identity to Troilus Gold Corp. ("Troilus").

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### 8. EXPLORATION AND EVALUATION ASSETS (continued)

On December 20, 2017, in exchange for the sale of 2507868 and its interest in the Troilus project, the Company received 15,000,000 shares of Troilus (formerly Pitchblack), on a post consolidation basis, with a fair market value of \$24,600,000 resulting in a gain on disposition of 2507868 and the Troilus project of \$23,614,336. As at December 20, 2017, the 15,000,000 shares represented approximately 36% of the issued and outstanding shares of Troilus. See Note 7.

### 9. SHARE-BASED PAYMENT RESERVE

	Share Purchase Options	Restricted Share Units	Total Reserve
<b>Balance as at July 31, 2017</b>	\$ 612,163	\$ (144,157)	\$ 468,006
Share-based payments allocated to:			
Expenses	215,678	628,302	843,980
Purchase of restricted share units	-	(228,986)	(228,986)
<b>Balance as at July 31, 2018</b>	\$ 827,841	\$ 255,159	\$ 1,083,000
Share-based payments allocated to:			
Expenses	-	111,436	111,436
<b>Balance as at October 31, 2018</b>	\$ 827,841	\$ 366,595	\$ 1,194,436

The share-based payments recorded on the consolidated statements of operations and comprehensive loss for the three months ended October 31, 2018 and 2017 are presented in detail below.

Share-based payments	Three months ended	
	October 2018	2017
Restricted share units	\$ 111,436	\$ 17,331
Deferred share units	(145,794)	87,648
	\$ (34,358)	\$ 104,979

The change in share purchase options during the period presented was as follows:

	Number of options	Weighted average exercise price	Value
<b>Balance as at July 31, 2017</b>	2,803,405	\$0.35	\$ 612,163
Granted	935,000	\$0.35	\$ 215,678
Expired	(271,805)	\$0.34	-
<b>Balance as at July 31, 2018</b>	3,466,600	\$0.35	\$ 827,841
Expired	(235,600)	\$0.39	-
<b>Balance as at October 31, 2018</b>	3,231,000	\$0.34	\$ 827,841

## Sulliden Mining Capital Inc.

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### 9. SHARE-BASED PAYMENT RESERVE (continued)

The following table summarizes information on share purchase options outstanding as at October 31, 2018:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
\$0.46	September 17, 2019	1,001,000	1,001,000	0.88
\$0.25	March 30, 2020	50,000	50,000	1.41
\$0.24	January 5, 2021	200,000	200,000	2.18
\$0.25	February 1, 2021	1,045,000	1,045,000	2.26
\$0.35	December 12, 2022	915,000	915,000	4.12
\$0.44	January 16, 2023	20,000	20,000	4.21
	Total	3,231,000	3,231,000	2.35

#### **Restricted Share Unit and Deferred Share Unit Incentive Plans**

On September 17, 2014, the Company adopted a Restricted Share Unit (“RSU”) Incentive Plan and a Deferred Share Unit (“DSU”) Incentive Plan.

On January 5, 2016, the Company granted and issued an aggregate of 500,000 RSUs to an officer of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 500,000 RSUs vest in three equal tranches, on each of January 5, 2017, January 5, 2018 and January 5, 2019. The fair value of these RSUs was determined to be \$0.26 per unit on the date of grant.

On December 12, 2017, the Company granted and issued an aggregate of 2,945,000 RSUs to officers and employees of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 2,945,000 RSUs vest in three equal tranches, on each of June 1, 2018, February 1, 2019 and February 1, 2020. The fair value of these RSUs was determined to be \$0.32 per unit on the date of grant.

On January 15, 2018, the Company granted and issued an aggregate of 25,000 RSUs to an employee of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 25,000 RSUs vest in three equal tranches, on each of June 1, 2018, February 1, 2019 and February 1, 2020. The fair value of these RSUs was determined to be \$0.435 per unit on the date of grant.

As at October 31, 2018, the Company has 1,100,000 DSUs outstanding. Each DSU entitles the holder to receive a cash payment equal to the market price of one common share of the Company upon ceasing to hold office. 966,667 DSUs that are currently issued are fully vested and 133,333 DSUs that are currently issued vest based on the pro-rata number of days each independent director remains a director of the Company until February 1, 2020, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

As at October 31, 2018, 1,046,001 DSUs related to current directors have vested and entitle the holders, upon ceasing to hold office, to receive a cash payment of \$120,291 equal to an average market price of \$0.12 for each DSU. This amount is recorded as a liability on the consolidated statements of financial position.

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### 9. SHARE-BASED PAYMENT RESERVE (continued)

#### Restricted Share Unit and Deferred Share Unit Incentive Plans (continued)

Details of RSUs and DSUs granted and outstanding are summarized in the table below and reflect the number of RSUs and DSUs that may vest based on conditions existing as at October 31, 2018:

	RSU		DSU			
	Non-vested	Vested	Non-vested	Forfeited	Paid	Vested
<b>Balance as at July 31, 2017</b>	625,000	3,750,000	70,556	218,002	31,998	829,444
Activity during the period:						
RSUs granted	2,970,000	-	-	-	-	-
DSUs granted	-	-	200,000	-	-	-
RSUs vesting from previous grant	(1,448,333)	1,448,333	-	-	-	-
DSUs vesting from previous grant	-	-	(193,960)	-	-	193,960
<b>Balance as at July 31, 2018</b>	2,146,667	5,198,333	76,596	218,002	31,998	1,023,404
Activity during the period:						
DSUs vesting from previous grant	-	-	(22,597)	-	-	22,597
<b>Balance as at October 31, 2018</b>	2,146,667	5,198,333	53,999	218,002	31,998	1,046,001

Upon vesting, the Company is obligated to deliver to the holders of the RSUs 166,667 common shares of the Company on January 5, 2019 and 990,000 common shares of the Company on each of June 1, 2018, February 1, 2019 and February 1, 2020. At October 31, 2018, shares had not been issued for 958,335 of the 990,000 RSUs that vested on June 1, 2018.

For the three months ended October 31, 2018, share-based compensation expense of \$111,436 was recognized for the RSUs (October 31, 2017: \$17,331) and recovery of \$145,794 was recognized for the DSU incentive plan (October 31, 2017: \$87,648).

### 10. PROFESSIONAL, CONSULTING AND MANAGEMENT FEES

	Three months ended	
	October 31, 2018	October 31, 2017
Salaries and benefits	66,446 \$	347,819
Directors fees	25,000	25,000
Consulting fees	196,010	121,026
Legal, audit and professional fees	46,570	202,453
	334,026 \$	696,298

### 11. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
	October 31, 2018	October 31, 2017
General and office	\$ 49,051	\$ 58,366
Shareholder communication	24,337	53,191
Travel and accommodation	9,227	24,219
	\$ 82,615	\$ 135,776

## Sulliden Mining Capital Inc.

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### 12. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, warrants and share purchase options. The Company manages its capital structure and makes adjustments based on the funds available to support the acquisition, exploration and development of its mineral properties. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain future development of the business.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. The Company and its subsidiaries are not subject to externally imposed capital requirements.

### 13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities at October 31, 2018 were as follows:

	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
<b>As at October 31, 2018</b>				
Cash	\$ 66,184	\$ -	\$ -	\$ 66,184
Investments	9,506,700	-	-	9,506,700
Amounts receivable and other	-	73,407	-	73,407
Accounts payable and accrued liabilities	-	-	907,033	907,033

#### *Fair value hierarchy*

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at October 31, 2018.

	Level 1	Level 2	Level 3	TOTAL
<b>As at October 31, 2018</b>				
Cash	\$ -	\$ 66,184	\$ -	\$ 66,184
Investments	8,956,417	550,283	-	9,506,700

The carrying value of cash and cash equivalents, amounts receivable and other, and accounts payable and accrued liabilities reflected in the condensed interim statement of financial position approximate fair value because of the relatively short-term maturities.

#### *Interest rate risk*

A 1% increase in interest rates, based on the balance of cash, cash equivalents and fixed income investments at October 31, 2018, would result in an increase in annual interest income of approximately \$660. All liabilities as at October 31, 2018 are non-interest bearing.

## **Sulliden Mining Capital Inc.**

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### **13. FINANCIAL INSTRUMENTS (continued)**

#### *Foreign currency risk*

The Company operates in Canada and its functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has acquired some investments, including its investment in an associate, which are denominated in foreign currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

#### *Credit risk*

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations.

Cash and cash equivalents are held in financial institutions from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist primarily of goods and services tax and harmonized sales tax due from the Federal Government of Canada.

#### *Liquidity risk*

As at October 31, 2018, the Company had net working capital of \$8,821,291, which included cash of \$66,184, investments of \$9,506,700, and amounts receivable and prepaid expenses of \$155,440 offset by current liabilities of \$907,033. The Company expects to rely on its existing net working capital to finance its ongoing planned activities.

#### *Price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

#### *Securities price risk*

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as fair value through profit and loss where price volatility is reflected in earnings.

### **14. RELATED PARTY DISCLOSURES**

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

#### *Related party balances*

The Company shares office space, resources and certain services with other corporations. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee. For the three months ended October 31, 2018, the Company was charged \$75,000 for these services (three months ended October 31, 2017: \$75,000). As well, the Company was charged an additional \$nil by 2227929 Ontario Inc. for other services (three months ended October 31, 2017: \$34,462).

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### 14. RELATED PARTY DISCLOSURES

#### *Compensation of key management personnel of the Company*

The remuneration of directors and other members of key management personnel were as follows:

	Three months ended	
	October 31,	
	2018	2017
Management salaries and fees	\$ 114,321	\$ 319,071
Directors fees	25,000	25,000
Share-based payments	(34,839)	101,688
	\$ 104,482	\$ 445,759

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

As at October 31, 2018, the Company holds investments in certain public resource and other sector companies that are related party entities, related by virtue of the relationship with common directors and officers.

Public Issuer	Security description	Cost	Estimated Fair value
Aberdeen International Inc.	i. 3,751,000 common shares and 4,790,000 warrants	798,232	262,570
Euro Sun Mining (formerly Carpathian Gold Inc.)	ii. 2,187,825 common shares and 1,966,213 warrants	3,516,429	1,334,573
		\$ 4,314,661	\$ 1,597,143

i. The Company's executive chairman, Stan Bharti, serves as director of this company.

ii. The Company's executive chairman, Stan Bharti, serves as director of this company. The Company's former executive director and senior vice president, Peter Tagliamonte and the Company's former CEO, Justin Reid, serve as directors of this company.

Public Issuer	Security description	Cost	Carrying value
Troilus Gold Corporation	14,443,293 common shares	\$23,505,686	\$ 21,997,985

The Company's investment in associate, Troilus, is a related party by virtue of common director, Pierre Pettigrew.

### 15. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$375,000 (as at July 31, 2018 - \$375,000) and additional contingent payments of approximately \$3,150,000 (as at July 31, 2018 - \$3,150,000) upon the occurrence of a change of control. As the likelihood of a change of control is not determinable, the contingent payments have not been reflected in these condensed interim financial statements.

The Company is obligated to deliver common shares of the Company to the holders of RSUs granted under the terms of its RSU Plan. See Note 9.

The Company is currently involved in a litigation proceeding with APIO Africa Ltd. ("APIO") whereby APIO is challenging the Company's actions with respect to the transfer of the DAOS shares. APIO is seeking monetary compensation. A reliable estimate of the amount of the claim cannot be made at this time given the early stages of the claim. The probability of the outcome is also uncertain. The Company is vigilantly defending its actions with respect to these claims.

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### 16. INCOME TAX

a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2017: 26.5%) were as follows:

	For the three months ended October 31,	
	2018	2017
(Loss)/income before income taxes	\$ (3,619,556)	\$ 2,779,415
Statutory rate	26.50%	26.50%
Expected income tax expense/(recovery)	(959,182)	736,545
Adjustments to expected income tax recovery:		
Share-based payments	(9,104)	27,819
Non-deductible expenses	349	745
Change in tax benefit not recognized	967,937	(765,109)
Total	\$ -	\$ -

b) Deferred income tax balances

The following table summarizes the components of deferred income tax:

	For the three months ended October 31,	
	2018	2017
Deferred income tax assets and (liabilities):		
Capital and non-capital tax losses carried forward	2,485,029	1,778,982
Share issue costs	1,942	93
Investments	1,273,395	(595,797)
Investment in associates	(2,908,680)	-
Mineral property	1,103,957	-
Others	305,410	1,681,257
Net deferred income tax assets	2,261,054	2,864,535
Unrecognized deferred tax assets	(2,261,054)	(2,864,535)
Deferred income tax (liability)	\$ -	\$ -

### 17. SUBSEQUENT EVENTS

Subsequent to the end of the quarter, the Company sold investments generating \$89,295 in net proceeds. In addition, the Company diluted its ownership interest in associate through the sale of 2,000,000 shares of Troilus. As at the date of these financial statements the Company's ownership interest in Troilus is 25.5%.