



Surge Exploration Inc.
(formerly Copper Creek Gold Corp.)

Interim Financial Statements
Quarter 3 – Nine months ended 30 September 2018 and 2017
(Expressed in Canadian dollars)

Surge Exploration Inc. (formerly Copper Creek Gold Corp.)
Interim Statements of Financial Position
30 September 2018 and 2017
(Unaudited)
(Expressed in Canadian dollars)

	Notes	As at 30 September 2018	As at 31 December 2017 (Audited)
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	697,985	1,703,968
Amounts receivable	6	22,195	3,765
Prepaid expenses		3,000	3,000
		723,180	1,710,733
Exploration and evaluation properties	7	564,159	42,200
Total assets		1,287,339	1,752,933
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	8	156,356	227,534
Due to related parties	9	-	198,214
		156,356	425,748
Equity			
Share capital	10	16,235,592	15,199,776
Contributed surplus	10	1,478,876	1,246,683
Deficit		(16,583,484)	(15,119,274)
Total equity		1,130,983	1,327,185
Total equity and liabilities		1,287,339	1,752,933

Nature of operations and going concern (Note 1), **Commitments and contingencies** (Note 16) and **Subsequent events** (Note 17)

APPROVED BY THE BOARD:

“Tim Fernback”

Tim Fernback

“Gordon Jung”

Gordon Jung

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

Surge Exploration Inc. (formerly Copper Creek Gold Corp.)
Interim Statements of Loss and Comprehensive Loss
For the nine months ended 30 September 2018 and 2017
(Unaudited)
(Expressed in Canadian dollars)

	Notes	Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
		\$	\$	\$	\$
Administration expenses					
Accounting		3,592	28,744	13,586	59,417
Amortization		-	-	-	156
Consulting	9	116,774	12,326	305,612	15,226
Insurance		1,400	-	10,400	-
Legal		8,992	-	29,431	-
Management fees		-	15,000	-	46,000
Marketing and communications		336,948	-	582,379	-
Office expenses	9	10,091	1,597	30,295	3,148
Rent	9	7,722	6,142	27,225	20,077
Service charges		523	-	1,369	-
Share-based payments	10	394,983	-	394,983	-
Telephone		-	379	-	745
Transfer agent and regulatory fees		15,407	9,701	93,679	18,545
Travel, lodging and food		18,323	7,565	44,919	12,686
Loss before other items		(914,755)	(81,454)	(1,533,878)	(175,700)
Other income (expense)					
Due diligence costs		-	-	-	(13,461)
Foreign exchange gain (loss)		-	(12)	(3,064)	67
Gain on write-off of accounts payable		-	-	72,732	46,201
Impairment of marketable securities		-	-	-	(1)
Interest income		-	-	-	11
Write-off of equipment		-	-	-	(2,345)
Net loss and comprehensive loss for the period		(914,755)	(81,466)	(1,464,210)	(145,228)
Loss per share					
Basic and diluted	10	(0.013)	(0.006)	(0.022)	(0.011)

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

Surge Exploration Inc. (formerly Copper Creek Gold Corp.)
Interim Statements of Cash Flows
For the nine months ended 30 September 2018 and 2017
(Unaudited)
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	Notes	Nine months ended 30 September 2018	Nine months ended 30 September 2017
		\$	\$
OPERATING ACTIVITIES			
Loss for the period		(1,464,210)	(145,228)
Adjustment for:			
Amortization of property and equipment		-	156
Gain on write-off of accounts payable		72,732	(46,201)
Impairment of marketable securities		-	1
Share-based payments		394,983	-
Shares issued for mineral properties		180,000	-
Shares issued for debt settlement		138,021	-
Write-off of equipment		-	2,345
Write-off of marketable securities		-	-
Changes in operating working capital:			
Decrease (increase) in amounts receivable		(148,430)	(4,296)
Decrease (increase) in prepaid expenses		-	(3,000)
Increase (decrease) in trade and other payables		(71,179)	21,081
Increase (decrease) in due to related parties		(294,440)	92,961
Cash used in operating activities		(1,062,522)	(82,181)
INVESTING ACTIVITIES			
Exploration and evaluation properties expenditures	7	(521,959)	-
Cash from in investing activities		(521,959)	-
FINANCING ACTIVITIES			
Proceeds from issuance of common shares, net		502,500	-
Proceeds from exercise of warrants		20,000	-
Proceeds from exercise of options		56,000	-
Cash from financing activities		587,500	-
Increase (decrease) in cash and cash equivalents		(1,005,981)	(82,181)
Cash and cash equivalents, beginning of period		1,703,968	82,519
Cash and cash equivalents, end of period		697,985	338

Supplemental cash flow information (Note 11)

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

Surge Exploration Inc. (formerly Copper Creek Gold Corp.)
Interim Statements of Changes in Equity (Deficiency)
For the nine months ended 30 September 2018 and 2017
(Unaudited)
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	Number of common shares	Common shares	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balances, 31 December 2016	13,391,084	13,434,776	1,193,691	(14,810,633)	(182,166)
Shares issued for					
Exercise of options	-	-	-	-	-
Share issue costs	-	-	-	-	-
Net loss for the period	-	-	-	(41,151)	(41,151)
Balances, 30 September 2017	13,391,084	13,434,776	1,193,691	(14,851,784)	(223,317)
Shares issued for					
Cash	43,750,000	1,750,000	-	-	1,750,000
Finder's fees	4,375,000	175,000	-	-	175,000
Mineral properties	200,000	15,000	-	-	15,000
Share-based payments	-	-	52,992	-	52,992
Share issue costs	-	(175,000)	-	-	(175,000)
Loss on issuance of units	-	-	-	-	-
Net loss for the period	-	-	-	(267,490)	(267,490)
Balances, 31 December 2017	61,716,084	15,199,776	1,246,683	(15,119,274)	1,327,185
Shares issued for					
Cash	5,500,000	550,000	-	-	550,000
Exercise of options	800,000	56,000	(23,499)	-	32,501
Exercise of warrants	375,000	20,000	-	-	20,000
Shares for debt	3,450,548	138,021	-	-	138,021
Shares issued for mineral properties	1,000,000	180,000	-	-	180,000
Share issue costs	-	(47,500)	-	-	(47,500)
Share-based payments	-	-	394,983	-	394,983
Value assigned to warrants	-	139,295	(139,295)	-	-
Net loss for the period	-	-	-	(1,464,210)	(1,464,210)
Balances, 30 September 2018	72,841,632	16,235,592	1,478,876	(16,583,484)	1,130,983

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

Surge Exploration Inc. (formerly Copper Creek Gold Corp.)
Notes to the Interim Financial Statements
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1. NATURE OF OPERATIONS AND GOING CONCERN

Surge Exploration Inc. (formerly Copper Creek Gold Corp.), (the “Company or Surge Exploration”) was incorporated under the Company Act (British Columbia) on 19 June 1987 and continued to the jurisdiction of the Canada Business Corporation Act on 13 August 1997. The Company trades on the TSX Venture Exchange under symbol SUR. The Company is engaged in acquisition and exploration of resource property interests.

The head office and principal address is located at Suite 1220, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

On 1 May 2018, the Company changed its name to Surge Exploration Inc. and split its share capital on a two (2) new common share without par value for every one (1) existing common share without par value. The Company’s number of outstanding options and warrants and the accompanying exercise prices were on the same basis. Unless otherwise stated, the number of shares, options, warrants and the exercise prices of options and warrants presented in these consolidated financial statements have been adjusted to include the effect of this share split.

1.1 Going concern

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

At 30 September 2018, The Company had cash and cash equivalents of \$697,985 (31 December 2017: \$1,703,968) and incurred accumulated losses of \$16,583,484 (31 December 2017: \$15,119,275) since inception but management cannot provide assurance that the Company will ultimately achieve profitable operations, or raise additional debt and/or equity capital.

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production from or proceeds from the disposition of its mineral property interests. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

The recoverability of carrying amounts for mineral property interests and related deferred exploration and development costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying resource properties, the ability of the Company to obtain necessary financing to complete exploration and development, and achievement of future profitable production or proceeds from disposition.

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2. BASIS OF PREPARATION

2.1 Basis of consolidation

These interim consolidated financial statements include the financial statements of the Company and its subsidiary as follows:

Name of Subsidiary	Principal Activity	Place of Incorporation and Operation	Portion of Ownership Interest and Voting Power Held	
			30 September 2018	31 December 2017
Minera Arroyo Cobra	Mineral Property Exploration	Mexico	98%*	98%*

*Two former officers of the Company owns 1% each of Minera Arroyo Cobra

As of 31 December 2016, the Company's Mexican subsidiary was inactive.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is obtained to the date control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

2.2 Basis of presentation

These interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value (Note 13).

These interim consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, except where otherwise indicated and all values are rounded to the nearest dollar.

2.3 Statement of compliance

These interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, '*Interim Financial Reporting*' using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policy

The IASB issued a number of new and revised IASs, IFRSs, amendments and related IFRIC interpretations which are effective for the Company's financial year beginning on 1 January 2017. For the purpose of preparing and presenting these interim consolidated financial statements, the

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Company has consistently adopted all these new standards for the period ended 30 September 2018.

IAS 7 Statement of Cash Flows

The amendments, published on 29 January 2016, are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The effective date for IAS 7 is for annual periods beginning on or after 1 January 2017, with earlier application being permitted.

IAS 12 Income Taxes

The amendments are intended to clarify criteria used to assess whether future taxable profits can be utilized against deductible temporary differences. The effective date for IAS 12 is for annual periods beginning on or after 1 January 2017.

The adoption of these standards did not have a material impact on the Company's consolidated financial statements.

3.2 Foreign currency transactions

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect on that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

3.3 Restricted cash

The Company, from time to time, issues flow-through shares and renounces qualified exploration expenditures to the purchasers of such shares. Amounts renounced but not yet expended form the basis for the restricted cash.

3.4 Revenue recognition

The Company recognizes revenue in accordance with IAS 18 Revenue. Revenue is recognized when it is probable that any future economic benefit associated with the item of revenue will flow to the Company, and the amount of revenue can be measured with reliability.

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3.5 Exploration and evaluation properties

Following the acquisition of a legal right to explore a mineral property, all direct costs related to the acquisition of the property are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. Once commercial production has commenced, the net costs of the applicable property, will be charged to operations using the unit-of-production method based on reserves. Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

- i) The Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
- iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, the carrying value will be written-down to net recoverable amount. When the carrying value of the property exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use, the asset is written down accordingly. As a result, the direct costs related to the acquisition of mineral property interests in excess of estimated recoveries are written off to impairment of exploration and evaluation properties in the statement of comprehensive loss.

The Company may occasionally enter into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as a gain on disposal.

3.6 Impairment of long-lived assets

The recoverability of long-lived assets is assessed when an event occurs that indicates impairment. Recoverability is based on factors such as future asset utilization and the future discounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time, the carrying amount is written down to the recoverable amount, which equals the higher of fair value less costs to sell and value in use. Impairment losses are recognized in profit or loss.

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An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's 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, if no impairment loss had been recognized.

3.7 Property and equipment

Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Any corresponding liabilities are recorded as provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not amortized.

When major components of an item of equipment have different useful lives, they are accounted for as separate items of equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Major maintenance and repairs

Maintenance and repair costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses

Gains and losses on disposal of property or equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized on a net basis within other income in profit or loss.

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Amortization

Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Furniture and equipment	20%	declining balance method
Computer hardware	30%	declining balance method

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.8 Financial instruments

Financial assets

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as at fair value through profit or loss, available for sale, held to maturity, loans and receivables, or financial liabilities measured at amortized cost. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of financial instruments at initial recognition. Transactions to purchase or sell financial assets are recorded on the settlement date.

Fair value through profit or loss

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by Management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred. Cash and cash equivalents and marketable securities are included in this category of financial assets.

Loans and receivables

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Amounts receivable are classified as loans and receivables.

Impairment of financial assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

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Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables and due to related parties are included in this category of financial liabilities.

Derecognition of financial instruments

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or when the Company transfers the rights to receive the cash flows from the assets in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes financial liabilities when its contractual obligations

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are discharged or cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.9 Decommissioning, restoration and similar liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

3.10 Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3.11 Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares, share warrants and options are classified as equity instruments.

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Incremental costs directly attributable to the issue of new common shares or options are shown in equity as a deduction, net of tax, from proceeds.

3.12 Flow-through shares

The Company, from time to time, issues 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 bifurcates the flow-through shares into i) a flow-through 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. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium reversal is recognized as a reduction in the deferred tax expense and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through common shares are restricted to be used only for qualifying Canadian resource property exploration expenditures, within the prescribed period. The portion of proceeds received but not yet expended at the end of the period is disclosed separately within restricted cash.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada income tax regulations. When applicable, this tax is accrued as a financial expense until paid.

3.13 Loss per share

Basic loss per common share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

3.14 Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

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Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the common shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3.15 Standards, amendments and interpretations issued but not yet effective

At the date of authorization of these interim consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been early adopted by the Company.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. The Company is evaluating the impact of these standards. Certain other new standards, amendments, and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 2 Share-based payment

IFRS 2, Share-based payment, issued in June 2016, is amended to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a "net settlement" for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date for IFRS 2 is for annual periods beginning on or after 1 January 2018.

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IFRS 7 Financial Instruments: Disclosures

IFRS 7 clarifies the definition for continuing involvement in a transferred financial asset. The amendments are effective for annual periods beginning on or after 1 January 2018.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is 1 January 2018.

IAS 28 Investments in associates and joint ventures

This is an amendment to sale or contribution of assets between an investor and its associate or joint venture. The effective date for IAS 28 is for annual periods beginning on or after a date to be determined by IASB. Earlier application is permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This interpretation clarifies when an entity recognizes a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The effective date for IFRIC 22 is for annual periods beginning on or after 1 January 2018.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is an interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after 1 January 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and

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other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the point at which a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized into development assets. The determination may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the year when new information becomes available.

Determining whether to test for impairment of mineral exploration properties and deferred exploration assets requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next reporting period.

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Impairment of financial assets

At each reporting date the Company assesses financial assets not carried at fair value through profit or loss to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events occurred during the period that negatively affected the estimated future cash flows of the financial asset.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or the disappearance of an active market for a security. If the Company determines that a financial asset is impaired, judgment is required in assessing the available information in regards to the amount of impairment; however the final outcome may be materially different than the amount recorded as a financial asset.

5. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are denominated in the following currencies:

	30 September 2018	31 December 2017
	\$	\$
Denominated in Canadian dollars	525,712	1,703,903
Denominated in U.S. dollars	172,273	65
Total cash and cash equivalents	697,985	1,703,968

6. AMOUNTS RECEIVABLE

The Company qualifies for the Goods and Sales Tax (GST) input tax credits in the amount of \$17,195 (31 December 2017: \$3,765), which may change pursuant to an audit by the taxation authorities.

Included in amounts receivable of the Company are amounts due from vendors which are deposits in relation to the exploration and evaluation properties.

7. EXPLORATION AND EVALUATION PROPERTIES

Title to exploration and evaluation properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing and historical characteristics of many exploration and evaluation properties. The Company has investigated title to all of its exploration and evaluation properties and, to the best of its knowledge, titles to all of its properties are in good standing.

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Exploration and evaluation properties includes the following amounts for the period ended 30 September 2018:

	Eastfield Resources	Glencore Bucke	Teledyne Cobalt	Total
	\$	\$		\$
ACQUISITION COSTS				
Balance, 1 January 2018	35,000	-	-	35,000
Additions	11,500	231,000	231,000	473,500
Balance, 30 September 2018	46,500	231,000	231,000	508,500
EXPLORATION AND EVALUATION COSTS				
Balance, 1 January 2018	7,200	-	-	7,200
Consulting	28,565	3,400	1,575	33,540
Field expenses	8,877	155	5,888	14,920
Balance, 30 September 2018	44,642	3,555	7,463	55,660
Total costs	91,141	234,555	238,463	564,159

Exploration and evaluation properties includes the following amounts for the year ended 31 December 2017:

	Hedge Hog Property	Bakken Oil and Gas Leases	Total
	\$	\$	\$
ACQUISITION COSTS			
Balance, 1 January 2017	-	1	1
Additions	35,000	-	35,000
Balance, 31 December 2017	35,000	1	35,001
EXPLORATION AND EVALUATION COSTS			
Balance, 1 January 2017	-	-	-
Consulting	7,200	-	7,200
Balance, 31 December 2017	7,200	-	7,200
Total costs	42,200	-	42,200

Hedge Hog Property, Eastfield, Quesnel BC:

On 14 November 2017, the Company has entered into a property option agreement to acquire the right to earn an undivided sixty percent (60%) interest in certain mineral claims located approximately 80 km northeast of the town of Quesnel, BC and 20 km north of the historic gold mining towns of Wells and Barkerville. Finder's fees of 200,000 common shares valued at \$15,000 were paid in connection with this agreement (Notes 10 and 12).

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In order to earn the 60% interest in the mineral claims, the Company is required to make payments, issue shares and incur expenditures as follows (Note 16):

	Cash Payment	Value of Share issuances	Expenditures
	\$	\$	\$
Upon signing (paid)	20,000	-	-
On 14 November 2018	20,000	-	100,000
On 14 November 2019	30,000	-	300,000
On 14 November 2020	55,000	-	500,000
On 14 November 2021	100,000	100,000	600,000
On 14 November 2022	125,000	200,000	1,000,000
	\$350,000	\$300,000	\$2,500,000

Glencore Bucke & Teledyne Cobalt Project:

On 7 May 2018, the Company entered into a property option agreement with LiCo Energy Metals Inc. to acquire, the right to earn an undivided and up to 60% interest in to the Glencore Bucke Property and Teledyne Cobalt Properties located in Bucke and Lorrain Townships, 6 km east-northeast of Cobalt, Ontario. The option agreement is “non-arms length” and is a related party transaction due to an officer in common between LiCo and the Company.

In order to earn the 60% interest in the mineral claims, the Company is required to issue shares and make payments as follows:

	Cash Payment	Share issuances	Expenditures
	\$		\$
Upon Exchange Approval (paid and issued)	240,000	1,000,000	-
On or before two years anniversary	-	-	1,536,000
	240,000	1,000,000	1,536,000

Bakken Oil & Gas Leases in Canada and Certain Working Interest in the USA

On 20 July 2009, the Company acquired a 1% Gross Overriding Royalty to approximately 1100 acres (445 hectares consisting of 8 leases) in the Province of Saskatchewan, Canada and a 17.5% working interest in two producing gas wells: Bennet 1 and Bennet 2, located in Lavaca County, State of Texas, USA.; for \$10 and other considerations payable to the vendor, Lions Petroleum Inc. The property was written down on 31 December 2017.

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8. TRADE AND OTHER PAYABLES

The Company's trade payables and accrued liabilities are principally comprised of amounts for administrative activities. These are broken down as follows:

	30 September 2018	31 December 2017
Trade payables	\$ 97,382	\$ 173,937
Accrued liabilities	58,974	53,598
Total trade and other payables	156,356	227,535

During the period ended 30 September 2018, the Company issued 3,450,548 shares and 2,413,914 share purchase warrant at a deemed value of \$0.04 per share to settle outstanding debt of \$138,021 to certain creditors.

9. RELATED PARTY TRANSACTIONS

For the period ended 30 September 2018, the Company had transactions with the following companies related by way of directors, officers or shareholders in common:

- TCF Ventures Corp., a company controlled by a director of the Company.
- Agadez Investments Inc., a company controlled by a director of the Company.

9.1 Key management personnel compensation

The remuneration of directors and other members of key management for the periods ended 30 September 2018 and 2017 as follows:

30 September	2018	2017
	\$	\$
Short-term benefits – consulting and management fees	136,500	71,000
Total related party expenses	136,500	71,000

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9.2 Related party transactions are summarized as follows:

Related party transactions are summarized as follows:

30 September	2018	2017
	\$	\$
Consulting fees to Chief Executive Officer (former)	-	46,000
Consulting fees to Chief Financial Officer (former)	-	25,000
Consulting fees to Chief Executive Officer (Director)	36,000	-
Consulting fees to Chief Financial Officer (“CFO”)	21,000	-
Consulting fees to the Corporate Secretary	36,000	-
Total related party expenses	93,000	71,000

9.3 Due from/to related parties:

The assets and liabilities of the Company include the following amounts due to related parties:

	30 September 2018	31 December 2017
	\$	\$
CEO (former)	-	62,696
CFO (former)	-	26,250
Total amount due to related parties (Note 6)	-	88,946

These amounts are unsecured, interest-free and payable on demand.

10. SHARE CAPITAL

10.1 Authorized share capital

The Company has an authorized share capital of an unlimited number of common shares with no par value.

As at 30 September 2018, the Company had 72,841,632 common shares issued and outstanding (31 December 2017: 61,716,084).

On 1 May 2018, the Company split its share capital on a two (2) new common share without par value for every one (1) existing common share without par value. The Company’s number of outstanding options and warrants and the accompanying exercise prices were on the same basis. Unless otherwise stated, the number of shares, options, warrants and the exercise prices of options and warrants presented in these consolidated financial statements have been adjusted to include the effect of this share split.

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10.2 Share issuance

a) Private Placements

- On 19 July 2018, the Company issued 4,500,000 units at \$0.10 per unit for cash proceeds of \$450,000. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share at \$0.15 per share during the two years following the date of closing. Additionally, the Company has issued 1,000,000 flow-through units at a price of \$0.10 per FT unit for gross proceeds of \$100,000. Each FT Unit consists of one FT share and one share purchase warrant entitling the holder to purchase an additional share at a price of \$0.15 per share during the two years following the date of closing. The Company paid cash finders fees of \$47,500 to qualified arm's length finders.
- On 22 December 2017, the Company issued 43,750,000 units at \$0.04 per unit for cash proceeds of \$1,750,000. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share at \$0.16 per share during the two years following the date of closing. The Company paid finder's fees of 4,375,000 common shares and 2,187,500 share purchase warrants (Note 14). The Company recorded a loss of \$1,684,375 related to this issuance.

b) Exploration and Evaluation Property Acquisition

- On 11 June 2018, the Company issued 1,000,000 common shares valued at \$180,000 pursuant to the mineral property option agreement. (Notes 7 and 12).
- On 27 December 2017, the Company issued 200,000 common shares valued at \$15,000 for finder's fees in relation to the Eastfield Property (Notes 7 and 12).

c) Exercise of Options

- During the period ended 30 September 2018, the Company issued 800,000 common shares related to the exercise of 800,000 options at exercise price of \$0.04 and \$0.07 per share.

d) Exercise of Warrants

- During the period ended 30 September 2018, the Company issued 375,000 common shares related to the exercise of 375,000 warrants at exercise price of \$0.04 and \$0.08 per share.

e) Shares issued in settlement of debts

- During the period ended 30 September 2018, the Company issued 3,450,548 common shares valued at \$138,021 pursuant to the settlement accounts payable.

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10.3 Stock Option

The Company's incentive stock option plan allows for the grant of stock options to employees, consultants, officers and directors providing the number of shares that may be purchased under the option plan and all previously granted options, does not exceed 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares (subject to a minimum of \$0.05) and the maximum term of the options is ten years.

The following is a summary of the changes in the Company's stock option activities for the period ended 30 September 2018 and year ended 31 December 2017:

	30 September 2018		31 December 2017	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of period	1,530,000	\$ 0.04	-	\$ -
Granted	5,000,000	0.06	1,530,000	0.04
Exercised	(800,000)	0.04	-	-
Expired / Cancelled	(200,000)	0.07	-	-
Outstanding, end of period	5,530,000	0.05	1,530,000	0.04

The following table summarizes information regarding stock options outstanding and exercisable as at 30 September 2018:

Exercise price	Number of options outstanding	Number of options exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price
Options				
\$0.04 - \$0.07	5,230,000	5,230,000	4.25	0.06
\$0.16	300,000	300,000	4.55	0.16
Total	5,530,000	5,530,000	4.75	

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The weighted average fair value of the options granted during the period ended 30 September 2018 was estimated at \$394,983 per option (2017: \$Nil) at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	30 September 2018	31 December 2017
Risk free interest rate	0.54%	0.54%
Expected life	5 years	5 years
Expected volatility	228.79%	228.79%
Expected dividend per share	-	-

10.4 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the period ended 30 September 2018 and year ended 31 December 2017:

	30 September 2017		31 December 2017	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning of period	47,352,300	\$ 0.16	5,978,400	0.25
Granted	7,913,914	0.15	45,937,500	0.04
Exercised	(375,000)	0.07	-	-
Expired	(1,414,800)	0.50	(4,563,600)	0.25
Forfeited	-	-	-	-
Outstanding, end of period	53,476,414	0.15	47,352,300	0.05

During the previous year ended 31 December 2017, in conjunction with the private placements, the Company issued a total of 45,937,500 share purchase warrants.

The following table summarizes information regarding share purchase warrants outstanding and exercisable as at 30 September 2018:

Exercise price	Number of warrants outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price
Share purchase warrants			
\$0.08	47,976,414	1.25	\$0.08
\$0.15	5,500,000	1.98	\$0.15
Total	53,476,414	1.73	\$0.15

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11. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Net loss for the period	\$ (914,755)	\$ (81,466)	\$ (1,464,210)	\$ (145,228)
Weighted average number of shares – basic and diluted	78,770,971	13,391,084	67,463,518	13,391,084
Loss per share, basic and diluted	\$ (0.013)	\$ (0.006)	\$ (0.022)	\$ (0.011)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants were anti-dilutive for the periods ended 30 September 2018 and 2017.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The Company made the following cash payments for interest and income taxes:

Period ended 30 September	2018 \$	2017 \$
Interest paid	-	-
Taxes paid	-	-
Total cash payments	-	-

13. FINANCIAL INSTRUMENTS

13.1 Categories of financial instruments

	30 September 2018	31 December 2017
FINANCIAL ASSETS	\$	\$
FVTPL, at fair value		
Cash and cash equivalents	697,985	1,703,968
Total financial assets	697,985	1,703,968
Other liabilities, at amortized cost		
Trade payables	156,356	227,535
Due to related parties	-	198,214
Total financial liabilities	156,356	425,749

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The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

13.2 General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

13.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of two types of risk: interest rate risk and equity price risk.

13.4 Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions.

13.5 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company's credit risk is also attributable to its receivables. The amounts disclosed in the statement of financial position are net of

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allowances for bad debts, estimated by the Company's management based on prior experience their assessment of the current economic environment and the financial condition of the Company's debtors.

13.6 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by maintaining adequate cash and restricted cash balances. The Company continuously monitors both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities.

As at 30 September 2018, the Company had a cash balance of \$697,985 (31 December 2017: \$1,703,968) and gross receivables of \$22,195 (31 December 2017: \$3,765) to settle current liabilities due in twelve months or less of \$156,356 (31 December 2017: \$425,749) and carry out its planned exploration program in the coming year. Management seeks additional financing through the issuance of equity instruments and/or liquidation of its marketable securities, either partial or in full, to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

13.7 Currency Risk

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

13.8 Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, receivables, marketable securities, accounts payable and accrued liabilities approximate fair value due to their short-term nature and the fair value of long-term receivable is approximated by applying the effective interest method. Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

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14. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to maintain an appropriate capital base in order to:

1. advance the Company's corporate strategies to create long-term value for its stakeholders;
2. sustain the Company's operations and growth throughout metals and materials cycles; and
3. ensure compliance with the covenants of any applicable credit facility and other financing facilities used from time to time.

The Company monitors its capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term strategic objectives. Management primarily funds the Company's exploration by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. Management closely watches its cash balance. The balance of cash as at 30 September 2018 was \$697,985 (31 December 2017: \$1,703,968). The Company does not currently have significant debt outstanding and there are presently no formal capital requirements with which the Company has not complied.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period ended 30 September 2018.

15. SEGMENTED INFORMATION

The Company operates in a single industry segment being the mining business in Canada. All mineral properties are situated in Canada.

16. COMMITMENTS AND CONTINGENCIES

- a) The Company has the following commitments relating to its operating lease:

	< 1 year	2-5 years	> 5 years	Total
	\$	\$	\$	\$
Rent	38,994	19,497	-	58,491

- b) The Company has indemnified the subscribers of flow-through common shares of the Company issued in prior years against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.
- c) The Company's exploration activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the government. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are

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materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

- d) The Company has certain commitments to make payments or issue common shares related to various exploration and evaluation property agreements (Note 7).
- e) As at 30 September 2018, the Company owns various exploration and evaluation properties (Note 7). Management does not consider that any amounts related to decommissioning liabilities are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these obligations in the future.
- f) On 11 April 2018, the Company amended its previously announced shares for debt transaction to decrease the number of shares issued from 4,379,176 to 3,450,548 shares valued at \$175,167 and \$138,021 respectively. The decrease in the shares issued is as a result of the Company's failure to reach a final agreement with the Company's former Chief Financial Officer and his privately controlled company with respect to the settlement of outstanding alleged debts of \$56,395.00 owing to him and his company. It's management's position that the former CFO is not entitled to any additional shares of the Company. There is no certainty that the Company will not pay more or less than the liability of \$56,395 as reported at 30 September 2018.
- g) The assessment of contingencies is a highly subjective process that requires judgement regarding future events. Insurance contingencies are reviewed at least annually to determine the adequacy of the accruals and whether related financial statement disclosure is required. The ultimate settlement of insurance contingencies may differ materially from amounts accrued in the financial statements.
- h) On 24 July 2018, the Company entered into a non-binding Memorandum of Understanding ("MOU") with Compañía Minera del Pacífico S.A. ("CAP Minería") for an option to acquire up to 100% of the Atacama Cobalto Project in the prolific Atacama Region in Northern Chile.

Compañía Minera del Pacífico S.A. owns and operates several iron ore mines such as Los Colorados and Cerro Negro Norte and is a controlled subsidiary of CAP S.A. (<http://www.cap.cl>) a Chilean company founded in 1946. CAP S.A. is publicly traded on the Santiago Stock Exchange (SSE: CAP) with a market capitalization in excess of US\$1.65 billion. CAP S.A.'s principal operations include steel making and steel processing plants, iron ore mines, marine ports, desalination plants, and power transmission lines. In 2017, CAP S.A. reported revenues in excess of US\$1.9 billion and employed over 4,000 people, and CAP Minería reported profits in excess of US\$200 million and employs over 2,000 people in its operations.

Transaction Terms:

Subject to completion of a comprehensive due diligence process by Surge, the Company and CAP Minería intend to enter into a Definitive Option Agreement, subject to TSX Venture Exchange approval. The Definitive Option Agreement will contain three distinct (3) phases ("Phase 1", "Phase 2", and "Phase 3").

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As part of the First Phase, the Company may choose to acquire 51% of the mining concessions with consideration in the amount of US\$3,000,000 and 1,000,000 common shares of Surge Exploration Inc., in addition to certain work commitments on the property. Once Surge fulfills Phase 1, a mining legal partnership will be created between Surge and CAP Minería (the “Newco”), in which the parties will participate with 51% equity in the case of Surge, and 49% equity in the case of CAP Minería. Within two (2) years of completing Phase 1, the Company may elect to pursue Phase 2, whereby Surge can to acquire an additional 9%, for a total of 60%, of the Newco upon completion of a positive Preliminary Economic Assessment (the “PEA”). Within two (2) years of completing Phase 2, the Company may elect to pursue Phase 3, whereby Surge can acquire an additional 10%, for a total of 70%, of Surge can earn up to 100% of the mining concessions by contributing in excess of its 70% obligation to the Newco, thereby diluting CAP Minería’s interest in Newco. In the event that CAP Minería’s interest is diluted below 10%, CAP Minería share will automatically convert to a 2% Net Smelter Return (“NSR”). Throughout the term of the agreement, CAP Minería shall maintain the right to convert its ownership percentage in exchange for a 2% NSR at any time. In either case, upon CAP Minería’s conversion to NSR, Surge shall achieve 100% ownership of the Newco, and therefore, 100% ownership in the Atacama Cobalto Project.

This Transaction is subject to applicable finder’s fees and is subject to TSX Venture Exchange approval. As per the terms of the non-binding MOU, a binding Definitive Option Agreement will be negotiated within the next 90 days by both parties, and is subject to the terms contained within the MOU.

17. SUBSEQUENT EVENTS

As at 30 September 2018, the Company has the following events after the reporting period:

On 31 October 2018, the Company is announced that it’s wholly owned subsidiary, Surge Exploration Chile SpA has entered into a non-binding Memorandum of Understanding (the “MOU”) with Mr. Miguel Angel Pérez Vargas (“MAPV”) for an option to acquire up to 100% of the Incahuasi Lithium Project in the prolific Antofagasta mining region in Northern Chile. The Incahuasi Lithium Project comprises 10 exploration concessions totalling 2,300 hectares, and the Incahuasi Salar is located on the Chile/Argentina national border approximately 75 km / 46 mi southeast from the famed Atacama Salar in Chile. The Atacama Salar is well-known to be the world’s largest and actively mined source of lithium with over 15% of the global supply of lithium contained within its boundaries.

The MOU, when superseded by a definitive option agreement (the “Agreement”), will require Surge to make certain cash and common share payments totaling USD\$2.22 million and making certain work and development commitments during the term of the option agreement.

The Incahuasi Lithium Project exhibits many highly desirable and key acquisition attributes, including:

1. the appearance of both a low-cost resource definition opportunity and a near term production opportunity;
2. the overall project size fits well within the capability of a junior mineral exploration company seeking to quickly define reserves and establish production facilities;

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3. the property is well situated within the Incahuasi Salar with nearby highway and paved road access;
4. within the Incahuasi Salar lithium brines appear to exist near the surface resulting in potential lower costs of exploration and extraction; and
5. the proposed Incahuasi lithium exploration concessions lie beside existing lithium exploration operations in Argentina that are held by other publicly traded mining companies.

The Company intends to undertake a preliminary resource definition program upon receipt of the National Instrument 43-101 report, which is expected to be completed in 2019.

“We are excited about the opportunity to earn a significant interest in a lithium concession located in the Lithium Triangle, the world’s most prolific lithium producing region with over 70% of the world’s lithium reserves. We look forward to develop this concession, for the benefit of all our shareholders.” stated Tim Fernback, Surge Exploration’s President & CEO.

Structure of the MOU and subsequent Agreement:

The proposed transaction to acquire 100% of the mining rights associate with the Incahuasi Lithium Project shall be effected by payment of the amounts described below:

- (a) a non-refundable payment of US\$10,000 in cash by the Company to be paid to MAPV within fifteen business days of signing the MOU. This payment guarantees a six-month period of exclusivity for Surge Exploration to conduct its due diligence and for the negotiation and signing of Definitive Option agreement.
- (b) Upon approval of the Option Agreement and Transaction by the TSX Venture Exchange, the Company shall pay the sum of US\$50,000 in cash immediately (this date is referred to as the “Effective Date”);
- (c) the Company shall pay the sum of US\$150,000 in cash to MAPV no later than twelve (12) months from the Effective Date;
- (d) the Company shall pay the sum of US\$200,000 in cash to MAPV no later than twenty-four (24) months from the Effective Date;
- (e) the Company shall pay the sum of US\$250,000 in cash to MAPV no later than thirty-six (36) months from the Effective Date;
- (f) the Company shall pay the sum of US\$1,540,000 in cash and or common shares to MAPV no later than forty-eight (48) months from the Effective Date. This sum will be paid as follows: i) USD\$1,000,000 will be paid in cash and, at the sole discretion of Surge ii) USD\$540,000 in cash or equivalent common shares of Surge Exploration Inc.); and
- (g) the Company shall have the exclusive right to accelerate all payments due under this Option Agreement.

Once Surge Exploration has completed the foregoing conditions, the Company must also have completed the following work commitment in order to exercise the option and acquire 100% interest in the Incahuasi Lithium Project.

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Work Commitments:

Surge Exploration shall be required to complete the following under its "Work Commitment" obligations with the exploration phase starting immediately after the conclusion of the Option Agreement, with the assurance that Surge Exploration produces a geophysical survey and at least one drill hole completed within 24 months from the Effective Date (the "Exploration Program").

Net Smelter Return ("NSR") Royalties:

Once Surge Exploration completes all the prerequisites of the Agreement, and therefore owns the rights to the lithium mineral claims, MAPV shall receive a 2% NSR in the Incahuasi Lithium Project. Surge Exploration would retain the right to repurchase 50% of the NSR to MAPV at a price of USD\$3,500,000.

The transaction will be subject to TSX-Venture approval. Finders fees are payable in connection with the sourcing and negotiation of the potential acquisition of the Incahuasi Lithium Project.

On 10 October 2018, the Company and Eastfield Resources Ltd. amended the 14 November 2017 Hedgehog Option Agreement as follows:

The first year anniversary date (14 November 2018) cited to satisfy the first year work commitment and to make further \$20,000 option payment to continue with the Agreement will be deferred until the later of 14 November 2018 or seven days after results of the soils and rocks currently in the laboratory have been received and copied to Surge Exploration. If at that time Surge Exploration wishes to continue with the Agreement it must make the first anniversary option payment (\$20,000) within five days.

18. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of the Company for the period ended 30 September 2018 were approved and authorized for issue by the Board of Directors on 20 November 2018.