GREAT BEAR RESOURCES LTD.

Consolidated Financial Statements

For the Year Ended December 31, 2017

(Expressed in Canadian Dollars)

GREAT BEAR RESOURCES LTD.

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December 31, 2017

Cinnamon Jang Willoughby
Chartered Professional Accountants
A Partnership of Incorporated Professionals

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Great Bear Resources Ltd.:

We have audited the accompanying consolidated financial statements of Great Bear Resources Ltd., which comprise of the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great Bear Resources Ltd. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw your attention to Note 2 to the consolidated financial statements which indicates that the continuation of the Company's operations is dependent on the ability to receive continued financial support or generate profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Cinnamon Jang Willoughby

Chartered Professional Accountants

Burnaby, BC
April 30, 2018

GREAT BEAR RESOURCES LTD.
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash	**$ 931,548**	$ 765,976
Investments in equity instruments (note 4)	**243,634**	8,958
Receivables (note 5)	**25,698**	26,561
Prepaid expenses	**72,180**	81,698
Total current assets	**1,273,060**	883,193
Exploration and evaluation assets (note 6)	**1,405,696**	1,055,346
Total assets	**$ 2,678,756**	$ 1,938,539
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 378,483**	$ 475,570
Flow-Through Premium Liability (note 8)	**71,442**	-
	449,925	475,570
EQUITY		
Share capital (note 8)	**16,359,715**	15,021,501
Subscriptions Receivable (note 5)	**(452,202)**	-
Equity reserves	**4,809,257**	4,423,886
Accumulated other comprehensive income (AOCI)	**70,676**	36,000
Deficit	**(18,558,615)**	(18,018,418)
Total equity	**2,228,831**	1,462,969
Total liabilities and equity	**$ 2,678,756**	$ 1,938,539

Nature and Continuance of Operations (note 1)
Commitments (note 11)

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

"*Doug Ramshaw*" Director

"*David Terry*" Director

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

GREAT BEAR RESOURCES LTD.
Consolidated Statements of Operations and Comprehensive Loss

	Years ended December 31,	
	2017	2016
Expenses:		
Asset usage	**$ -**	**$** 737
Bad debt expense (note 9)	**-**	6,072
Consulting fees (note 9)	**138,915**	125,786
Director Fees (note 9)	**18,000**	-
Impairment of exploration and evaluation assets	**-**	69,172
Management fees (note 9)	**45,000**	83,896
Office and administration	**28,112**	26,376
Professional fees	**35,579**	38,659
Property investigation (note 9)	**4,950**	7,400
Rent (note 9 & 11)	**19,967**	19,292
Share-based compensation (note 9)	**69,509**	223,721
Transfer agent and filing fees	**21,864**	25,706
Travel, promotion and shareholder information	**142,300**	54,046
Loss on the extension of Warrants (note 9)	**17,200**	-
Total expenses	**541,396**	680,863
Other income		
Interest income	**48**	-
Other income	**1,151**	17,075
Total other income	**1,199**	17,075
Net loss for the year	**$ (540,197)**	$ (663,788)
Basic and diluted loss per common share	**$ (0.04)**	$ (0.09)
Weighted average number of common shares outstanding	**13,292,865**	7,153,688
Net loss for the year	**$ (540,197)**	**$ (663,788)**
Items that may be reclassified subsequently to net income		
Increase in fair value of available-for-sale (AFS) investments (note 4)	**34,676**	5,211
Net comprehensive loss for the year	**$ (505,521)**	**$ (658,577)**

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

GREAT BEAR RESOURCES LTD.
Consolidated Statements of Changes in Equity

	Share Capital						
	Number of Shares	*Amount*	*Subscriptions Receivable*	*Equity Reserves*	*AOCI AFS Investments*	*Deficit*	*Total*
Balance at December 31, 2015	**4,329,000**	**$ 14,110,162**	**$ -**	**$ 3,766,326**	**$ 30,789**	**$ (17,354,630)**	**$ 552,647**
Shares issued for resource properties, net of share issue costs	60,000	10,000	-	-	-	-	10,000
Shares issued in private placements	7,805,966	977,055	-	433,839	-	-	1,410,894
Less Finder's fees	-	(28,525)	-	-	-	-	(28,525)
Share issue costs	-	(47,191)	-	-	-	-	(47,191)
Share-based compensation	-	-	-	223,721	-	-	223,721
Increase in fair value of AFS investments	-	-	-	-	5,211	-	5,211
Loss for the year	-	-	-	-	-	(663,788)	(663,788)
Balance at December 31, 2016	**12,194,966**	**$ 15,021,501**	**$ -**	**$ 4,423,886**	**$ 36,000**	**$ (18,018,418)**	**$ 1,462,969**
Increase in fair value of AFS investments	-	-	-	-	34,676	-	34,676
Shares issued for resource properties	400,000	123,500	-	-	-	-	123,500
Shares issued in private placement	4,860,691	1,024,832	(452,202)	349,375	-	-	922,005
Less Finder's fees:	-	(20,730)	-		-	-	(20,730)
Share issue costs	-	(15,372)	-		-	-	(15,372)
Warrants extended during the year	-	-	-	17,200	-	-	17,200
Share based Compensation	-	-	-	69,509	-	-	69,509
Warrants exercised	721,032	225,984	-	(50,713)	-	-	175,271
Loss for the period	-	-	-	-	-	(540,197)	(540,197)
Balance at December 31, 2017	**18,176,689**	**$ 16,359,715**	**$ (452,202)**	**$ 4,809,257**	**$ 70,676**	**$ (18,558,615)**	**$ 2,228,831**

Share consolidation 5:1 (note 1)

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

GREAT BEAR RESOURCES LTD.
Consolidated Statements of Cash Flows

	Years ended December 31,	
	2017	2016
Cash flows from operating activities		
Loss for the period	**$ (540,197)**	$ (663,788)
Items not involving cash:		
Other income	**(1,151)**	(17,075)
Bad debt expense	**-**	6,072
Impairment of exploration and evaluation assets	**-**	69,172
Share-based compensation	**69,509**	223,721
Loss on extension of warrants extended	**17,200**	-
Changes in non-cash working capital items:		
Receivables	**863**	8,045
Prepaid expenses	**9,518**	(62,106)
Accounts payable and accrued liabilities	**(84,539)**	65,673
Net cash used in operating activities	**(528,798))**	(370,286)
Cash flows used in investing activities		
Mineral properties and exploration expenditures	**(743,572))**	(274,535)
Mineral properties and exploration recoveries	**300,000**	-
Net cash used in investing activities	**(443,572)**	(274,535)
Cash flows from financing activities		
Units issued for cash	**993,448**	1,410,895
Cash share issue costs	**(30,777)**	(75,717)
Cash from Warrants exercised	**175,271**	-
Net cash provided by financing activities	**1,137,942**	1,335,178
Changes in cash during the period	**165,572**	690,357
Cash, beginning of period	**765,976**	75,619
Cash, end of period	**$ 931,548**	$ 765,976

Supplemental disclosure with respect to Cash Flows (note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Great Bear Resources Ltd. (the "Company") was incorporated under the Company Act (British Columbia) on December 6, 2001. On January 22, 2010, the Company changed its name from Great Bear Uranium Corp. to Great Bear Resources Ltd. The Company's registered office and its principal place of business is located at 1020 - 800 West Pender Street, Vancouver, BC, Canada V6C 2V6.

The Company is a mineral exploration company with interests in mineral properties in British Columbia and Ontario, Canada. The Company's shares are listed on the TSX Venture Exchange ("TSX.V") under the trading symbol "GBR".

The Company is in the process of exploring its resource properties and has not yet determined whether the resource properties contain reserves that are economically recoverable. The business of mining and exploring for resources involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts capitalized for the resource properties and related deferred exploration costs are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Changes in future conditions could require material write-downs of the carrying values of resource properties.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Company were prepared in accordance with the International Financial Reporting Standards ("IFRS").

The consolidated financial statements of the Company for the year ended December 31, 2017 (including comparatives) have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2018.

Going Concern of Operations

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions that would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the properties. To date, the Company has not earned any revenues.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are in effect in the annual consolidated financial statements for the year ended December 31, 2017 and have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

(a) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for cash and available-for-sale assets measured at fair value.

(b) Basis of consolidation

These consolidated financial statements include the financial statements of Great Bear Resources Ltd. and its wholly owned subsidiary Great Bear Resources USA Corp., incorporated in California, USA. All intercompany transactions and balances have been eliminated upon consolidation.

(c) Foreign currencies

The Company's functional and reporting currency for all its operations is the Canadian dollar as this is the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. At each reporting date, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the consolidated statement of financial position. Exchange differences arising from the transactions are recorded in the profit and loss for the period. Exchange differences arising from operating transactions are recorded in operating profit for the period.

(d) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and liabilities are classified into one of the following categories based on the purpose for which they were acquired:

- Financial asset or financial liability at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets; and
- Other financial liabilities

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset and liability. All transactions related to financial instruments are recorded on a trade date basis.

Classification

Cash	Financial asset at fair value through profit or loss
Investments	Available-for-sale
Subscriptions receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

Financial asset or financial liability at fair value through profit or loss ("FVTPL")

A financial asset or liability classified at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets and liabilities are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Except as mentioned below, available-for-sale financial assets are carried at fair value with changes in fair value recognized directly in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the profit or loss.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset or a financial liability and allocates interest income or interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, to the net carrying amount of the financial asset or financial liability.

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has 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 then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

Financial assets carried at amortized cost (continued)

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.

In relation to receivables, a provision for impairment is made and an impairment loss is recognized in income when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated comprehensive income to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability when its obligations are discharged, cancelled or expired.

(e) Cash and cash equivalents

Cash includes cash on hand and deposits held at call with financial institutions. Cash equivalents, if any, are comprised of other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(f) Exploration and Evaluation Assets

Pre-exploration costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur. The Company records government assistance received on account of exploration and evaluation activities on a net basis against the expenditures.

When a project has been established as commercially viable and technically feasible, related development costs are capitalized into Development Costs. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

(g) Mineral property option agreements

It is common in the mining industry to use risk sharing arrangements that give an entity (a ‘farmee’) an option to acquire an interest in a mineral property (owned by the ‘farmor’) in exchange for cash and/or non-cash consideration paid by the farmee to the farmor and/or the farmee incurring certain expenditures on the property to earn that interest.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Mineral property option agreements (continued)

When the Company acts as the farmee in a farm-in mineral property option agreement, the direct costs to enter into the agreement are capitalized to exploration and evaluation assets. All exploration and evaluation expenditures incurred by the Company in fulfilling the terms of the agreement are capitalized as incurred, until the option is exercised or lapses or the there is evidence of impairment.

When the Company acts as the farmor in an agreement, it does not record any expenditures made by the farmee. It does not recognize any gain or loss on its exploration and evaluation farm-out mineral property option agreements, and instead records any proceeds received as a credit to the amounts previously capitalized as mineral property acquisition costs. Any amounts received in excess of amounts capitalized are taken as a gain to profit and loss.

(h) Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its exploration and evaluation assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(i) Provisions, contingent liabilities and assets

Restoration and environmental rehabilitation provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in the statement of operations.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs to date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized in other comprehensive income or directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, no deferred tax asset is recognized.

(k) Share capital

Share capital represents the amount received on the issue of shares, less issuance costs.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value on the date of issue.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values as follows: the fair value of the common shares is based on the market close on the date the units are issued and the fair value of the common share purchase warrants is determined using the Black-Scholes option pricing model.

(l) Flow-through shares

The Company, from time to time, issues flow-through shares to finance a portion of its capital expenditure program. The issuance of flow-through common shares results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. On the issuance of such shares, the Company allocates the proceeds raised on the issuance of the flow-through shares into: a flow-through share premium, equal to the estimated premium that investors pay for the flow-through feature, which is recognized as a liability, and share capital. When the qualifying expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation, and the difference is recognized in profit or loss.

(m) Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) 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/income 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. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not 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/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares 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 equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserves is credited to share capital, adjusted for any consideration paid.

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

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 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.

(o) Significant accounting judgments and estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgements

i. Joint Arrangements

The Company's has entered into a number of agreements with respect to its mineral properties requiring management to use judgement to assess whether the Company is a joint arrangement under IFRS 11 and if so, the nature of the arrangement. Management considers the underlying rights of the Company and applies judgement in this determination.

Estimates

i. Exploration and Evaluation Expenditure

In accordance with the Company's accounting policy, the Company's E&E assets are evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Significant accounting judgments and estimates (continued)

i. Exploration and Evaluation Expenditure (continued)

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, metal prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

Management has assessed for impairment indicators for the Company's E&E assets and has concluded that no indicators of impairment were identified, and the Company plans to continue with its objective of developing the Melba Mineral Property.

ii. Valuation of Share-based Payments

The fair values of stock options and share purchase warrants issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions such as future volatility of the stock price. Changes in these assumptions can materially affect the fair value estimate.

iii. Income Taxes

The Company operates in the United States and Canada and is subject to multiple tax jurisdictions, and consequently, income is subject to various rates and rules of taxation. As a result, the Company's effective tax rate may vary significantly from the Canadian statutory tax rate depending upon the profitability of operations in the in a different jurisdiction. The Company calculates deferred income taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax bases as determined under applicable tax legislation. The future realization of deferred tax assets can be affected by many factors, including: current and future economic conditions, net realizable sales prices, and can either be increased or decreased where, in the view of management, such change is warranted. In determining whether a deferred tax asset is probable, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented.

iv. Rehabilitation provisions

Rehabilitation provisions have been determined to be $Nil based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates consider any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

v. Flow-through shares

Measurement of the fair value of the components of unit offerings and flow-through share offerings includes estimates of (i) fair value of the premium for the flow through benefit and (ii) the fair values of equity components using quoted market prices and the Black Scholes option pricing model. Actual results may differ from these estimates.

(p) New standards, interpretations and amendments not yet effective

IFRS 9, “Financial Instruments”

IFRS 9 was issued by the IASB in November 2009 and will replace *IAS 39, “Financial Instruments: Recognition and Measurement”*. IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual.

Management has assessed the transition from IAS 39 Financial Instruments to IFRS 9 Financial Instruments as having no immediate impact on the financial statements as the Company has elected to value its equity investments at fair value through other comprehensive income. However, any subsequent gains for losses on these instruments under IFRS 9 will not be reclassified to profit and loss.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

Management has assessed this standard as not having any impact on the Company’s financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, replacing IAS 17, “Leases”. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity’s lease obligation. This standard is effective for reporting periods beginning on or after January 1, 2019, with early adoption permitted.

Management has assessed this standard as not having a significant impact on the Company’s financial statements.

4. INVESTMENT IN EQUITY INSTRUMENTS

Available-for-sale investments consists of investments in common shares of publicly traded companies, and therefore has no fixed maturity date or coupon rate. The fair value of the listed investments has been determined directly by reference to published price quotations in an active market. During 2017 the Company received 2.5M shares of Mountain Boy Minerals that were initially recorded at their fair value of $200,000. During the year ended December 31, 2017 the fair value of these investments increased by $34,676 (2016 – increased by $5,211), which is recorded in other comprehensive income.

5. RECEIVABLES

Receivables as at December 31, 2017 consist of a GST receivable balance from the Federal Government of Canada in the amount of $25,698 (December 31, 2016 - $26,561). There is also a subscription receivable of $452,202 for the December 2017, private placement. This money was received in January 2018.

6. EXPLORATION AND EVALUATION ASSETS

	BA Property	Surprise Creek Property	Lac Pau Property	Dixie Lake Property	West Madsen Property	**Total**
Balance, December 31, 2015	$ 402,622	$ 347,378	$ 61,172	$ 20,000	$ -	**$ 831,172**
Additions:						
Acquisition	-	-	8,000	23,800	12,000	**43,800**
Exploration	241,440	-	-	7,606	500	**249,546**
Less:						
Write-off	-	-	(69,172)	-	-	**(69,172)**
Balance, December 31, 2016	$ 644,062	$ 347,378	$ -	$ 51,406	$ 12,500	**$ 1,055,346**
Additions:						
Acquisition	15,130	10,392	-	75,216	149,500	**250,238**
Exploration	54,011	525	-	530,738	14,840	**600,113**
Less:						
Recoveries	(250,000)	(250,000)		-	-	**(500,000)**
Balance, June 30, 2017	$ 463,202	$ 108,295	$ -	$ 657,360	$ 176,840	**$ 1,405,696**

Title to mineral 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 conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

a) Dixie Lake Property

On November 20, 2015 the Company entered into an agreement to acquire the Dixie Lake mining claims in Ontario consisting of a 67% interest in 45 mining claims and a 100% interest in 4 newly staked mining claims. In order to acquire the interest, the Company (as farmee) must make the following cash payments and share issuances:

Due Date	**Cash**	**Common Shares of the Company**
November 2, 2015 (paid on November 2, 2015)	$ 4,000 (paid)	-
Within 7 days of executing the acquisition agreement	$ 16,000 (paid)	-
Within 30 days of executing the acquisition agreement	-	20,000 (issued)
November 20, 2016 (paid on November 2, 2016)	$ 20,000 (paid)	-
November 20, 2017 (paid on November 2, 2017)	$ 20,000 (paid)	-
November 20, 2018	$ 30,000	-
November 20, 2019	$ 40,000	-
	$ 130,000	20,000

6. EXPLORATION AND EVALUATION ASSETS *(continued)*

a) Dixie Lake Property (continued)

On July 12, 2017, the Company entered into a Purchase Agreement with Newmont Canada Holdings, ULC ("Newmont") to acquire Newmont's 33% interest in the Dixie Lake project, located in the Red Lake district of Ontario, by paying $80,000 over four years. The purchase can be accelerated at any time at the Company's discretion.

Due Date	**Cash**
July 12, 2017	$ 20,000 (paid)
July 12, 2018	$ 20,000
July 12, 2019	$ 20,000
July 12, 2020	$ 20,000

b) West Madsen Property

On December 29, 2016, the Company signed a Purchase Agreement to acquire 100% ownership of the West Madsen gold project in the Red Lake Gold District of Ontario. On August 29, 2017, the Company entered into an Amending Agreement to the Purchase Agreement.

On August 30, 2017, the Company signed a purchase agreement to acquire 100% ownership of additional claims expanding the West Madsen gold project..

On August 30, 2017, the Company also announced that it is purchasing all Net Smelter Royalties on the West Madsen project for payment of 200,000 shares.

Under these agreements, the Company will pay aggregate cash and in shares as follows:

Due Date	**Cash**	**Common Shares**
December 2016	$ 12,000 (paid)	
April 7, 2017 issued		100,000 (issued)
Within 7 business days of August 29, 2017	$ 12,000 (paid)	-
Within 7 business days of TSX approval	-	300,000 (issued)
December 29, 2017	$ 10,000 (paid)	-
August 29, 2018	$ 12,000	-
December 29, 2018	$ 12,000	-
August 29, 2019	$ 14,000	-
December 29, 2019	$ 16,000	-
August 29, 2020	$ 16,000	-
December 29, 2020	$ 20,000	-
August 29, 2021	$ 20,000	-
	$ 144,000	400,000

c) BA Property and Surprise Creek Property

Pursuant to an Option and Joint Venture Agreement with Mountain Boy Minerals Ltd. dated January 28, 2010 and amended on December 31, 2013 the Company acquired a 50% interest in the BA Property located in the Skeena Mining Division in the province of British Columbia.

The Company owns 50% of the Surprise Creek Property subject to a 1% NSR, which may be purchased by the Company. Surprise Creek Property is located in the Skeena Mining Division in the province of British Columbia and is comprised of 19 mineral claims totaling 7,472 hectares.

On October 25, 2010, the Company entered into an Amending Agreement to the Option and Joint Venture Agreement relating to the BA Property whereby the Surprise Creek Property was included under the terms of the Joint Venture Agreement and acquisition costs for the Surprise Creek Property were borne entirely by the Company and were applied against its earn-in requirement towards the BA Property.

6. EXPLORATION AND EVALUATION ASSETS (continued)

c) BA Property and Surprise Creek Property (continued)

In October 2016, the Company amended its agreements with Mountain Boy Minerals Ltd. ("Mountain Boy"). and entered into new Joint Venture agreements with Mountain Boy for each of the BA and Surprise Creek properties (the '2016 Agreements"). The October 2016 agreements require the Company and Mountain Boy to conduct annual minimum work programs of $250,000 on each project. Management has determined the terms of this arrangement do not provide joint control of the relevant activities of exploring and evaluating this property and accordingly only those costs incurred by the Company have been capitalized.

On June 1, 2017, the Company entered into an Agreement to grant an option to Mountain Boy to acquire the Company's 50% interest in and to each of the BA Property and Surprise Creek Property. Under the option agreement, Mountain Boy will pay aggregate cash and shares as follows:

Due Date	**Cash**	**Common Shares of Mountain Boy**
August 20, 2017	$ 150,000 (received)	-
September 1, 2017 (TSX approval date)	-	2,500,000 (received)
November 20, 2017 (received on November 20, 2017)	150,000 (received)	-
April 15, 2018	-	2,500,000 (received)
August 20, 2018	300,000	-
April 15, 2019	-	2,500,000
August 20, 2019	350,000	-
April 15, 2020	-	2,500,000
August 20, 2020	350,000	-
On completion of a Mineral Resource on the Surprise Creek Property	200,000	-
On completion of a Mineral Resource on the BA Property	400,000	-
On completion of a Pre-Feasibility Study on the Surprise Creek Property	200,000	-
On completion of a Pre-Feasibility Study on the BA Property	500,000	-
On commencement of constructing a mine to extract ore to produce minerals from the Surprise Creek Property	800,000	-
On commencement of constructing a mine to extract ore to produce minerals from the BA Property	1,600,000	-
	$5,000,000	10,000,000

The Company will retain a Right of First Refusal on the sale of both the Surprise Creek and BA properties, should Mountain Boy enter into sale agreement on either project in whole or in part with a third party.

The 2016 Agreements will be suspended during the period of the 2017 Agreement, and if Mountain Boy elects not to exercise an option or fails to make any payments or share issuances to the Company in respect of either optioned property, the 2016 Agreements between the Company and Mountain Boy will resume in respect of the properties at 50% interest owned by each company.

On September 1, 2017, the Company announced that it received final approval of the TSX Venture Exchange to grant the option to its joint venture partner, Mountain Boy Minerals Ltd., to acquire the Company's 50 percent interest in and to each of the "BA" and "Surprise Creek" joint ventures and associated properties.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

		December 31, 2017		December 31, 2016
Accounts payable to third parties	**$**	**68,794**	$	135,671
Accrued liabilities to third parties		**301,346**		297,174
Accounts payable to related parties (note 9)		**5,218**		39,600
Accrued liability to related parties (note 9)		**3,125**		3,125
	$	**378,483**	$	475,570

Included in accrued liabilities is an amount of $271,022 which has been outstanding for over six years. Management has disputed this balance owing and does not believe the Company is required to pay this amount.

The Company will continue to review current statutes and is seeking legal advice to determine when the amount can be de-recognized from the financial statements.

8. SHARE CAPITAL

On June 1, 2016, the common shares of the Company were consolidated such that one new common share was issued for every five common shares outstanding. The Company has affected the share consolidation in these consolidated financial statements as if it happened as at January 1, 2016 and disclosed all share capital, stock option and warrant information retrospectively, all on a post consolidated basis.

a) Authorized

Share capital consists of an unlimited number of voting common shares without par value.

b) Issued

Year ended December 31, 2017

On April 7, 2017, the Company issued 100,000 common shares at a fair value of $0.185 per share for a resource property (note 6c).

On August 4, 2017, the Company completed a non-brokered private placement and issued a total of 1,680,000 units at a price of $0.25 per unit for gross proceeds of $420,000. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.35 for a two-year period. The expiry date of the share purchase warrants will be subject to acceleration at the Company's discretion in the event the Company's common shares trade on a volume–weighted average price basis of $0.45 per share for a period of 10 consecutive trading days.

The aggregate proceeds raised of $420,000 have been allocated as follows:

	Allocation		
Gross proceeds	Common shares	Warrants	Finder's fees and share issue costs
$ 420,000	$ 310,367	$ 109,633	$ -

Level 1 quoted market prices were used to determine the fair value of the common shares and level 2 market based information using a black-scholes option pricing model was used to determine the value of the warrants with the following assumptions.

8. SHARE CAPITAL *(continued)*

b) Issued *(continued)*

	December 31, 2017
Expected dividend yield	**0 %**
Weighted average risk-free interest rate	**1.24 %**
Weighted average expected life	**2.0 years**
Weighted average expected volatility	**148.733%**

On September 20, 2017, the Company issued 300,000 common shares at a fair value of $0.35 per share for a resource property (note 6c).

On December 27, 2017, the Company completed a non-brokered private placement and issued a total 1,751,834 non-flow-through units at a price of $0.30 per unit for gross proceeds of $525,550. Each unit consists of one common share and one-half common share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.42 for a two-year period. The expiry date of the share purchase warrants will be subject to acceleration at the Company's discretion in the event the Company's common shares trade on a volume–weighted average price basis of $0.50 per share for a period of 10 consecutive trading days.

On the same day the Company also completed a non-brokered private placement and issued a total of 1,428,857 flow-through units at a price of $0.35 for gross proceeds of $500,100. Each unit consists of one common share and one half of one share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.42 for a two-year period. The share purchase warrants will be subject to acceleration on the same terms as the non-flow through warrants.

The aggregate proceeds raised of $1,025,650 have been allocated as follows:

	Allocation			
Gross proceeds	Common shares	Warrants	Flow-through premium liability	Finder's fees and share issue costs
$ 1,025,650	$ 714,465	$ 239,742	$ 71,443	$ 36,102

Level 1 quoted market prices were used to determine the fair value of the common shares and level 2 market based information using a black-scholes option pricing model was used to determine the value of the warrants with the following assumptions.

	December 31, 2017
Expected dividend yield	**0 %**
Weighted average risk-free interest rate	**1.66 %**
Weighted average expected life	**2.0 years**
Weighted average expected volatility	**143.614%**

During the period, 721,032 common shares were issued for gross proceeds of $175,271 due to exercise of warrants.

Year ended December 31, 2016

On February 16, 2016, the Company issued 20,000 common shares at a fair value of $0.10 per share for a resource property. On March 11, 2016, the Company issued 40,000 common shares at a deemed price of $0.20 per share for a resource property.

8. SHARE CAPITAL *(continued)*

b) Issued *(continued)*

On July 18, 2016, the Company completed a non-brokered private placement and issued a total of 3,005,966 units at a price of $0.15 per unit for gross proceeds of $450,895. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.20 for a three-year period. The expiry date of the share purchase warrants will be subject to acceleration at the Company's discretion in the event the Company's common shares trade on a volume–weighted average price basis of $0.30 per share for a period of 10 consecutive trading days.

On September 16, 2016, the Company completed a non-brokered private placement and issued a total of 4,800,000 units at a price of $0.20 per unit for gross proceeds of $960,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share at $0.27 for a two-year period. The expiry date of the share purchase warrants will be subject to acceleration at the Company's discretion in the event the Company's common shares trade on a volume-weighted average price basis of $0.40 per share for a period of 10 consecutive trading days.

c) Share purchase warrants

Warrant transactions are summarized as follows:

	December 31, 2017			*December 31,2016*		
	Number of warrants	***Weighted Average Exercise Price***		*Number of warrants*	*Weighted Average Exercise Price*	
Balance, beginning of period	**8,681,866**	**$**	**0.27**	875,900	$	0.47
Granted	**2,430,342**		**0.40**	7,805,966		0.24
Exercised	**(721,032)**		**0.24**	-		-
Expired	**(9,300)**		**0.40**	-		-
Balance, end of period	**10,381,876**	**$**	**0.30**	8,681,866	$	0.27

On August 23, 2017, the Company extended the expiry date of 252,500 warrants exercisable at $0.40 from September 8, 2017 to September 8, 2018 and recognized an expense of $17,200. Assumptions used to determine the market increase in fair value are:

	December 31, 2017
Expected dividend yield	**0 %**
Weighted average risk-free interest rate	**1.11 %**
Weighted average expected life	**1.06 years**
Weighted average expected volatility	**115.87%**

As at December 31, 2017, the following warrants were outstanding and exercisable:

Warrants Outstanding	Warrants Exercisable	Exercise price		Weighted Average Remaining Life (in years)	Expiry date
600,000	600,000	$	0.50	0.73	September 25, 2018
159,400	159,400	$	0.40	0.69	September 8, 2018
2,529,634	2,529,634	$	0.20	1.55	July 18, 2019
4,662,500	4,662,500	$	0.27	0.71	September 16, 2018
840,000	840,000	$	0.35	1.59	August 4, 2019
1,590,342	1,590,342	$	0.42	1.99	December 27, 2019
10,381,876	**10,381,876**			**1.18**	

8. SHARE CAPITAL *(continued)*

d) Stock options

The Company has adopted an incentive stock option plan (the "Option Plan") dated September 30, 2010 which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the then issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility which was estimated based on historical volatility of the Company's publicly traded shares. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

On October 11, 2017, the Company reported that it granted an aggregate of 210,000 stock options to officers, directors, advisors and consultants of the Company, exercisable at $0.36 per share for a period of five years. The options are subject to a four-month hold.

The fair value of stock options awarded in 2017 of $0.331 was determined using the Black-Scholes Option Pricing Model with assumptions as follows:

	December 31, 2017	December 31, 2016
Expected dividend yield	**0 %**	0 %
Weighted average risk-free interest rate	**1.77 %**	0.64 – 0.69 %
Weighted average expected life	**5.0 years**	5.0 years
Weighted average expected volatility	**171 %**	179 %

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility which was estimated based on historical volatility of the Company's publicly traded shares. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

	December 31, 2017		*December 31, 2016*	
	Number of shares	***Weighted Average Exercise Price***	*Number of shares*	*Weighted Average Exercise Price*
Balance, beginning of year	**1,218,000**	**$ 0.33**	224,200	$ 0.96
Granted	**210,000**	**0.36**	1,040,000	0.23
Expired	**(17,000)**	**2.50**	(46,200)	1.14
Balance, end of period	**1,411,000**	**$ 0.31**	1,218,000	$ 0.33

As at December 31, 2017, the following stock options were outstanding and exercisable:

8. SHARE CAPITAL *(continued)*

d) Stock options (continued)

Options Outstanding	Options Exercisable	Exercise price	Weighted Average Remaining Life (in years)	Expiry date
145,000	145,000	$ 0.75	0.73	September 25, 2018
16,000	16,000	$ 0.75	1.21	March 18, 2019
1,000,000	1,000,000	$ 0.23	3.67	September 1, 2021
40,000	40,000	$ 0.24	3.76	October 5, 2021
210,000		$ 0.36	4.78	October 22, 2021
1,411,000	**1,201,000**		**3.51**	

9. RELATED PARTY TRANSACTIONS

Key management compensation paid and accrued to directors, officers and companies in which directors and officers are shareholders and employees during the period then ended are as follows:

	December 31, 2017	December 31, 2016
Director fees	**$ 18,000**	-
Share-based compensation	**56,269**	150,325
	$ 74,269	$ 150,325

The Company has incurred transactions with management companies owned by certain directors and officers:

	December 31, 2017	December 31, 2016
Management fees	**$ 45,000**	$ 83,896
Consulting fees	**18,915**	5,000
Property investigation	**4,950**	7,400
Geological fees capitalized to resource properties	**102,850**	45,150
	$ 171,715	$ 141,446

As at December 31, 2017, $5,218 (December 31, 2016 - $39,600) is payable to various officers and directors of the Company. Also, included in accrued liabilities is $3,125 (December 31, 2016 - $3,125), owing to various officers and directors of the Company. These balances are non-interest bearing with no specific terms of repayment and are unsecured.

As at December 31, 2017, included in other income $Nil (2016 - $17,000) relating to an amount owing to a management company owned by a director of the company that was forgiven.

During the year, company issued common shares for $91,559 (2016: $Nil) to related parties under two private placements held. Each common share issued came with one-half of a warrant to purchase a common share at a future date. As a result, $31,811 in warrants were issued to related parties. In addition, as at December 31, 2017, included in the flow-through shares liability is a balance of $3,300 (December 31, 2016: $Nil) owed to related parties to the company.

During the year ended December 31, 2017, the company paid $27,744 (2016 - $Nil) to a company controlled by an officer of the Company for rent and office expenses reimbursement.

As at December 31, 2017, included in Prepaid expenses is $8,166 (December 31, 2016 - $6,341) received from related parties.

10. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash transactions are as follows:

	December 31, 2017	December 31, 2016
Shares issued for acquisition of exploration and evaluation assets	**$ 123,500**	$ 10,000
Shares received for exploration and evaluation assets	**$ 200,000**	$ -
Mineral properties and exploration expenditures included in accounts payble	**$ 24,883**	$ 41,605

11. COMMITMENTS

a) During 2017 the Company issued flow-through shares and as a result is committed to spend $500,100 in qualifying exploration expenditures in 2018. The Company had incurred approximately $NIL in qualifying expenditures as at December 31, 2017.

b) The company has entered into an agreement to lease with a related party to rent an office space commencing September 1, 2016 to April 29, 2018 for $1,663.93 per month. In addition to the monthly rental payments, the company is charged for the applicable GST costs.

The company has entered into an agreement to lease with a related party to rent an office space commencing May 1, 2018 to April 29, 2021 for $1,687.50 per month. In addition to the monthly rental payments, the company is charged for the applicable GST costs.

The future rental payments are required as follows:

2018	$20,156
2019	20,250
2020	20,250
2021	6,750

c) The Company has entered into a management and consulting services agreement with a related party. If this agreement is terminated by the Company, the Company is required to make a payment in the amount of $90,000. If there is a change in control and either party terminates this agreement within 12 months of the change in control, the company is required to pay the consultant $180,000.

d) Plan of Arrangement - Madalena Energy Inc. (formerly Madelina Ventures Inc.) and contingent gain

In March of 2006, the Company entered into an agreement with Madalena Energy Inc. (“Madalena”), a public company listed on TSX Venture Exchange, in which Madalena agreed to distribute its mineral exploration business and certain marketable securities associated with the business to the Company. Each shareholder of Madalena received one-fifteenth of a common share of the Company for each common share of Madalena owned by such shareholder at August 22, 2006. The Company assumed all of Madalena's obligations in respect to a dividend in specie declared by Madalena on November 15, 2004, which was payable in the form of Planet Mining Exploration Inc. (“Planet”) shares. The remaining 962,861 Planet shares and the dividend obligation that were transferred to the Company as part of the Arrangement are not included in the Company’s balance sheet as the shares are held in trust by the Company for shareholders of Madelena at the declaration date. As at December 31, 2015, the Company held 962,861 Planet shares for distribution.

The dividend entitlement still exists, but will ultimately expire pursuant to the provisions of the Unclaimed Property Act (B.C.), after which any unclaimed Planet shares (or any cash realized from their disposition prior to then) will become the property of the Company. As these Planet shares are held in a trust account for distribution to eligible shareholders, the shares have not been recognized on Company’s balance sheet.

12. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash are available on demand for the Company's programs and are not invested in any asset backed commercial paper.

b) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash. The Company maintains its cash with high-credit quality financial institutions, thus limiting its exposure to credit risk on such financial assets.

c) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash, and restricted cash as they are generally held with large financial institutions.

d) Price Risk

Investments in equity instruments which are classified as available-for-sale which are measured at fair value, are listed on public stock exchanges, including TSX-V and OTC-QB. Recently, the markets have experienced extreme volatility. Therefore, sensitivity analysis is performed using 15%. For such investments, a 15% increase in equity prices as at December 31, 2017 would have increased investments in equity instruments by $36,545. An equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above

e) Fair Value Hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The fair value of cash and investments in equity instruments is measured based on level 1 of the fair value hierarchy.

12. FINANCIAL AND CAPITAL RISK MANAGEMENT *(continued)*

e) Fair Value Hierarchy (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2017 and December 31, 2016:

	Classification (1)	Fair Value Hierarchy	December 31, 2017 Fair Value	December 31, 2016 Fair Value
Financial Assets:				
Cash	FVTPL	1	$ 931,548	$ 765,976
Investments in equity instruments	AFS	1	243,634	8,958

(1) FVTPL = Financial asset at fair value through profit or loss; LR = Loans and receivables; AFS = Available-for-sale; OL = Other liabilities

There were no transfers between Level 1, 2 and 3 in the period.

The estimated fair value of financial instruments approximates their carrying values due to the short-term nature of these instruments.

13. CAPITAL DISCLOSURES

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-form prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. There were no changes in the Company's approach to capital management during the period. In the management of capital, the Company includes the components of shareholders' equity, as well as cash. As at December 31, 2017, the Company is not subject to externally imposed capital requirements.

14. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mineral exploration sector. The Company's mining exploration operations are centralized whereby the Company's head office is responsible for the exploration results and for providing support in addressing local and regional issues. The Company's resource properties are located in British Columbia and Ontario, Canada. The resource properties as disclosed in note 6.

15. SUBSEQUENT EVENTS

On April 19, 2018 the Company announced that it will undertake a non-brokered private placement consisting of both non-flow-through and flow-through unit offerings. The Company looks to issue up to 4,000,000 non-flow-through units (each, a "NFT Unit") and up to 3,448,276 flow-through units (each, a "FT Unit"), for total gross proceeds of up to $2,000,000.

Each NFT Unit will be issued at a price of $0.50 and will consist of one common share and one-half-of-one common share purchase warrant entitling the holder to acquire one additional common share at a price $0.70 per share for a period of twenty four (24) months.

15) SUBSEQUENT EVENTS (continued)

Each FT Unit will be issued at a price of $0.58 and will consist of one common share and one-half-of-one common share purchase warrant entitling the holder to acquire one additional common share at a price $0.70 per share for a period of twenty-four (24) months.

On March 1, 2018 the Company issued 565,000 stock options to its directors and consultants exercisable at $0.51 per share with a life of 5 years.

16. INCOME TAXES

The reconciliation of income taxes computed at the Canadian statutory tax rate to the Company's effective income tax rate is as follows:

	2017	2016
Loss before income taxes	**$ 540,197**	$ 663,788
Combined basic federal and provincial tax rates	**26.00%**	26.00%
Income tax benefit computed at Canadian statutory rates	**$ 140,451**	$ 172,585
Permanent differences	**(22,785)**	(58,036)
Change in unrecognized deferred tax assets	**(123,983)**	(134,317)
Share issued costs	**9,387**	19,686
Other	**(3,070)**	82
Deferred income tax (expense) recovery	**$ -**	$ -

Significant components of the Company's unrecognized deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2017	2016
Deferred income tax assets (liabilities):		
Non-capital loss carry-forwards	**$ 1,366,419**	$ 1,244,127
Undeducted share issue costs	**20,664**	18,973
Resource properties	**1,797,277**	1,797,277
	3,184,360	3,060,377
Valuation allowance for deferred income tax assets	**(3,184,360)**	(3,060,377)
Net deferred income tax assets	**$ -**	$ -

The Company has accumulated non-capital losses for tax purposes of approximately $5,256,000 (December 31, 2016 - $4,786,000), available to reduce income otherwise taxable in future years. These losses, if not used, will expire as follows:

2027	$ 751,000
2028	266,000
2029	118,000
2030	867,000
2031	564,000
2032	550,000
2033	443,000
2034	504,000
2035	323,000
2036	365,000
2037	505,000
	$ 5,256,000