

Financial Statements
(Expressed in Canadian dollars)

BRIXTON METALS CORPORATION
(An Exploration Stage Company)

Years ended September 30, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Brixton Metals Corp.

We have audited the accompanying financial statements of Brixton Metals Corp., which comprise the statements of financial position as at September 30, 2017 and 2016 and the statements of loss and comprehensive loss, changes in shareholders' 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 Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brixton Metals Corp. as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

January 4, 2018



BRIXTON METALS CORPORATION

(An Exploration Stage Company)

Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2017	September 30, 2016
Assets		
Current assets:		
Cash	\$ 2,664,018	\$ 4,336,565
Receivables (Note 5)	364,046	159,265
Prepaid expenses (Note 6)	87,761	106,862
	3,115,825	4,602,692
Equipment (Note 8)	46,369	64,132
Restricted cash (Note 7)	95,000	85,000
Exploration and evaluation assets (Note 9)	4,573,582	3,449,804
Total Assets	\$ 7,830,776	\$ 8,201,628
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 103,627	\$ 977,293
Due to related parties (Note 10)	5,935	37,329
Flow-through share premium liability (Note 12(b))	-	27,782
	109,562	1,042,404
Reclamation obligation (Note 9)	95,092	29,000
Total Liabilities	204,654	1,071,404
Shareholders' equity:		
Share capital (Note 12(b))	24,477,011	22,024,580
Obligation to issue shares (Note 12(b))	-	37,500
Subscriptions received in advance (Note 12(b))	1,179,000	-
Reserves (Note 12(d))	4,449,429	3,568,762
Deficit	(22,479,318)	(18,500,618)
	7,626,122	7,130,224
Total Liabilities and Shareholders' Equity	\$ 7,830,776	\$ 8,201,628

Nature of operations and going concern (Note 1)

Subsequent events (Note 16)

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

Approved on behalf of the Board:

"Cale Moodie" Director

"Gary Thompson" Director

BRIXTON METALS CORPORATION

(An Exploration Stage Company)

Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Years ended	
	Sept 30, 2017	Sept 30, 2016
Expenses:		
Amortization (Note 8)	\$ 19,500	\$ 3,142
Conference and exhibition	77,283	29,294
Directors' fees (Note 10)	24,000	23,000
Exploration and evaluation expenditures (Note 9)	2,001,919	1,862,933
Insurance	12,870	10,668
Interest and bank charges	2,201	2,277
Investor relations	196,374	116,154
Listing and filing fees	32,056	33,707
Management fees (Note 10)	370,007	352,456
Office and sundry	132,898	61,487
Professional services (Note 10)	221,815	304,043
Rent	25,272	27,306
Salaries and employee benefits (Note 10)	21,924	128,929
Share-based payments (Note 10, 12(d))	779,929	1,741,617
Travel and meals	152,938	60,170
	(4,070,986)	(4,757,183)
Interest income	28,944	14,396
Management income	-	1,935
Loss on settlement of debt	-	(36,300)
Reduction of flow-through premium liability (Note 12(b))	63,342	93,718
	92,286	73,749
Loss and comprehensive loss for the year	(3,978,700)	(4,683,434)
Deficit, beginning of the year	(18,500,618)	(13,817,184)
Deficit, end of the year	\$ (22,479,318)	\$ (18,500,618)
Loss per share - basic and diluted	\$ (0.09)	\$ (0.22)
Weighted average number of shares outstanding	42,285,897	21,751,924

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

BRIXTON METALS CORPORATION

(An Exploration Stage Company)

Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars, except share amounts)

	Number of shares	Share capital	Obligation to issue shares	Subscriptions received in advance	Share-based payments reserve	Deficit	Total equity
September 30, 2015	11,490,875	\$ 16,009,371	\$ -	\$ -	\$ 1,352,400	\$ (13,817,184)	\$ 3,544,587
Common shares issued for mineral properties	3,529,800	354,241	-	-	-	-	354,241
Common shares issued for finders fees	267,551	28,584	-	-	-	-	28,584
Common shares issued for cash	16,402,983	4,625,175	-	-	-	-	4,625,175
Flow through shares issued for cash	7,188,866	2,094,840	-	-	-	-	2,094,840
Flow through premium liability	-	(121,500)	-	-	-	-	(121,500)
Shares for debt	110,000	47,300	-	-	-	-	47,300
Share-based payments	-	-	-	-	1,741,617	-	1,741,617
Warrants exercised	423,200	103,742	37,500	-	(40,262)	-	100,980
Share issuance costs	-	(1,117,173)	-	-	515,007	-	(602,166)
Loss for the year	-	-	-	-	-	(4,683,434)	(4,683,434)
September 30, 2016	39,413,275	22,024,580	37,500	-	3,568,762	(18,500,618)	7,130,224
Common shares issued for mineral properties	2,727,091	1,014,624	-	-	-	-	1,014,624
Common shares issued for finders fees	250,000	125,000	-	-	-	-	125,000
Common shares issued for cash	2,776,800	1,388,400	-	-	-	-	1,388,400
Flow through shares issued for cash	711,200	391,160	-	-	-	-	391,160
Flow through premium liability	-	(35,560)	-	-	-	-	(35,560)
Subscriptions received in advance	-	-	-	1,179,000	-	-	1,179,000
Share-based payments	-	-	-	-	779,929	-	779,929
Warrants exercised	620,000	103,120	(37,500)	-	(10,120)	-	55,500
Share issuance costs	-	(534,313)	-	-	110,858	-	(423,455)
Loss for the year	-	-	-	-	-	(3,978,700)	(3,978,700)
September 30, 2017	46,498,366	\$ 24,477,011	\$ -	\$ 1,179,000	\$ 4,449,429	\$ (22,479,318)	\$ 7,626,122

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

BRIXTON METALS CORPORATION

(An Exploration Stage Company)

Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended	
	Sept 30, 2017	Sept 30, 2016
Cash flows used in operating activities:		
Loss for the year	\$ (3,978,700)	\$ (4,683,434)
Items not affecting cash:		
Amortization	19,500	3,142
Recognition of flow-through premium liability	(63,342)	(93,718)
Loss on settlement of debt	-	36,300
Share-based payments	779,929	1,741,617
Shares issued for finders fees on mineral properties	-	8,572
	(3,242,613)	(2,987,521)
Changes in non-cash working capital:		
Receivables	(204,781)	(154,038)
Restricted cash	(10,000)	-
Prepaid expenses	19,101	(88,540)
Accounts payable and accrued liabilities	(873,666)	977,549
Due to related parties	(31,394)	28,329
	(4,343,353)	(2,224,221)
Cash flows used in investing activities:		
Mineral property acquisition costs	(43,062)	(90,009)
Purchase of equipment	(1,737)	(61,927)
	(44,799)	(151,936)
Cash flows from financing activities:		
Shares issued for cash	1,779,560	6,720,015
Warrants exercised	55,500	100,980
Subscriptions received in advance	1,179,000	-
Share issuance costs	(298,455)	(583,154)
	2,715,605	6,237,841
Change in cash	(1,672,547)	3,861,684
Cash, beginning of the year	4,336,565	474,881
Cash, end of the year	\$ 2,664,018	\$ 4,336,565
Supplemental non-cash financing information:		
Shares issued for mineral properties	\$ 1,014,624	\$ 355,241
Shares issued for finders fees	125,000	19,012
Shares issued for debt	-	47,300
Shares issued for obligation to issue shares	37,500	-
Agent warrants issued	110,858	515,007
Asset retirement obligation	66,092	29,000
Flow-through premium liability on issuance of flow-through shares	35,560	121,500
Amounts transferred to share capital on exercise of warrants	10,120	40,262

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

BRIXTON METALS CORPORATION

(An Exploration Stage Company)

Notes to Financial Statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

1. Nature of operations and going concern:

Brixton Metals Corporation (“Brixton” or the “Company”) was incorporated under the Business Corporations Act of British Columbia on September 28, 2009. The Company is an exploration stage company and engages principally in the acquisition, exploration, and evaluation of mineral properties. The Company’s head office address is Suite 551 – 409 Granville Street, Vancouver, BC, V6C 1T2, Canada. The Company is listed on the TSX Venture Exchange (“TSX-V”) and trades under the symbol BBB.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business.

The Company has a history of losses with no operating revenue and incurred a loss of \$3,978,700 for the year ended September 30, 2017 (2016 - \$4,683,434). As at September 30, 2017, the Company has an accumulated deficit of \$22,479,318, cash of \$2,664,018 and working capital of \$3,006,263. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or achieve operating profitability and generate positive cash flows. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, exploration, and evaluation activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company is currently seeking sources of financing to further develop and explore its Thorn, Langis, Atlin, and Hog Heaven projects and to support general and administrative expenses. Based on financings completed subsequent to year end (Note 16), the Company expects to have sufficient funds to operate for the ensuing 12 months.

These financial statements do not reflect adjustments, which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Unless otherwise stated, amounts are expressed in Canadian dollars.

These financial statements were authorized for issuance by the Board on January 4, 2018.

BRIXTON METALS CORPORATION

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Notes to Financial Statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. Significant accounting policies (continued):

(b) Exploration and evaluation assets:

The Company is in the process of exploring its exploration and evaluation asset and has not yet determined whether the property contains ore reserves that are economically recoverable.

Exploration and evaluation costs are recognized in profit or loss. Costs incurred before and after the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss until such time the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, after which then such costs are capitalized. All costs, including option payments, related to the acquisition of exploration and evaluation assets are capitalized on an individual prospect basis while all other costs including staking costs are expensed as incurred. Amounts received for the sale of exploration and evaluation assets, for option payments and for exploration advances are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Upon achieving production, costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not accrued. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is treated as income in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

(c) Equipment:

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. The Company provides for amortization on its equipment on the following basis:

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2. Significant accounting policies (continued):

(c) Equipment (continued):

Asset	Basis	Annual Rate
Computer equipment	Declining balance	30%
Automotive equipment	Declining balance	30%

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

(d) Impairment:

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

BRIXTON METALS CORPORATION

(An Exploration Stage Company)

Notes to Financial Statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. Significant accounting policies (continued):

(e) Provision for closure and reclamation:

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

(f) Income taxes:

Current tax is the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

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) Basic and diluted loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. Since the Company has losses, the exercise of outstanding options and warrants has not been included in this calculation as it would be anti-dilutive.

BRIXTON METALS CORPORATION

(An Exploration Stage Company)

Notes to Financial Statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. Significant accounting policies (continued):

(h) Financial instruments:

Financial assets:

Financial assets are classified into one of the below noted categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

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 included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's loans and receivables consist of cash, restricted cash, and receivables.

Financial Assets at Fair Value Through Profit or Loss:

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets as fair value through profit or loss.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

BRIXTON METALS CORPORATION

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Notes to Financial Statements
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(Expressed in Canadian dollars)

2. Significant accounting policies (continued):

(h) Financial instruments (continued):

Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period or, where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable, accrued liabilities and amounts due to related parties, which are classified as other liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Impairment of financial assets:

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit or loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

BRIXTON METALS CORPORATION

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Notes to Financial Statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. Significant accounting policies (continued):

(h) Financial instruments (continued):

Impairment of financial assets (continued):

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(i) Foreign currency translation:

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year. The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

(j) Flow-through shares:

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. When the resource property expenditures are incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders, to the extent there are not sufficient tax assets to offset the renounced expenditures.

(k) Critical accounting judgments and estimates:

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: impairment of exploration and evaluation assets; provision for environmental rehabilitation; inputs used in the valuation of share-based payments; accrual of refundable tax credits; and provision for deferred income tax.

BRIXTON METALS CORPORATION

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Notes to Financial Statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. Significant accounting policies (continued):

(k) Critical accounting judgments and estimates (continued):

Estimates (continued)

Share-based payments:

The Company uses the fair value based method of accounting for stock options granted to employees and others as well as agent options issued on common share issuances. Under this method, the fair value of the stock options at the date of the grant, as determined using the Black-Scholes option pricing model, is recognized to expense over the vesting period. The fair value of agent options at the date of issuance, as determined using the Black-Scholes model, is recognized as share issuance costs, with the offsetting credit to share-based payments reserve. If the stock options or agent options are exercised, the proceeds are credited to share capital and the fair value of the options or agent options exercised is reclassified from share-based payments reserve to share capital.

Exploration and evaluation assets:

The Company capitalizes mining property acquisition costs which are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

Environmental rehabilitation obligation:

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Accrual of refundable mining tax credits

The provincial government of BC provides for a refundable tax on net qualified mining exploration expenditures incurred in BC. The credit is calculated as 20% of qualified mining exploration expenses. Management has estimated and accrued the likely refundable amount arising from expenditures incurred.

BRIXTON METALS CORPORATION

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Notes to Financial Statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. Significant accounting policies (continued):

(k) Critical accounting judgments and estimates (continued):

Estimates (continued)

Deferred income tax:

The assessment of the probability of future taxable income for which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Judgments

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Going concern:

Significant judgments are made in the Company's assessment of its ability to continue as a going concern as described in note 1.

3. Accounting standards issued for adoption in future periods:

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended September 30, 2017:

- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets.⁽ⁱ⁾
- IFRS 15 New revenue standard outlining a five-step framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.⁽ⁱ⁾
- IFRS 16 New leases standard that replaces IAS 17 for recognition, measurement, presentation and disclosure of leases for lessees and lessors.⁽ⁱⁱ⁾

⁽ⁱ⁾ Effective for annual periods beginning on or after January 1, 2018.

⁽ⁱⁱ⁾ Effective for annual periods beginning on or after January 1, 2019.

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

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4. Capital management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management strategy on a regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

5. Receivables:

	September 30, 2017	September 30, 2016
Amounts due from Government of Canada pursuant to GST input tax credits	\$ 31,799	\$ 157,233
Amounts due from Government of BC pursuant to BC Mining Exploration tax credit	218,389	-
Amounts receivable	113,346	-
Other	512	2,032
Total	\$ 364,046	\$ 159,265

6. Prepaid expenses:

	September 30, 2017	September 30, 2016
Mineral property vendor deposits	\$ -	\$ 42,400
Prepaid insurance	10,402	10,402
Prepaid software	20,999	40,871
Prepaid expenses and advances to related parties (Note 10)	43,313	-
Other prepaid expenses	13,047	13,189
Total	\$ 87,761	\$ 106,862

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7. Restricted cash:

At September 30, 2017, the Company had a \$95,000 (2016 - \$85,000) bond held with the Government of British Columbia for potential reclamation costs on its Thorn project in British Columbia. This bond is refundable at such time the Company completes the required exploration activities and receives approval from the regulating authorities.

8. Equipment:

	Computer equipment	Vehicles	Total
Cost			
Balance, September 30, 2015	\$ 17,734	\$ -	\$ 17,734
Additions	<u>4,252</u>	<u>57,675</u>	<u>61,927</u>
Balance, September 30, 2016	\$ 21,986	\$ 57,675	\$ 79,661
Additions	<u>1,737</u>	<u>-</u>	<u>1,737</u>
Balance, September 30, 2017	\$ 23,723	\$ 57,675	\$ 81,398
Accumulated Amortization			
Balance, September 30, 2015	\$ 12,387	\$ -	\$ 12,387
Amortization expense	<u>2,241</u>	<u>901</u>	<u>3,142</u>
Balance, September 30, 2016	14,628	901	15,529
Amortization expense	<u>2,468</u>	<u>17,032</u>	<u>19,500</u>
Balance, September 30, 2017	\$ 17,096	\$ 17,933	\$ 35,029
Net Book Value			
Balance, September 30, 2016	\$ 7,358	\$ 56,774	\$ 64,132
Balance, September 30, 2017	\$ 6,627	\$ 39,742	\$ 46,369

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9. Exploration and evaluation assets:

Balance consists of:

	September 30, 2017	September 30, 2016
Thorn, BC, Canada	\$ 3,005,030	\$ 3,004,554
Langis, Ontario, Canada	399,667	445,250
Atlin, BC, Canada	138,576	-
Hog Heaven, Montana, USA	1,030,309	-
Total	\$ 4,573,582	\$ 3,449,804

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 conveyance history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge title to the assets is in good standing.

(a) Thorn, BC, Canada:

On February 26, 2013, the Company completed the acquisition of a 100% interest in the Thorn mineral property, located in the Sutlahine River area in northwestern British Columbia, from Rimfire Minerals Corporation for consideration of \$1,500,000 cash and the issuance of 7,000,000 common shares (valued at \$1,260,000). The Company is subject to underlying net smelter returns royalties ("NSR") ranging from nil% to 3.5% of net smelter returns. In addition to the royalties the Company must satisfy underlying obligations to an underlying agreement in respect of the property with Cangold Limited which requires the Company to issue 250,000 shares or make a one-time cash payment of \$1,000,000 upon commercial production.

On July 19, 2013, the Company entered into an exploration agreement with the Taku River Tlingit First Nation ("TRTFN"), under which TRTFN will consent to exploration activities and support the development of the Thorn project, in exchange for the Company paying an annual community contribution of 1.25% based on the Company's annual exploration budget, reviewing annual work planning with TRTFN prior to each ensuing season, as well as providing opportunities for local employment, training and contracting related to the project.

During the year ended September 30, 2016, the Company recognized a reclamation obligation of \$29,000. The undiscounted amount of estimated cash flows was estimated at \$52,000. The liability was estimated using an expected life of 30 years and a net risk-free discount rate of 2%.

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9. Exploration and evaluation assets (continued):

(b) Langis, Ontario, Canada:

On February 2, 2016, the Company acquired a 100% interest in the Langis silver mine located in the Cobalt silver mining camp of Northeastern Ontario from Canagco Mining Corp. ("Canagco") for consideration of 3,242,500 common shares valued at \$226,975 and a cash payment of \$55,000. The Company also paid a finder's fee of \$6,887 and 106,351 common shares valued at \$9,572. Canagco will retain a 2% NSR.

On April 13, 2016, the Company acquired additional mineral rights related to the Langis property in exchange for consideration of \$5,000 and 250,000 common shares (valued at \$107,500). The vendors will retain NSR's of 2% and 1%, of which the Company may purchase 1.5% for \$750,000 (0.5% for \$250,000 each) and 0.5% prior to commercial production for \$250,000, respectively.

On April 19, 2016, the Company acquired a 100% interest in the past-producing Hudson Bay silver mine in the Cobalt silver mining camp of Ontario through the issuance of 27,300 common shares (valued at \$27,300) and a cash payment of \$1,000.

On July 7, 2016, the Company entered into an agreement with John Pollock whereby the Company acquired additional mining rights in the Langis property through the issuance of 10,000 common shares (valued at \$8,300) and a cash payment of \$3,000, subject to a 2% NSR, of which the entire NSR can be repurchased for \$250,000 for each 0.5%.

During the year ended September 30, 2017, the Company completed an agreement with Agnico Eagle Mines Ltd. ("Agnico Eagle") and acquired a 100% interest over certain additional property adjacent to the Langis property for consideration of cash paid of \$200,000. Agnico Eagle retains a 2% NSR, of which the Company may purchase 1% for \$500,000.

On June 7, 2017, the Company entered into an agreement with First Cobalt Corp. ("First Cobalt") to sell a 100% interest in certain of the Company's non-core mineral claims located in the Cobalt silver mining camp in Ontario for consideration of \$325,000 cash (received). The Company paid a \$16,250 finder's fee in connection with this transaction.

During the year ended September 30, 2017, the Company recognized a reclamation obligation of \$30,007. The undiscounted amount of estimated cash flows was estimated at \$56,000. The liability was estimated using an expected life of 30 years and a net risk-free discount rate of 2.1%.

Timiskaming First Nation agreement

On May 2, 2016, the Company entered into an exploration agreement with Timiskaming First Nation ("TFN"), under which TFN will consent to exploration activities and support the development of the Company's Langis project and other cobalt lands, in exchange for the Company paying an annual community contribution of 1.25% based on the Company's annual exploration budget and providing opportunities for local employment, training and contracting related to the project.

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9. Exploration and evaluation assets (continued):

(c) Atlin, BC, Canada:

On January 25, 2017, the Company entered into an option agreement with two third parties to acquire a 100% interest in the Eagle property located in Atlin, British Columbia, for consideration of \$65,000 (\$5,000 paid) and the issuance of 115,000 common shares (20,000 shares issued, valued at \$9,800), payable over a three year period. The vendors will retain a 2% NSR, of which the Company may purchase 1% for \$500,000.

On March 14, 2017, the Company entered into an agreement with Armadillo Resources Ltd. ("Armadillo"), and acquired a 100% interest in mineral claims located in Atlin, British Columbia, by paying \$13,000 and issuing 20,000 common shares (valued at \$10,600). The claims are subject to underlying NSRs of 0.5% and 0.2%.

(d) Hog Heaven, Montana, USA:

On June 21, 2017, the Company acquired, through an agreement with Pan American Silver Corp. ("Pan American"), a 100% interest in the Hog Heaven project in Montana, USA, through the issuance of 2,687,091 common shares (valued at \$994,224). Pan American retains a 3.0% NSR on the Hog Heaven project.

During the year ended September 30, 2017, the Company recognized a reclamation obligation of \$36,085. The undiscounted amount of estimated cash flows was estimated at \$67,000. The liability was estimated using an expected life of 30 years and a net risk-free discount rate of 2.1%.

During the year ended September 30, 2017, the Company incurred the following exploration expenditures:

	Thorn Property BC, Canada	Langis Property ON, Canada	Atlin Property BC, Canada	Hog Heaven Property Montana, USA	General Exploration	Total
Year ended September 30, 2017						
Analysis	\$ 140,867	\$ 51,734	\$ -	\$ -	\$ -	\$ 192,601
Camp and general	144,847	21,397	26,448	66,206	60,106	319,004
Community relations	17,150	5,162	-	-	-	22,312
Drilling	382,455	-	-	-	-	382,455
Field supplies and rentals	96,716	2,597	3,768	-	-	103,081
Field transportation	432,902	-	23,272	525	-	456,699
Finders fees	-	18,250	-	10,000	-	28,250
Geological consulting	191,788	68,078	13,371	46,995	44,964	365,196
Geophysics and metallurgy	143,760	219,804	101,034	-	-	464,598
Maps, orthos, and reports	2,276	10,161	-	20	-	12,457
Staking and claims fees	-	2,946	-	-	-	2,946
Government grants	(214,674)	(100,000)	(33,006)	-	-	(347,680)
Total for the year	\$ 1,338,087	\$ 300,129	\$ 134,887	\$ 123,746	\$ 105,070	\$ 2,001,919

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9. Exploration and evaluation assets (continued):

	Thorn Property BC, Canada	Langis Property ON, Canada	Atlin Property BC, Canada	Hog Heaven Property Montana, USA	General Exploration	Total
Year ended September 30, 2016						
Analysis	\$ 24,143	\$ 48,704	\$ -	\$ -	\$ -	\$ 72,847
Camp and general	31,484	19,914	-	-	6,818	58,216
Community relations	13,082	9,664	-	-	-	22,746
Drilling	216,277	263,836	-	-	-	480,113
Field supplies and rentals	56,487	13,675	-	-	-	70,162
Field transportation	483,251	206	-	-	-	483,457
Finders fees	-	16,459	-	-	10,000	26,459
Geological consulting	85,007	118,012	-	-	-	203,019
Geophysics and metallurgy	288,531	5,000	-	-	-	293,531
Maps, orthos, and reports	6,201	-	-	-	1,785	7,986
Resource consulting	-	-	-	-	13,906	13,906
Staking and claims fees	124,829	5,662	-	-	-	130,491
Total for the year	\$ 1,329,292	\$ 501,132	\$ -	\$ -	\$ 32,509	\$ 1,862,933

10. Related party transactions:

During the year ended September 30, 2017, the Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	Year ended September 30, 2017	Year ended September 30, 2016
Management fees, salaries and professional services	\$ 495,007	\$ 645,501
Director fees	24,000	23,000
Share-based payments to key management personnel	522,568	1,706,784
Total	\$ 1,041,575	\$ 2,375,285

Key management is defined as directors and officers of the Company.

As at September 30, 2017, the Company had \$5,935 (2016 - \$37,329) due to directors, officers, and companies with a director in common. Amounts due to related parties are non-interest bearing, with no fixed terms of repayments.

Amounts prepaid to directors and officers are disclosed in note 6.

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11. Commitments:

The Company is obligated under its three-year term operating lease agreement for the rental of its corporate office in Vancouver. Minimum lease payments in each of the next three fiscal years are as follows:

2018	\$	41,778
2019	\$	41,778
2020	\$	36,556

12. Share capital:

(a) Authorized share capital:

Unlimited common shares without par value.

(b) Issued and outstanding common shares:

(i) Share issuances:

During the year ended September 30, 2017, the Company issued a total of 620,000 common shares upon the exercise of warrants for total proceeds of \$93,000, including proceeds of \$37,500 which were received during the year ended September 30, 2016 and had been recorded as obligation to issue shares at September 30, 2016.

On March 2, 2017, the Company issued 20,000 common shares as consideration for the Atlin option agreement (Eagle property), valued at \$9,800 (Note 9(c)).

On April 5, 2017, the Company issued 20,000 common shares as consideration for the Armadillo option agreement (Atlin property), valued at \$10,600 (Note 9(c)).

On July 18, 2017, the Company issued 2,687,091 common shares as consideration for the Hog Heaven option agreement, valued at \$994,224 (Note 9(d)).

During the year ended September 30, 2016, the Company issued 3,242,500 common shares as partial consideration and 106,351 common shares as finders' fees in connection with the Langis property acquisition (Note 9(b)). The Company also issued 287,300 common shares as partial consideration in connection with the acquisition of additional mineral rights and property adjacent to the Langis property (Note 9(b)).

In August 2016, the Company issued a total of 423,200 common shares upon the exercise of warrants at \$0.15 per share.

On April 19, 2016, the Company issued 110,000 common shares valued at \$47,300 to settle debt of \$11,000.

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12. Share capital (continued):

(b) Issued and outstanding common shares (continued):

(i) Share issuances (continued):

Private placements

On April 4, 2017, the Company closed a brokered private placement, issuing 2,776,800 units at a price of \$0.50 per unit and 711,200 flow-through shares at a price of \$0.55 per flow-through share for total gross proceeds of \$1,779,560. Each unit consisted of one common share and one common share purchase warrant, exercisable at a price of \$0.70 per share for two years. In connection with the private placement, the Company paid finder's fees totaling \$203,247 cash and issued 266,120 finder's warrants valued at \$110,858, exercisable at \$0.50 per share for three years. The Company also issued 250,000 common shares valued at \$125,000 as a corporate finance fee payable in connection with the private placement. The Company recognized a flow-through premium liability of \$35,560, which was fully accreted during the year ended September 30, 2017.

On April 8, 2016, the Company closed the first tranche of a non-brokered private placement, issuing 6,233,000 units at a price of \$0.10 per unit and 4,000,000 flow-through shares at a price of \$0.10 per flow-through share for total gross proceeds of \$1,023,300. Each unit consists of one common share and one transferable common share purchase warrant, exercisable at a price of \$0.15 per share for three years, subject to an acceleration clause. In connection with the first tranche, the Company paid finder's fees totaling \$10,700 cash, 157,200 common shares, and 415,200 finder's warrants valued at \$40,546, exercisable at \$0.15 per share for three years, subject to an acceleration clause.

On April 19, 2016, the Company closed the second and final tranche of the non-brokered private placement under the same terms as the first tranche as described above, issuing 1,017,000 units at a price of \$0.10 per unit and 250,000 flow-through shares at a price of \$0.10 per flow-through share for total gross proceeds of \$126,700. In connection with the second tranche, the Company paid finder's fees totaling \$4,800 cash, 4,000 common shares, and 52,000 finder's warrants valued at \$21,235, exercisable at \$0.15 per share for three years.

On June 21, 2016, the Company closed a non-brokered private placement, issuing 6,267,283 units at a price of \$0.30 per unit and 1,272,166 flow-through shares at a price of \$0.33 per flow-through share for total gross proceeds of \$2,300,000. Each unit consisted of one common share and one transferable common share purchase warrant, exercisable at a price of \$0.50 per share for two years. In connection with the private placement, the Company paid finder's fees totaling \$130,000 cash and 422,104 finder's warrants valued at \$282,504, exercisable at \$0.50 per share for two years. The Company recognized a flow-through premium liability of \$38,165, which was fully amortized during the year ended September 30, 2016.

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12. Share capital (continued):

(b) Issued and outstanding common shares (continued):

(i) Share issuances (continued):

Private placements (continued)

On September 14, 2016, the Company closed a brokered private placement, issuing 2,885,700 units at a price of \$0.70 per unit and 1,666,700 flow-through shares at a price of \$0.75 per flow-through share for total gross proceeds of \$3,270,015. Each unit consisted of one common share and one transferable common share purchase warrant, exercisable at a price of \$1.00 per share for two years. In connection with the private placement, the Company paid finder's fees totaling \$228,901 cash and 318,668 finder's warrants valued at \$170,721, exercisable at \$0.70 per share for two years. The Company recognized a flow-through premium liability of \$83,335, of which \$55,553 was amortized during the year ended September 30, 2016. The remaining \$27,782 flow-through premium liability was accreted during the year ended September 30, 2017.

As at September 30, 2017, the Company had received \$1,179,000 in subscriptions for a private placement which closed subsequent to September 30, 2017 (Note 16)

(c) Warrants:

As at September 30, 2017, the following warrants were outstanding:

Expiry date	Weighted average exercise price	Number of warrants	Weighted average remaining contractual life in years
21-Jun-18	\$ 0.50	6,689,387	0.72
14-Sep-18	\$ 1.00	2,885,700	0.96
14-Sep-18	\$ 0.70	318,668	0.96
8-Apr-19	\$ 0.15	5,653,000	1.52
19-Apr-19	\$ 0.15	1,021,000	1.55
4-Apr-19	\$ 0.70	2,776,800	1.51
4-Apr-20	\$ 0.50	266,120	2.51
	\$ 0.49	19,610,675	1.17

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12. Share capital (continued):

(c) Warrants (continued):

	Number of warrants	Weighted average exercise price
Balance, September 30, 2015	1,323,311	\$ 2.30
Granted during the year	17,610,955	0.43
Exercised during the year	(423,200)	0.15
Expired during the year	(1,323,311)	1.50
Balance, September 30, 2016	17,187,755	\$ 0.44
Granted during the year	3,042,920	0.68
Exercised during the year	(620,000)	0.15
Balance, September 30, 2017	19,610,675	\$ 0.49

The fair values of the finders' warrants is estimated using the Black-Scholes option pricing model. The weighted average fair value per finders' warrant granted during the year ended September 30, 2017 was \$0.42 (2016 - \$0.44). The following weighted average assumptions used in the calculation of fair value are as follows:

	Year ended September 30, 2017	Year ended September 30, 2016
Risk-free interest rate	0.74%	0.58%
Expected volatility	158.93%	182.93%
Expected life of options	3 years	2.39 years
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

(d) Share-based payments:

The Board of Directors of the Company has approved a stock plan (the "Plan"), whereby the number of shares issuable under the Plan is limited to 10% of the issued and outstanding shares of the Company. The exercise price of each option shall not be less than the discounted market price of the Company's shares as calculated on the date of grant. An option's maximum term is ten years and shall vest as determined by the Board of Directors. Options granted to investor relations consultants shall vest in stages over 12 months with no more than one-quarter of options vesting in any three month period.

The following tables reflects the continuity of stock options for the years ended September 30, 2017 and 2016:

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12. Share capital (continued):

(d) Share-based payments (continued):

Number outstanding Sept 30, 2016	Granted	Exercised / cancelled	Number outstanding Sept 30, 2017	Weighted average exercise price per share	Expiry date	Weighted average remaining contractual life in years
35,000	-	-	35,000	\$ 0.14	April 7, 2025	7.52
2,600,000	-	-	2,600,000	\$ 0.70	September 12, 2026	8.96
-	1,325,000	-	1,325,000	\$ 0.50	April 3, 2027	9.51
-	175,000	-	175,000	\$ 0.50	June 21, 2027	9.73
2,635,000	1,500,000	-	4,135,000	\$ 0.62		9.15
		(Exercisable)	4,085,000	\$ 0.62		

Number outstanding Sept 30, 2015	Granted	Exercised / cancelled	Number outstanding Sept 30, 2016	Weighted average exercise price per share	Expiry date	Weighted average remaining contractual life in years
35,000	-	-	35,000	\$ 0.14	April 7, 2025	8.52
-	2,600,000	-	2,600,000	\$ 0.70	September 12, 2026	9.96
35,000	2,600,000	-	2,635,000	\$ 0.69		9.94
		(Exercisable)	2,535,000	\$ 0.69		

The fair value of stock options granted used to calculate compensation expense for both employees and non-employees is estimated using the Black-Scholes option pricing model. The weighted average fair value per option granted during the year ended September 30, 2017 was \$0.48 (2016 - \$0.70). During the year ended September 30, 2017, the Company recognized \$779,929 (2016 - \$1,741,617) in share-based payments expense for the fair value of the vested portion of stock options granted during the year and/or in prior years.

The following weighted-average assumptions were used as inputs to the Black-Scholes model:

	Year ended September 30, 2017	Year ended September 30, 2016
Risk-free interest rate	1.36%	1.03%
Expected volatility	177.46%	177.33%
Expected life of options	10.00 years	10.00 years
Expected dividend yield	N/A	N/A

(e) Shares reserved for issuance (fully diluted):

	Number of shares
Issued and outstanding at September 30, 2017	46,498,366
Reserved for warrants (note 12(c))	19,610,675
Reserved for options (note 12(d))	4,135,000
Shares reserved for issuance (fully diluted) at September 30, 2017	70,244,041

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13. Segmented information:

As at September 30, 2017 the Company currently operates in one segment being the acquisition and exploration and evaluation of resource assets located in British Columbia and Ontario, Canada, and Montana, USA, as described in note 9.

14. Income taxes:

- (a) As at September 30, 2017, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	2017	2016
Tax losses carried forward	\$ 7,920,552	\$ 6,464,341
Allowable capital loss	378,019	378,019
Reclamation obligation	95,092	29,000
Financing costs	726,767	564,243
Other	90,286	95,336
Mineral property	2,857,877	1,630,024
Deductible temporary differences	\$ 12,068,593	\$ 9,160,964

The Company's tax losses expire in various years between 2030 and 2037.

- (b) The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory tax rates of 26% (2016 – 26%) as follows:

	2017	2016
Statutory tax rate	26%	26%
Recovery of income taxes based on statutory tax rate	\$ (1,034,462)	\$ (1,217,693)
Share-based compensation and other items	178,527	333,042
Share issuance costs	(110,099)	(156,563)
Flow-through shares	210,050	436,310
Non-recognition of tax assets	755,984	604,904
Recovery of income taxes	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

15. Financial instruments and risk management:

Financial instruments

IFRS 13, *Fair value measurements* ("IFRS 13"), establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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15. Financial instruments and risk management (continued):

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company has no financial assets or financial liabilities measured at fair value in the statement of financial position as at September 30, 2017. The carrying value of receivables and accounts payable and accrued liabilities and due to related parties, approximates their fair values because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk:

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's receivables consist of amounts due from a Canadian government agency and cash and restricted cash is held with a large and stable Canadian chartered bank. Management believes that credit risk related to these amounts is nominal.

(b) Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities as they fall due. As of September 30, 2017, the Company had cash of \$2,664,018 to settle current liabilities of \$109,562. The Company has sufficient cash to settle current liabilities, and has raised additional funds subsequent to September 30, 2017 (note 16).

(c) Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest rate risk:

The Company has cash balances and no interest-bearing debt. The Company's current policy is to keep larger cash balances invested in investment-grade short-term demand deposit certificates issued by its banking institutions. The Company is nominally exposed to interest rate risk.

(ii) Foreign currency risk:

The Company is not exposed to foreign currency risk as it holds no cash, accounts receivable, nor accounts payable and accrued liabilities that are denominated in United States dollars or other foreign currencies.

BRIXTON METALS CORPORATION

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15. Financial instruments and risk management (continued):

Financial risk factors (continued)

(c) Market risk (continued):

(iii) Price risk:

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

16. Subsequent events:

Subsequent to September 30, 2017, the Company:

- (a) Closed a private placement, issuing 5,232,036 units at a price of \$0.32 per unit for total gross proceeds of \$1,674,252. Each unit consisted of one common share and one-half of one common share purchase warrant, exercisable at a price of \$0.48 per share for three years. In connection with the private placement, the Company paid finder's fees totaling \$101,224 cash and issued 158,162 finder's warrants, exercisable at \$0.32 per share for three years.
- (b) Closed the first tranche of a flow-through financing, issuing 6,313,000 flow-through shares at a price of \$0.25 per flow-through share for total gross proceeds of \$1,578,250. In connection with the flow-through financing, the Company paid finder's fees totaling \$108,938 cash and issued 435,750 finder's warrants, exercisable for common shares at \$0.25 per share for two years.
- (c) Closed the second and final tranche of a flow-through financing, issuing 5,692,000 flow-through shares at a price of \$0.25 per flow-through share for total gross proceeds of \$1,423,000. In connection with the flow-through financing, the Company paid finder's fees totaling \$99,610 cash and issued 398,440 finder's warrants, exercisable for common shares at \$0.25 per share for two years.
- (d) Issued 52,000 common shares upon the exercise of 52,000 warrants at a price of \$0.15.

