

GALORE
RESOURCES INC.

Consolidated Financial Statements

March 31, 2018
and
March 31, 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Galore Resources Inc.,

We have audited the accompanying consolidated financial statements of Galore Resources Inc. which comprise the consolidated statements of financial position as at March 31, 2018 and 2017 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Galore Resources Inc. as at March 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has negative working capital, losses since inception and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



GALORE RESOURCES INC.

Consolidated Statements of Financial Position

As at March 31,

(Expressed in Canadian Dollars)

	2018	2017
	\$	\$
Assets		
Current assets		
Cash	1,966	200,849
Amounts receivable	12,652	7,868
Prepaid expenses	25,088	17,204
	39,706	225,921
Equipment (note 3)	13,612	14,467
Exploration and evaluation assets (note 4)	5,445,384	5,578,770
	5,498,702	5,819,158
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	1,035,127	902,156
Due to related party (note 6)	212,552	-
	1,247,679	902,156
Due to related party (note 6)	-	202,595
	1,247,679	1,104,751
Shareholders' equity		
Share capital (note 7(a))	16,427,917	16,247,917
Reserves (note 7(c))	2,572,442	2,507,501
Deficit	(14,749,336)	(14,041,011)
	4,251,023	4,714,407
	5,498,702	5,819,158

See accompanying notes to the consolidated financial statements

Nature and continuance of operations (note 1)

Commitments (note 13)

Subsequent events (note 14)

Approved by the Board of Directors and authorized for issue on July 30, 2018

"Lorne Sivertson"

Lorne Sivertson, Director

"Mike McMillan"

Mike McMillan, Director

GALORE RESOURCES INC.

Consolidated Statements of Comprehensive Loss
For the years ended March 31,
(Expressed in Canadian Dollars)

	2018	2017
	\$	\$
Operating costs and expenses		
Amortization	497	671
Bonus shares (note 7(a))	-	42,378
Consulting (note 5)	7,300	17,633
Corporate development and investor relations	9,024	6,736
Interest expense (note 6)	26,867	23,523
Management fees (note 5)	253,369	139,000
Office and miscellaneous	11,121	7,697
Professional fees	27,156	10,195
Rent	-	6,656
Shareholder communications	-	2,443
Share-based compensation (note 5)	64,941	215,222
Trust and filing fees	11,210	43,839
Loss from operations	(411,485)	(515,993)
BCMETC tax credits	-	1,420
Foreign exchange	160	7,564
Gain on sale of exploration and evaluation asset	-	455,105
Impairment of exploration and evaluation asset	(297,000)	-
Net loss and comprehensive loss for the year	(708,325)	(51,904)
Weighted average number of common shares outstanding	110,629,708	102,706,331
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)

See accompanying notes to the consolidated financial statements

GALORE RESOURCES INC.

Consolidated Statements of Cash Flows

For the years ended March 31,

(Expressed in Canadian dollars)

	2018	2017
	\$	\$
Cash provided by (used for):		
Operating activities		
Net loss for the year	(708,325)	(51,904)
Items not involving the use of cash:		
Amortization	497	671
Bonus shares	-	42,378
Gain on sale of exploration and evaluation asset	-	(455,105)
Impairment of exploration and evaluation asset	297,000	-
Share-based compensation	64,941	215,222
	(345,887)	(248,738)
Change in non-cash working capital:		
Amounts receivable	(4,784)	(4,345)
Prepaid expenses	(7,884)	(14,386)
Accounts payable and accrued liabilities	48,309	142,283
Debt settlement	180,000	51,000
Due to related party	9,957	23,523
	(120,289)	(50,663)
Investing activities		
Exploration and evaluation assets	(78,594)	(426,718)
Option payments received	-	480,000
	(78,594)	53,282
Financing activities		
Cash from shares issued	-	283,952
Repayments to related party during the year, net of additions	-	(96,737)
	-	187,215
Increase (decrease) in cash	(198,883)	189,834
Cash, beginning of the year	200,849	11,015
Cash, end of the year	1,966	200,849

See accompanying notes to consolidated financial statements

Supplementary disclosure: Refer to note 8.

GALORE RESOURCES INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserves	Deficit	Total equity
		\$	\$	\$	\$
March 31, 2016	95,918,717	15,870,587	2,292,279	(13,989,107)	4,173,759
Private placement	11,419,184	285,479	-	-	285,479
Share issue costs	-	(1,527)	-	-	(1,527)
Shares for debt settlement	510,000	51,000	-	-	51,000
Loan bonus shares	847,560	42,378	-	-	42,378
Share-based compensation	-	-	215,222	-	215,222
Net loss for the year	-	-	-	(51,904)	(51,904)
March 31, 2017	108,695,461	16,247,917	2,507,501	(14,041,011)	4,714,407
Shares for debt settlement	2,000,000	180,000	-	-	180,000
Share-based compensation	-	-	64,941	-	64,941
Net loss for the year	-	-	-	(708,325)	(708,325)
March 31, 2018	110,695,461	16,427,917	2,572,442	(14,749,336)	4,251,023

See accompanying notes to consolidated financial statements

GALORE RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

1) NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in British Columbia, Canada and has been primarily involved in the acquisition and exploration of mineral property interests in North America. The address of the Company's corporate office and principal place of business is 432 Lyon Place, North Vancouver, B.C. V7L-1Y3 and the corporate mailing address is 19141 Stone Oak Parkway - #104, San Antonio, Texas, 78258, United States of America.

At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties. The ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. Although the Company is unaware of any defects in its title to its mineral properties, no guarantee can be made that none exist.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations, and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception, has no recurring source of revenue and at March 31, 2018, the Company has a working capital deficiency of \$1,207,973 and an accumulated deficit of \$14,749,336. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The Company continuing operations as intended is dependent upon its ability to raise sufficient funds in order to finance exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance (as measured by numerous factors including the progress and results of its projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation and statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale, which are stated at their fair value. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Consolidation

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Minerales Galore, S.A de C.V.	Zacatecas State, Mexico	100%	Mineral Exploration

GALORE RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Equipment

Equipment is measured at cost less accumulated amortization, less any accumulated impairment losses. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) within equipment. Amortization on equipment is recorded at annual declining balance rates, with only 50% recorded in the year of acquisition, as follows:

- i) Office and exploration equipment – 20%
- ii) Leasehold improvements – over the term of the remaining lease
- iii) Computer hardware – 30%
- iv) Computer software – 100%

d) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. The functional currency of the Company's subsidiary is the Canadian dollar (CAD).

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss, except for differences on the retranslation of available-for-sale instruments which are recognized in other comprehensive income. For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's subsidiary are translated into the Canadian dollar using exchange rates prevailing at the end of the period. Income and expense items are translated at the average rate for the period. Exchange differences are recognized in the statement of comprehensive loss.

e) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- the determination that the Company will continue as a going concern for the next year; and
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable.

GALORE RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Sources of estimation uncertainty

Certain of the Company's assets and liabilities have carrying amounts that have a significant risk of a material adjustment in the following financial year due to the uncertainty of the estimates that are used in determining their carrying amounts. Estimates of the effects of uncertain future events may be based on historical results or other assumptions and factors and are reviewed on an ongoing basis. When a change in estimate causes a change in carrying amount of an asset or liability the change is recorded prospectively. Assets and liabilities that are subject to significant estimation uncertainty include:

- i) Impairment testing of exploration and evaluation assets is required where circumstances indicate a likelihood that carrying amounts exceed recoverable amounts.

h) Share-based payments

The Company's stock option plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to share capital with a corresponding increase in reserves. Consideration received on the exercise of stock options is recorded as share capital and the related reserves amount is transferred to share capital.

i) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted loss per share is presented as the same as basic loss per share.

j) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

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Notes to the Consolidated Financial Statements
For the years ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Exploration and evaluation assets

Once a permit to explore an area has been secured, expenditures on exploration and evaluation are capitalized to exploration and evaluation assets and classified as a non-current asset.

Exploration expenditures relate to the initial search for mineral deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Exploration expenditure costs incurred are included in exploration and evaluation assets and these include any cash consideration and advance earn-in payments and the fair market value of shares issued, if any, related to the mineral property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an expenditure is not expected to be recovered, it is charged to comprehensive income.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

l) Provision for closure and reclamation

Provisions for closure and reclamation obligations are recognized when a legal or constructive obligation arises. The liability is recognized at the present value of management's best estimate of the closure and reclamation obligation. The estimate is discounted to the present value using a discount rate specific to the obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss.

m) Impairment

At each reporting period, management reviews all assets for indicators of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in the profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

GALORE RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. Cash is included in this category of financial assets.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables and deposits are carried at amortized cost less any impairment. Loans and receivables comprise trade and other receivables and deposits. Amounts receivable, excluding GST, is included in this category of financial assets.

iii. Available-for-sale financial assets

Available-for-sale (“AFS”) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. The Company currently does not have any financial assets classified as AFS.

Management assesses the carrying value of AFS financial assets at each reporting period and any impairment charges are also recognized in other comprehensive income or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit and loss.

Financial liabilities

The Company’s financial liabilities are classified as borrowings and other financial liabilities.

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities and due to related parties are included in this category of financial liabilities.

The Company does not have any derivative financial assets and liabilities as at March 31, 2018 and 2017.

GALORE RESOURCES INC.

Notes to the Consolidated Financial Statements
For the years ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Accounting standards, interpretations and amendments to existing standards

Accounting standards issued but not yet effective

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers

Effective for annual periods beginning on or after January 1, 2019:

- IFRS 16, Leases

The Company has not early adopted these new standards or amendments to existing standards and does not expect the impact of these standards on the Company's financial statements to be material.

3) EQUIPMENT

	Exploration equipment	Leasehold improvement	Office equipment	Computer hardware	Computer software	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance as at March 31, 2017	25,876	2,606	7,976	14,532	6,474	57,464
Balance as at March 31, 2018	25,876	2,606	7,976	14,532	6,474	57,464
Accumulated amortization						
Balance as at March 31, 2016	12,589	2,606	6,606	13,208	6,474	41,483
Amortization for the year	842	-	274	397	-	1,513
Balance as at March 31, 2017	13,431	2,606	6,880	13,605	6,474	42,996
Amortization for the year	359	-	219	278	-	856
Balance as at March 31, 2018	13,790	2,606	7,099	13,883	6,474	43,852
Net book value						
At March 31, 2017	12,445	-	1,096	927	-	15,981
At March 31, 2018	12,086	-	877	649	-	13,612

4) EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets

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 in good standing.

GALORE RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

4) EXPLORATION AND EVALUATION ASSETS (continued)

	Taseko Project	Dos Santos, Mexico	Total
	\$	\$	\$
Balance, March 31, 2016	36,888	4,781,845	4,818,733
Amortization	-	842	842
Camp cost, logistics and community	-	12,048	12,048
Drilling	-	181,388	181,388
Field office, travel and accommodation	-	48,670	48,670
Geological, geophysical and geochemical	-	86,591	86,591
Option payment received	(36,888)	-	(36,888)
Payment of rights	-	467,386	467,386
Balance, March 31, 2017	-	5,578,770	5,578,770
Amortization	-	359	359
Camp cost, logistics and community	-	14,689	14,689
Field office, travel and accommodation	-	64,855	64,855
Geological, geophysical and geochemical	-	72,621	72,621
Payments of rights	-	151,167	151,167
Payments of rights (reversal)	-	(140,077)	(140,077)
Impairment	-	(297,000)	(297,000)
Balance, March 31, 2018	-	5,445,384	5,445,384

Dos Santos, Mexico

In December 2007 (and amended on April 4, 2009), the Company signed an option agreement to purchase 100% of the Dos Santos gold and base-metal property located in Zacatecas State, Mexico. In order to earn a 100% interest in the property the Company had to pay \$250,000 U.S. over a four year period (paid).

The Company also acquired certain other mineral claims through staking.

During the year ended March 31, 2012, the Company entered into a purchase agreement to acquire the surface rights to certain privately-owned lands known as Rancho Duraznillo that cover a portion of the Dos Santos project. The terms of the agreement required payments of 350,000 MXN Pesos on signing (paid) and further monthly payments over 18 months totaling approximately 1,050,000 MXN Pesos. The Company has completed 17 of these monthly payments and must pay the remaining 58,333 MXN Pesos (\$4,395) to acquire the surface rights.

On January 17, 2018, the Company announced that it had entered into a 5-year contract with Urbanizaciones Y Acabados, S.A. De CV ("URBYASA") to mine gold from certain mineral claims within the property. This decision to proceed with URBYASA is not based on a feasibility study of any mineral reserves demonstrating any economic or technical feasibility of the project. Under this contract, URBYASA will be responsible for all required insurance, permits, fees, duties, and taxes associated with the Mining Law and other federal, state and local laws. Any proceeds, net of costs, will be allocated 40% to the Company and 60% to URBYASA. The Company will retain the rights on all other minerals extracted at the Company's other claims.

On June 6, 2014, the Company signed an Option Agreement to acquire the San Onesimo property, located south of the Dos Santos property in northern Zacatecas State, Mexico. Under the San Onesimo Agreement, the Company may earn a 100% interest in the property by making escalating cash payments totaling US\$508,000 (US\$28,000 paid) over 5 years and issuing 1 million common shares of the Company.

GALORE RESOURCES INC.

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(Expressed in Canadian dollars)

4) EXPLORATION AND EVALUATION ASSETS (continued)

The Agreement also requires the Company to pay annual taxes on the claims.

Subsequent to the current year-end, the Company entered into a shares for debt arrangement with the owners of the San Onesimo Property (the “Owners”), and relinquished its option to acquire the San Onesimo Property. As a result, the Company has recorded an impairment charge of \$297,000, which represents the deferred exploration costs incurred and reversed a \$140,077 accrual associated with additional deferred project costs on the property. See note 14.

Taseko project, Southwestern, British Columbia

On July 15, 2014, the Company entered into an Option Agreement (the “Agreement”) with Amarc Resources Ltd. (“Amarc”). Under the initial option included in the Agreement, Amarc can acquire a 51% interest in the Taseko project by making cash and (subject to a maximum value of 50%) common share payments totaling \$450,000 (\$60,000 received) over four years and completing \$3,000,000 in exploration and evaluation expenditures by December 31, 2019. Of the total of \$450,000 in cash payments, \$360,000 are payable to the Company with the remaining \$90,000 payable to the underlying owners. Amarc may acquire an additional 19% ownership interest, for a total 70% ownership interest, by incurring \$2,000,000 in exploration expenditures within two years.

Upon Amarc electing to earn or not earn the additional 19% interest, the Company and Amarc will form a joint venture to carry out further exploration, development and production work on the Taseko project, with Amarc acting as the operator. If Amarc elects to earn the additional 19% interest, Amarc will hold a 70% interest in the joint venture, while the Company will hold a 30% interest. If Amarc elects not to earn the additional 19% interest, Amarc will hold a 51% interest in the joint venture, while the Company will hold a 49% interest.

During the comparative fiscal year this option was superceded when the Company sold its interest in the project to Amarc for a final \$480,000 (receive, \$455,105 of which was recognized as a gain on recovery of exploration and evaluation expenditures).

5) RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	2018	2017
	\$	\$
Share-based compensation	18,000	124,480
Consulting fees	7,300	17,370
Management fees	263,670	142,600
Total management compensation	288,970	284,450

All transactions with related parties have occurred in the normal course of operations and management represents that they have occurred on a basis consistent with those involving unrelated parties, and accordingly that they are measured at fair value.

Included in accounts payable and accrued liabilities as at March 31, 2018 is \$261,432 (2017 - \$87,480) due to officers and directors and companies controlled by officers and directors.

GALORE RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

6) DUE TO RELATED PARTY

During the year ended March 31, 2013, the Company was loaned \$96,048 by its CEO at an effective interest rate of 12%. On April 30, 2014, the Company signed a loan deferral agreement with the CEO of the Company for \$96,048 plus interest totaling \$107,920, which was due by the earlier of October 31, 2014 or the date the Company completes a private placement with proceeds of a minimum of \$300,000. Effective July 8, 2014, the Company also granted 425,000 warrants exercisable at a price of \$0.10 per share exercisable until July 8, 2019 as consideration for deferring repayment of the loan. During the year ended March 31, 2017, the remaining loan principal of \$90,000 was repaid as well as the accrued interest of \$49,631.

During the year ended March 31, 2015, the Company was loaned a further \$81,757 by its CEO at an interest rate of 12%. During the year ended March 31, 2017, the loan including accrued interest of \$20,167 was repaid.

During the year ended March 31, 2016, the Company was loaned a further \$54,833 by its CEO which did not accrue interest. This loan was repaid during the year ended March 31, 2017.

During the year ended March 31, 2017, an arrangement was made for the settlement of CDN\$51,000 of debt with a former related party by the issuance of 510,000 common shares at a price of \$0.10 per share. The shares were subject to a four-month hold period from the date of issuance.

In January 2017, the Company entered into a loan agreement with the CEO of the Company (the "Lender"), whereby the Company borrowed USD\$150,000. Under the terms of the agreement, the loan will be due January 12, 2019, bears interest of 8% per annum, compounded monthly, and payable upon demand, provided however, that the Lender agreed not to make a demand within the first twelve months of the Loan. As further consideration for advancing the loan, the Company issued to the Lender a bonus of 847,560 common shares of its share capital. During the current year, the Company accrued interest of \$16,566 (USD \$12,461) (2017 - \$2,945 (USD\$2,212)). As at March 31, 2018, the total amount owing is \$212,552.

7) SHARE CAPITAL

- a) The authorized share capital of the Company consists of an unlimited number of common shares.

During the year ended March 31, 2018, the Company issued the following shares:

- On April 12, 2017, the Company issued 2,000,000 shares, valued at \$180,000, as payment for services.

During the year ended March 31, 2017, the Company issued the following shares:

- On August 29, 2016, the Company completed a non-brokered private placement (the "Offering"), pursuant to which the Company issued 11,419,184 units consisting of one common share and one share purchase warrant at a price of \$0.025 per unit for total gross proceeds of \$285,479. Each warrant entitles the holder to purchase one additional common share of the Company for a period of five years following the closing of the Offering, at a price of \$0.05 in the first year, \$0.06 in the second year, \$0.07 in the third year, \$0.08 in the fourth year and \$0.09 in the fifth year. Warrants will be subject to an accelerated expiry provision upon the occurrence of a triggering event as detailed in the Company's August 29, 2016 news release.
- On March 3, 2017, the company issued 510,000 shares pursuant to a shares for debt settlement agreement with a former related party. See note 6.
- On March 8, 2017, the company issued 847,560 bonus shares to a senior office of the Company pursuant to a loan agreement. See note 6.

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7) SHARE CAPITAL (continued)

b) Stock options

The Company has a stock option plan (the "Plan") which allows the Company to grant options to directors, officers, employees and consultants. Under the Plan, options will be exercisable over periods of up to 5 years and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%. On November 9, 2016, the Company amended its fixed plan whereby it has increased the number of shares reserved for issuance under the Plan from 9,330,700 shares to 21,467,000 shares.

The continuity of stock options is as follows:

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	15,625,000	\$ 0.08	6,975,000	\$ 0.13
Granted	-	-	11,325,000	0.06
Expired/cancelled	(3,600,000)	0.06	(2,675,000)	0.14
Balance, end of the year	12,025,000	0.08	15,625,000	0.08
Weighted average years to expiry		3.30		3.74

As at March 31, 2018, the following options are outstanding:

Number of Options	Exercise Price	Expiry Date
	\$	
1,000,000	0.10	September 7, 2022*
1,000,000	0.15	September 12, 2018
1,300,000	0.15	October 3, 2019
5,925,000	0.05	December 29, 2021
2,200,000	0.10	December 29, 2021
300,000	0.05	February 27, 2022
300,000	0.05	March 8, 2022
12,025,000		

* These options had an original expiry date of September 7, 2017, but were extended a further 5 years, subject to receipt of disinterested shareholder approval at the Company's next annual general meeting of shareholders.

c) Share-based payment reserve

During the year ended March 31, 2018, the Company granted a 5 year extension for 1,000,000 options with an original expiry date of September 7, 2017. None of these options may be exercised prior to receipt of disinterested shareholder approval at the Company's next annual general meeting. The extension of the options was valued at \$18,000 using the Black Scholes valuation method.

During the year ended March 31, 2017, the Company granted 11,325,000 stock options with a total fair value of \$215,222, or an average value of \$0.02 per option. 2,100,000 of these options were cancelled during the year.

The following weighted average assumptions were used for the Black Scholes valuation of stock options granted in:

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7) SHARE CAPITAL (continued)

	2018	2017
Risk-free interest rate	1.34%	0.082% – 1.16%
Expected life	5 years	2 – 5 years
Expected volatility	175.39%	174.78% – 218.92%
Dividend rate	-	-

c) Warrants

The continuity of warrants is as follows:

	2018		2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
		\$		\$
Balance, beginning of the year	14,114,484	0.10	2,695,000	0.10
Granted	-	-	11,419,184	0.05
Balance, end of the year	14,114,484	0.07	14,114,484	0.06
Weighted average years to expiry		3.05		4.05

As at March 31, 2018, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
	\$	
425,000	0.10	July 8, 2019
2,270,300	0.10	October 8, 2019
11,419,184	0.06*	August 29, 2021
14,114,484		

*Exercisable at \$0.05 in the first year, \$0.06 in the second year, \$0.07 in the third year, \$0.08 in the fourth year, and \$0.09 in the fifth year after issuance.

8) SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended March 31, 2018 were:

- At year end, included in accounts payable was \$532,591 of exploration and evaluation asset costs.
- The Company allocated \$359 of equipment amortization to exploration and evaluation assets.

The significant non-cash transactions for the year ended March 31, 2017 were:

- At year end, included in accounts payable was \$609,930 of exploration and evaluation asset costs.
- The Company allocated \$842 of equipment amortization to exploration and evaluation assets.

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9) SEGMENTED INFORMATION

The Company primarily operates in one reportable segment, being the acquisition, exploration and evaluation of exploration and evaluation assets located in Canada and Mexico. Geographic information is as follows:

	2018	2017
	\$	\$
Non-current assets		
Canada	1,526	2,021
Mexico	5,457,470	5,591,216
	5,458,996	5,593,237

10) FINANCIAL INSTRUMENT RISKS

The Company's financial instruments are exposed to the following risks:

Credit Risk

The Company's primary exposure to credit risk is the risk of illiquidity of cash, amounting to \$1,966 at March 31, 2018 (2017 - \$200,849). As the Company's policy is to limit cash holdings to instruments issued by major Canadian and Mexican banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable and related party requirements. The Company did not maintain sufficient cash balances to meet these needs at March 31, 2018.

Foreign Exchange Risk

The Company has foreign exchange risk due to its activities carried out in Mexico. At March 31, 2018, the Company had \$36,130 (2017 - \$34,270) in current assets and \$527,015 (2017 - \$609,930) in current liabilities originating in Mexico.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy 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.

GALORE RESOURCES INC.

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10) FINANCIAL INSTRUMENT RISKS (continued)

The fair value classification of the Company's financial instruments as at March 31, 2018 and 2017 are as follows:

	Fair Value Level	2018		2017	
		Fair value through profit or loss	Loans and receivables and other financial liabilities at amortized cost	Fair value through profit or loss	Loans and receivables and other financial liabilities at amortized cost
		\$	\$	\$	\$
<i>Financial assets:</i>					
Cash	1	1,966	-	200,849	-
		1,966	-	200,849	-
<i>Financial liabilities:</i>					
Accounts payable and accrued liabilities		-	873,127	-	902,156
Due to related parties		-	212,552	-	202,595
		-	1,085,679	-	1,104,751

During the years ended March 31, 2018 and 2017, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

11) CAPITAL MANAGEMENT

The Company's primary objective for managing its capital structure is to maintain financial capacity for the purpose of sustaining the future development of the business and maintaining investor, creditor and market confidence.

The Company considers its capital structure to include shareholders' equity and working capital. Management is continually monitoring changes in economic conditions and the risk characteristics of the underlying mineral property industry. In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

12) INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2018	2017
	\$	\$
Net loss for the year before tax	(708,325)	(51,904)
Expected income tax recovery	(186,000)	(13,000)
Net adjustment for deductible and non-deductible amounts	95,000	(62,000)
Unrecognized benefit of current non-capital loss	91,000	75,000
Total income tax recovery	-	-

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12) INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2018	2017
	\$	\$
Deferred income tax assets:		
Exploration and evaluation asset carrying amounts in excess of tax pools	(1,294,000)	(1,323,000)
Non-capital loss carryforwards	3,261,000	3,118,000
	1,967,000	1,795,000
Valuation allowance	(1,967,000)	(1,795,000)
Net deferred income tax assets	-	-

As at March 31, 2018, the Company has Canadian non-capital losses carried forward of approximately \$7,040,000 (2017 - \$6,502,000). These losses are available to be utilized as deductions against future years' Canadian taxable income from Canadian operations. Foreign non-capital losses and potential other foreign income tax pools are currently being substantiated. Canadian non-capital losses, if not utilized will expire as follows:

	\$
2026	735,000
2027	6,000
2028	914,000
2029	858,000
2030	915,000
2031	1,014,000
2032	857,000
2033	438,000
2034	187,000
2035	164,000
2036	117,000
2037	489,000
2038	346,000
	<u>7,040,000</u>

13) COMMITMENTS

On September 1, 2016, the Company entered into a management services agreement with the company's Chief Financial Officer ("CFO") to provide services at a rate of CDN \$5,000 per month. These fees shall be accrued until sufficient funds are available to the Company for payment and will be recorded on the Company's books as an accounts payable. Payment of accrued fee(s) shall be upon the recommendation of the Compensation and Corporate Governance Committee, acting reasonably, to the Board of Directors. Effective September 1, 2017, the agreement with the CFO was amended such that the rate was increased to USD \$7,000 per month.

Additionally, under the amended agreement, if there is a sale, lease or exchange of all or substantially all of the property of the Company to another person or entity, other than in the ordinary course of business of the Company, or there is deemed to be a change of control, which means acquiring an interest in the Company's shares conferring 50% or more of the votes entitling the purchaser to elect the board of directors of the Company, either of which constitutes a "Transaction", the CFO will be entitled to receive at the time of closing of the Transaction any accrued fees as well as the yearly amount (12 months equaling USD \$84,000) of the fee for each year of service provided to the Company since January, 2015.

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13) COMMITMENTS *(continued)*

The CFO will also be entitled to receive at the time of closing of the Transaction, five-hundred thousand (500,000) common shares of the Company for every year (September 2015 to September 2016) that he did not receive any compensation for services performed due to the financial condition of the business

On September 1, 2016, the Company entered into a management services agreement with the company's Chief Executive Officer ("CEO") to provide services at a rate of CDN \$12,000 per month. These fees shall be accrued until sufficient funds are available to the Company for payment and will be recorded on the Company's books as an accounts payable. Payment of accrued fee(s) shall be upon the recommendation of the Compensation and Corporate Governance Committee, acting reasonably, to the Board of Directors. Effective September 1, 2017, the agreement was amended and services will be provided to the Company at a rate of USD \$12,000 per month.

Additionally, under the amended agreement, if there is a sale, lease or exchange of all or substantially all of the property of the Company to another person or entity, other than in the ordinary course of business of the Company, or there is deemed to be a change of control, which means acquiring an interest in the Company's shares conferring 50% or more of the votes entitling the purchaser to elect the board of directors of the Company, either of which constitutes a "Transaction", the CEO will be entitled to receive at the time of closing of the Transaction any accrued fees as well as the yearly amount (12 months equaling USD \$144,000) of the fee for each year of service the CEO provided to the Company since July, 2012. The CEO will also be entitled to receive at the time of closing of the Transaction, one (1) million common shares of Galore for every year (July 2012 to July 2016) that he did not receive any compensation for services performed due to the financial condition of the business.

The Company has an agreement to pay consulting fees to a related party company owned by the Company's Corporate Secretary ("SEC"), billed at an hourly rate on an as needed basis. Three months' notice is required to terminate the applicable agreement, meaning the Company is committed to paying three months' fees at any time prior to giving notice of termination.

Additionally, if there is a sale, lease or exchange of all or substantially all of the property of the Company to another person or entity, other than in the ordinary course of business of the Company, or there is deemed to be a change of control, which means acquiring an interest in the Company's shares conferring 50% or more of the votes entitling the purchaser to elect the board of directors of the Company, either of which constitutes a "Transaction", SEC will be entitled to receive at the time of closing of the Transaction all outstanding amounts due and payable for past services, plus an amount of compensation equal to \$2,500 for each year of service SEC provided to the Company since 2007.

14) SUBSEQUENT EVENTS

- On April 17, 2018, the Company entered into a debt settlement agreement (the "Agreement") with the optionors of the San Onesimo property. Under the terms of the agreement, the Company will return the San Onesimo property to the optionors, and settle the cash payments owing for 2015, 2016 and 2017 by issuing the optionors 3,000,000 fully paid and non-assessable common shares in the capital stock of the Company at a price of \$0.054 per share subject to TSX Venture Exchange acceptance. In return, the optionors have agreed to cancel and forgive all future payments of cash and shares due under the Agreement, and absolve the Company from any and all responsibility to pay outstanding claim taxes due and future taxes payable on the property.

On May 17, 2018, the Company received TSX Venture Exchange acceptance to the debt settlement arrangements and issued the 3,000,000 common shares, subject to a four month hold period which expires on September 18, 2018.

- On May 1, 2018, the Company granted 4,400,000 options to various directors, officers, and consultants of the Company. The options are exercisable at a price of \$0.10 for a period of five years from the date of grant. 4,300,000 of these options issued to directors and officers of the Company may not be exercised prior to receipt of disinterested shareholder approval at the Company's next annual general meeting.

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14) SUBSEQUENT EVENTS *(continued)*

- On July 18, 2018, the Company issued 159,600 common shares to a non-arm's length party in consideration of the Company receiving a USD \$30,000 loan.