



**Condensed Consolidated Financial Statements**

(unaudited – prepared by management)

(expressed in Canadian dollars)

**For the Nine Months Ended December 31, 2018 and 2017**

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, B.C.  
March 1, 2019

**SURGE COPPER CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(unaudited – expressed in Canadian dollars)

		As at December 31,		As at March 31,
	Note	2018		2018
<b>ASSETS</b>				
Current				
Cash and cash equivalents		\$ 29,324	\$	751,357
GST receivable		29,979		1,453
Other receivable	6	3,299		7,079
Prepaid expenses		50,451		18,576
<b>Total Current Assets</b>		<b>113,053</b>		<b>778,465</b>
Exploration and evaluation costs	5, 6	22,055,207		21,500,638
Equipment and camp buildings	7	30,131		39,475
<b>Total Non-Current Assets</b>		<b>22,085,338</b>		<b>21,540,113</b>
<b>Total Assets</b>		<b>\$ 22,198,391</b>	<b>\$</b>	<b>22,318,578</b>
<b>LIABILITIES</b>				
Current				
Trade and other payables	8	\$ 23,872	\$	135,270
<b>Total Current Liabilities</b>		<b>23,872</b>		<b>135,270</b>
Deferred income tax liability		287,000		287,000
<b>Total Non-Current Liabilities</b>		<b>287,000</b>		<b>287,000</b>
<b>Total Liabilities</b>		<b>310,872</b>		<b>422,270</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	10	35,527,443		35,252,333
Contributed surplus	10	4,649,100		4,632,518
Deficit		(18,289,024)		(17,988,543)
<b>Total Shareholders' Equity</b>		<b>21,887,519</b>		<b>21,896,308</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 22,198,391</b>	<b>\$</b>	<b>22,318,578</b>

Signed on behalf of the Board by:

"Shane Ebert"	Director
"Jim Pettit"	Director

See accompanying notes to the condensed consolidated interim financial statements.

**SURGE COPPER CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(unaudited - expressed in Canadian dollars)

	For the three months ended		For the nine months ended	
	2018	December 31, 2017	2018	December 31, 2017
<b>EXPENSES</b>				
Amortization	\$ 2,343	\$ 3,980	\$ 9,344	\$ 27,738
Investor relations	23,995	3,000	58,992	12,265
Management and personnel (Note 9)	34,387	32,581	112,630	89,977
Office	8,837	12,596	33,691	34,402
Professional fees	3,337	8,168	19,656	36,457
Rent	8,636	8,584	25,484	30,719
Share based payments (Note 9)	-	16,125	16,582	16,125
Transfer agent and filing fees	4,518	9,589	16,647	14,519
Travel	4,030	2,699	7,455	4,563
	(90,083)	(97,322)	(300,481)	(266,765)
<b>OTHER INCOME (EXPENSE):</b>				
Interest income	-	38	-	826
<b>LOSS BEFORE INCOME TAXES</b>	(90,083)	(97,284)	(300,481)	(265,939)
<b>INCOME TAXES</b>	-	-	-	-
<b>NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	\$ (90,083)	\$ (97,284)	\$ (300,481)	\$ (265,939)
<b>LOSS PER SHARE - BASIC</b>	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>LOSS PER SHARE - DILUTED</b>	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	57,679,373	49,804,482	56,684,852	49,662,387

See accompanying notes to the condensed consolidated interim financial statements.

**SURGE COPPER CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(unaudited - expressed in Canadian dollars)

	<b>For the nine months ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (300,481)	\$ (265,939)
Items not affecting cash:		
Share based payments	16,582	16,125
Amortization	9,344	27,738
	(274,555)	(222,076)
Changes in non-cash working capital items:		
Taxes recoverable	(28,526)	2,505
Other receivable	3,780	-
Prepaid expenses	(31,875)	(1,017)
Trade and other payables	(111,398)	(107,005)
Cash used in operating activities	(442,574)	(327,593)
<b>INVESTING ACTIVITIES</b>		
Investment in exploration and evaluation assets	(554,569)	(11,910)
Acquisition costs of exploration and evaluation assets	-	(34)
Cash used in investing activities	(554,569)	(11,944)
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance	278,000	1,000,500
Share issue costs	(2,890)	(60,503)
Cash provided by financing activities	275,110	939,997
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(722,033)</b>	<b>600,460</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD</b>	<b>751,357</b>	<b>246,554</b>
<b>CASH AND CASH EQUIVALENTS - END OF THE PERIOD</b>	<b>\$ 29,324</b>	<b>\$ 847,014</b>

See accompanying notes to the condensed consolidated interim financial statements.

**SURGE COPPER CORP.****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(expressed in Canadian dollars)

**For the Nine Months Ended December 31, 2018 and 2017**

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total Equity
Balance, April 1, 2017	46,976,040	\$ 34,382,068	\$ 4,546,661	\$ (17,803,410)	\$ 21,125,319
Issued for cash – non-flow through shares	8,003,333	1,000,500	-	-	1,000,500
Share issue costs	-	(60,503)	-	-	(60,503)
Stock based compensation	-	(69,732)	85,857	-	16,125
Net loss and comprehensive loss for the period	-	-	-	(265,939)	(265,939)
Balance, December 31, 2017	46,976,040	\$ 35,252,333	\$ 4,632,518	\$ (18,069,349)	\$ 21,815,502
Balance, April 1, 2018	54,979,373	\$ 35,252,333	\$ 4,632,518	\$ (17,988,543)	\$ 21,896,308
Issued for cash – non-flow through shares	2,700,000	278,000	-	-	278,000
Stock based compensation	-	-	16,582	-	16,582
Share issue costs	-	(2,890)	-	-	(2,890)
Net loss and comprehensive loss for the period	-	-	-	(300,481)	(300,481)
Balance, December 31, 2018	57,679,373	\$ 35,527,443	\$ 4,649,100	\$ (18,289,024)	\$ 21,887,519

See accompanying notes to consolidated financial statements

## **SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

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### **1. CORPORATE INFORMATION**

Surge Copper Corp. (the “Company”) is engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company’s investment in mineral properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the mineral properties and the discovery, development and sale of ore reserves.

The Company was incorporated under the Business Corporations Act of British Columbia by Certificate of Incorporation dated November 29, 1965. The Company is listed on the TSX Venture Exchange (“TSX-V”), having the symbol SURG-V, (formerly GRV-V) as a Tier 2 mining issuer.

The address of the Company’s corporate office and principal place of business is Suite 888 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1G5.

### **2. BASIS OF PREPARATION**

#### **(a) Statement of Compliance**

The condensed unaudited consolidated interim financial statements of the Company for the nine months ending December 31, 2018 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed consolidated interim financial statements have been prepared in full compliance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”). Accordingly, these unaudited condensed consolidated interim financial statements follow the same accounting principles and methods of application as the audited annual consolidated financial statements for the year ended March 31, 2018 but may condense or omit certain disclosures that otherwise would be present in annual financial statements prepared in accordance with IFRS. These financial statements should therefore be read in conjunction with the audited annual consolidated financial statements for the year ended March 31, 2018. Results for the period ended December 31, 2018, are not necessarily indicative of future results. These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 1, 2019.

#### **(b) Basis of Presentation and Measurement**

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis and include the accounts of the Company and its wholly-owned subsidiary, Ootsa Ventures Ltd., All material intercompany accounts and transactions have been eliminated.

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company’s and its subsidiary’s functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are unchanged from those set out in Note 4 of the audited Consolidated Financial Statements for the year ended March 31, 2018.

## **SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

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

There have been no material revisions to the accounting policies reported in the Company's audited Consolidated Financial Statements for the Year Ended March 31, 2018.

#### **(a) Going Concern of Operations**

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. However, there are currently material uncertainties in respect to these assumptions which cast significant doubt as to the Company's ability to continue as a going concern. The Company has incurred losses since inception, has no recurring source of revenue and has an accumulated deficit of \$18,289,024 at December 31, 2018. The Company will need to raise sufficient funds in order to finance ongoing exploration, development 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, 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.

#### **b) 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 reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income 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.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, the recoverability and measurement of deferred tax assets and liabilities, and ability to continue as a going concern. Actual results may differ from those estimates and judgments.



## **SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

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### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's unaudited Condensed Consolidated Interim Financial Statements for the nine months ended December 31, 2018.

### **5. RECLAMATION BONDS**

Included in Mineral Exploration and Evaluation Costs as at December 31, 2018, is the Company's aggregate reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of \$169,900 (March 31, 2018 - \$169,900).

The bonds cover the future site restoration costs with respect to the Seel and Ox Lake Claims, collectively known as the Ootsa Property. All or part of the \$169,900 can be recovered subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

The bonds have not been discounted from their future value because the Company estimates the bonds may be settled within 2 years and the discounting cost being considered immaterial. The Company believes that the amount of the bonds includes sufficient risk premium.

Recovery of the posted bonds remains subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

### **6. MINERAL PROPERTIES**

#### Ootsa Property

As at December 31, 2018, the Company owned a 100% interest in the Ootsa Property, located in central British Columbia, comprised of 124 mineral claims totalling 72,710.4 hectares. All of these claims have had sufficient exploration work completed to remain valid until December 10, 2025.

Beyond claims acquired by staking, material transactions and royalty obligations in respect to this property are:

- 14 claims totalling 574.6 hectares, known as the Ox claims, are subject to a 2% Net Smelter Returns ("NSR") royalty. The purchase agreement with the vendor, Silver Standard Resources Inc., ("Silver") entitles the Company to purchase 50% of the 2% NSR from Silver at any time by the payment to Silver of \$500,000. The Company may purchase the remaining 1% NSR at any time by payment to Silver of an additional \$1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.
- There are five claims totalling 3,450.4 hectares, known as the Seel claims, which are subject to a 1% NSR. The Company is entitled at any time to purchase 50% of this 1% NSR for \$1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

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### **6. MINERAL PROPERTIES (continued)**

- Two additional claims known as the Swing claims (the “Captain Mine”) totalling 383.4 hectares, purchased in March 2014, are subject to a 2% NSR. The purchase agreement with the vendor entitles the Company to purchase 50% of the 2% NSR from the vendor at any time by the payment to the vendor of \$500,000 or the Company may purchase the entire 2% NSR at any time by payment to the vendor of \$1,000,000.
- The Troitsa Peak claim totalling 211.3 hectares and purchased in December 2014 is subject to a 1% NSR, half of which can be bought back at any time by the Company for \$500,000.
- On August 5, 2016, the Company acquired one claim for total consideration of \$3,000, adding a total of 76.7 hectares.

#### Auro Property

In March 2012, the Company sold all of the Company’s mineral interests known as the Auro and Auro South properties (“Properties”) to New Gold Inc. Under the terms of the purchase agreement, the Company retained a 2% NSR.

#### British Columbia Mineral Tax Credits (“BCMETC”)

The completion of certain qualified exploration costs by the Company entitles it to refundable tax credits as part of an exploration incentive plan offered by the Province of British Columbia. In April 2017 the Company filed a BCMETC claim with the Canada Revenue Agency seeking \$11,185 in qualified refundable tax credits for the year ended March 31, 2017, which was accrued at March 31, 2017 and received during fiscal 2018. In June 2018 the Company filed a BCMETC claim with the Canada Revenue Agency seeking \$3,299 in qualified refundable tax credits for the year ended March 31, 2018, which has also been accrued currently and which is considered to be entirely collectible.

**SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

**6. MINERAL PROPERTIES (continued)**

Expenditures on mineral property acquisition and deferred exploration and development costs for the nine months ended December 31, 2018 and for the year ended March 31, 2018 are as follows:

	<b>For the nine months ended December 31, 2018</b>	<b>For the year ended March 31, 2018</b>
Property acquisition costs:		
Balance, beginning of the period	\$ 1,150,204	\$ 1,150,170
Cash costs	-	34
Balance, end of the period	1,150,204	1,150,204
Deferred exploration and evaluation costs:		
Balance, beginning of the period	20,350,434	20,317,735
Incurred during the period:		
Assays	27,627	-
Barge	6,460	-
Camp costs	61,181	1,926
Consulting fees – First Nations	10,000	25,000
Drilling	314,999	-
Field costs	33,120	8,607
Fuel	22,631	465
Geology	58,350	-
Insurance	1,027	-
Travel	2,499	-
Wages and related expenses	16,675	-
Exploration tax credit recovery	-	(3,299)
Total expenditures during the period	554,569	32,699
Balance, end of the period	20,905,003	20,350,434
Total deferred costs, end of the period	\$ 22,055,207	\$ 21,500,638

**SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

**7. EQUIPMENT AND CAMP BUILDINGS**

	<b>Office Equipment</b>	<b>Camp Vehicles and Equipment</b>	<b>Camp Buildings/ Septic</b>	<b>Bridge</b>	<b>Total</b>
<b>Cost</b>					
Balance at March 31, 2017	\$ 41,524	\$ 122,575	\$ 178,838	\$ 32,855	\$ 375,792
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at March 31, 2018	\$ 41,524	\$ 122,575	\$ 178,838	\$ 32,855	\$ 375,792
Additions	468	-	-	-	468
Disposals	-	-	-	-	-
Balance at December 31, 2018	<u>\$ 41,992</u>	<u>\$ 122,575</u>	<u>\$ 178,838</u>	<u>\$ 32,855</u>	<u>\$ 376,260</u>
<b>Depreciation and impairment</b>					
Balance at March 31, 2017	\$ 35,049	\$ 98,215	\$ 156,788	\$ 14,783	\$ 304,835
Additions	2,178	6,520	19,968	3,284	31,950
Disposals	-	-	-	-	-
Balance at March 31, 2018	\$ 37,227	\$ 104,735	\$ 176,756	\$ 18,067	\$ 336,785
Additions	1,259	3,540	2,082	2,463	9,344
Disposals	-	-	-	-	-
Balance at December 31, 2018	<u>\$ 38,486</u>	<u>\$ 108,275</u>	<u>\$ 178,838</u>	<u>\$ 20,530</u>	<u>\$ 346,129</u>
<b>Carrying amounts – NBV</b>					
At March 31, 2018	<u>\$ 4,765</u>	<u>\$ 17,840</u>	<u>\$ 2,082</u>	<u>\$ 14,788</u>	<u>\$ 39,475</u>
At December 31, 2018	<u>\$ 3,506</u>	<u>\$ 14,300</u>	<u>\$ -</u>	<u>\$ 12,325</u>	<u>\$ 30,131</u>

## **SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

### **8. TRADE AND OTHER PAYABLES**

The Company's trade and other payables on December 31, 2018 and March 31, 2018 are as follows:

	<b>As at December 31, 2018</b>	<b>As at March 31, 2018</b>
Trade payables	\$ 12,772	\$ 10,270
Management fees accrued (Note 9 (d))	-	110,000
Accrued expenses	11,100	15,000
	<b>\$ 23,872</b>	<b>\$ 135,270</b>

Trade payables are comprised principally of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

### **9. RELATED PARTY TRANSACTIONS**

During the nine months ended December 31, 2018 the following amounts were paid. All comparative amounts are for the nine months ended December 31, 2017.

- (a) Management wages and director fees of \$90,350 (2017 - \$67,250) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.
- (b) Administration fees of \$15,300 (2017 - \$13,950) were paid to Companies controlled by a directors or officers of the Company.
- (c) Consulting and geological fees of \$36,300 (2017 - \$Nil) were paid to Companies controlled by directors or officers of the Company.
- (d) Included in accounts payable and accrued liabilities at December 31, 2018 is \$Nil (2017 - \$Nil) owing to the senior management and directors of the Company for unpaid management fees.
- (e) Pursuant to a settlement agreement, effective June 27, 2016, the Company is obligated to pay its former President & CEO the following amounts bearing no interest:
  - (i) \$110,000 on July 15, 2016 (paid);
  - (ii) \$110,000 on June 27, 2017 (paid);
  - (iii) \$110,000 on June 27, 2018 (paid).

These payment dates are subject to acceleration in the event the Company has raised additional \$3,000,000 equity capital during the twelve months ended June 27, 2017 with immediate payment of all the then remaining settlement amounts due upon the closing of at least \$3,000,000 in additional equity capital. The settlement amount of \$330,000 includes the Bonus payable as at March 31, 2016.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

**9. RELATED PARTY TRANSACTIONS (continued)**

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors.

The Company incurred the following transactions with companies controlled by directors of the Company.

	<b>For the nine months ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Management fees – mineral property costs	\$ 36,300	\$ -
Professional fees - administration	15,300	13,950
Management and administration	90,350	67,250
	<b>\$ 141,950</b>	<b>\$ 81,200</b>

Key management personnel compensation:

	<b>For the nine months ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Management fees	\$ 90,350	\$ 81,200

Key management personnel compensation comprised of:

	<b>For the nine months ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Short term employee benefits	\$ 90,350	\$ 81,200
Share-based payments	16,582	16,125
	<b>\$ 106,932</b>	<b>\$ 97,325</b>

**SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

- (a) Authorized: Unlimited number of common shares without par value.
- (b) Issued and fully paid:

	<b>Number of Shares</b>	<b>Amount</b>
Balance – March 31, 2017	46,976,040	\$ 34,382,068
Issued for cash – non flow through	8,003,333	1,000,500
Less: share issue costs – finder warrants	-	(69,732)
Less: share issue costs – cash	-	(60,503)
Balance – March 31, 2018	54,979,373	\$ 35,252,333
Issued for cash – non flow through	400,000	48,000
Issued for cash – non flow through	2,300,000	230,000
Less: share issue costs – cash	-	(2,890)
Balance – December 31, 2018	57,676,373	\$ 35,527,443

**Transactions during the Nine Months Ended December 31, 2018**

- i) On June 6, 2018, the Company completed a non-brokered private placement comprised of 400,000 units at a purchase price of \$0.12 per unit for gross proceeds of \$48,000. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.15 per share at any time on or before June 6, 2020.
- ii) On July 25, 2018, the Company completed a non-brokered private placement comprised of 2,300,000 units at a purchase price of \$0.10 per unit for gross proceeds of \$230,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.18 per share at any time on or before July 25, 2021.

**Transactions during the Year Ended March 31, 2018**

- i) On October 27, 2017, the Company completed a non-brokered private placement comprised of 1,336,666 units at a purchase price of \$0.15 per unit for gross proceeds of \$200,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.22 per share at any time on or before October 27, 2020. Each warrant is subject to accelerated expiry provisions such that if at any time after the date of Closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of \$0.40 per share for 10 consecutive trading days, the Company may give notice to the holders that each warrant will expire 30 days from the date of providing such notice.

**SURGE COPPER CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

(b) Issued and fully paid (continued)

- ii) On December 5, 2017, the Company completed a non-brokered private placement comprised of 6,666,667 units at a purchase price of \$0.12 per unit for gross proceeds of \$800,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.15 per share at any time on or before December 5, 2020.

The Company paid a finder's fee of \$54,000 cash and issued 450,000 finder warrants with each finder warrant entitling the holder to acquire one additional common share of the Company at an exercise price of \$0.15 per share at any time on or before December 5, 2020.

(c) Share Purchase Warrants:

A continuity schedule of outstanding share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2017	7,323,217	\$0.32
Issued - Unit Offering	1,336,666	\$0.22
Issued - Unit Offering	6,666,667	\$0.15
Expired	(250,000)	\$1.50
Expired	(2,669,884)	\$0.22
Balance, March 31, 2018	12,406,666	\$0.21
Issued – Unit Offering	200,000	\$0.15
Issued – Unit Offering	2,300,000	\$0.18
Balance, December 31, 2018	14,906,666	\$0.21

As at December 31, 2018 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
20,000	\$1.50	January 3, 2019
2,333,333	\$0.22	July 19, 2019
2,050,000	\$0.40	May 14, 2020
200,000	\$0.15	June 6, 2020
1,336,666	\$0.22	October 27, 2020
6,666,667	\$0.15	December 5, 2020
2,300,000	\$0.18	July 25, 2021
<u>14,906,666</u>		



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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

## (d) Agents' warrants

A continuity schedule of outstanding agents' warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2017	42,934	\$0.22
Issued	450,000	\$0.15
Balance, March 31, 2018	492,934	\$0.16
No transactions	-	-
Balance, December 31, 2018	492,934	\$0.16

As at December 31, 2018 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
42,934	\$0.22	July 19, 2019
450,000	\$0.15	December 5, 2020
<u>492,934</u>		

The Black-Scholes model inputs for finder warrants issued during the year ended March 31, 2018 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk- Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
December 5, 2017	December 5, 2020	\$0.20	\$0.15	1.54	3 years	1.279	0

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes for future volatility due to publicly available information.

## (e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise. 'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

**11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

## (f) Stock options:

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant.

The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV).

Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

A summary of the Company's option transactions for the nine months ended December 31, 2018 and for the year ended March 31, 2018 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance, March 31, 2017	4,329,821	\$0.44	3.41
Granted	200,000	\$0.10	
Expired	(150,000)	\$0.83	
Expired	(173,429)	\$1.50	
Expired	(92,950)	\$1.41	
Expired	(393,359)	\$1.20	
Balance, March 31, 2018	3,720,083	\$0.25	3.14
Granted	200,000	\$0.11	
Expired	(127,510)	\$1.30	
Expired	(249,573)	\$1.30	
Balance, December 31, 2018	3,543,000	\$0.13	2.53

The weighted average share price of options exercised, as at the date of exercise, during the nine months ended December 31, 2018 was \$nil.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

(f) Stock options (continued):

As at December 31, 2018 outstanding vested stock options are:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
20,000	\$0.75	July 17, 2019
100,000	\$0.19	July 10, 2020
925,000	\$0.11	March 11, 2021
1,305,000	\$0.155	September 29, 2021
793,000	\$0.12	January 17, 2022
200,000	\$0.10	November 7, 2022
200,000	\$0.11	May 29, 2023
<b>3,543,000</b>		

The Black-Scholes model inputs for options granted during the nine months ended December 31, 2018 included:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Share Price At Grant Date</b>	<b>Exercise Price</b>	<b>Risk-Free Interest Rate</b>	<b>Expected Life</b>	<b>Volatility Factor</b>	<b>Dividend Yield</b>
May 29, 2018	May 29, 2023	\$0.10	\$0.11	1.85	5 years	1.225	0

The Black-Scholes model inputs for options granted during the year ended March 31, 2018 included:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Share Price At Grant Date</b>	<b>Exercise Price</b>	<b>Risk-Free Interest Rate</b>	<b>Expected Life</b>	<b>Volatility Factor</b>	<b>Dividend Yield</b>
November 7, 2017	November 7, 2022	\$0.10	\$0.10	1.40	5 years	1.144	0

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes for future volatility due to publicly available information.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

### **10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

(g) Contributed Surplus:

During the nine months ended December 31, 2018 \$16,582 (Year ended March 31, 2018, \$85,857) was recorded as stock-based compensation related to the granting of 200,000 incentive stock options (Year ended March 31, 2018 – 200,000) and Nil finder's warrants (Year ended March 31, 2018 – 450,000). Of this amount, \$16,582 (Year ended March 31, 2018, \$16,125) has been included as an expense in the consolidated statement of comprehensive loss and \$Nil (Year ended March 31, 2018, \$69,732) has been included in share issue costs on the Consolidated Statement of Financial Position.

A continuity of contributed surplus is as follows:

	<b>For the Nine Months Ended December 31, 2018</b>	<b>For the Year Ended March 31, 2018</b>
Balance, beginning of period	\$ 4,632,518	\$ 4,546,661
Stock-based compensation - expensed	16,582	16,125
Stock-based compensation – share issue costs	-	69,732
Balance, end of period	<u>\$ 4,649,100</u>	<u>\$ 4,632,518</u>

### **11. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK**

All financial instruments are included on the Company's balance sheet and measured at either fair value or amortized cost.

The Company's financial assets consist of cash and cash equivalents and amounts receivable, which are designated as loans and receivables and measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are designated as other financial liabilities and measured at amortized cost.

The carrying values of the Company's financial instruments measured at amortized costs approximate their fair values due to their short-term nature.

The capital of the Company consists of shareholders' equity - \$21,887,519 (March 31, 2018 - \$21,896,308).

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2018 and December 31, 2017

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### **12. SEGMENTED INFORMATION**

During the nine months ended December 31, 2018 and for the year ended March 31, 2018 the Company operated in one reportable operating segment, being the acquisition, exploration and development of mineral properties in British Columbia. Administrative expenses and working capital balances are located in Canada.

### **13. NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

During the year end March 31, 2018:

The Company incurred share issue costs of \$69,732 in relation to an issuance of 450,000 finder's warrants with an exercise price of \$0.15 and a December 5, 2020 expiry.

### **14. COMMITMENTS AND CONTINGENCIES**

Effective with a commencement date of October 1, 2016, the Company is committed to an operating lease on its office premises expiring on September 30, 2021. The Company's lease commitments for the total annual basic lease rate and operating costs are as follows:

2019	48,984
2020	50,347
2021	51,714
2022	26,290

### **15. SUBSEQUENT EVENTS**

- On January 3, 2019, Share purchase warrants entitling the holders thereof to acquire 20,000 common shares at \$1.50 per share expired unexercised.