TSX: BAR
OTCQX: BALMF
BALMORAL
RESOURCES

(An Exploration Stage Company)

AUDITED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

December 31, 2017 and 2016

<u>Corporate Head Office</u>

1750-700 West Pender Street
Vancouver, British Columbia
Canada
V6C 1G8
Tel: 604-638-3664

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
AUDITED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

December 31, 2017 and 2016

INDEX	**Page**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BALMORAL RESOURCES LTD.

We have audited the accompanying financial statements of Balmoral Resources Ltd., which comprise the statements of financial position as at December 31, 2017 and 2016 and the 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 Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Balmoral 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.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 22, 2018

Vancouver
7th Floor 355 Burrard St
Vancouver, BC V6C 2G8
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,531,239	$ 10,559,915
Accounts receivable	6,563	29,904
Input tax credits receivable	102,358	310,224
Refundable tax credit	251,394	-
Marketable securities (Note 5)	355,228	339,301
Prepaid expenses	150,934	144,414
	10,397,716	11,383,758
Property, plant and equipment	49,704	40,101
Exploration and evaluation assets (Notes 6 and 9)	61,606,695	53,583,755
	$ 72,054,115	$ 65,007,614
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 247,699	$ 188,728
Flow-through share premium liability (Note 11)	1,074,335	593,282
	1,322,034	782,010
Asset retirement obligation (Note 6(i)(a))	100,000	-
Deferred income tax liability (Note 10)	8,475,691	6,300,080
	9,897,725	7,082,090
Shareholders' equity		
Capital stock (Note 7)	81,645,402	74,017,786
Share-based compensation reserve	9,210,276	8,099,617
Warrant reserve	297	297
Accumulated other comprehensive income (Note 5)	193,286	140,056
Deficit	(28,892,871)	(24,332,232)
	62,156,390	57,925,524
	$ 72,054,115	$ 65,007,614

Approved on behalf of the Directors:

"Bryan Disher" Director
Bryan Disher

"Graeme Currie" Director
Graeme Currie

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
Years Ended December 31

	2017	2016
EXPENSES		
Consulting fees (Note 9)	$ 71,004	$ 68,340
Depreciation	8,970	4,875
Filing and transfer agent's fees	143,318	151,168
Office and miscellaneous	181,127	194,257
Professional fees	431,743	265,077
Rent	114,911	139,115
Salaries and benefits (Note 9)	665,013	659,226
Share-based compensation (Notes 8 and 9)	1,110,659	838,977
Shareholder communication	477,043	481,761
Travel and related costs	63,788	32,145
Loss before other items	(3,267,576)	(2,834,941)
Other items		
Interest income	76,156	91,354
Gain on sale of marketable securities (Note 5)	13,255	46,404
Foreign exchange loss	(5,443)	(6,362)
Loss before income taxes	(3,183,608)	(2,703,545)
Deferred income tax recovery (expense) (Notes 10 and 11)	(1,377,031)	1,650,892
Net loss for the year	(4,560,639)	(1,052,653)
Other comprehensive income		
Items that may be reclassified subsequently to net loss:		
Fair value adjustment on marketable securities (Note 5)	53,230	160,546
Comprehensive loss for the year	$ (4,507,409)	$ (892,107)
Basic and diluted loss per share	$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding		
Basic	128,965,579	121,556,653

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Capital stock	Share-based compensation reserve	Warrant reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, December 31, 2015	**117,629,167**	**67,488,730**	**7,529,553**	**297**	**(20,490)**	**(23,279,579)**	**51,718,511**
Shares issued for cash:							
Private placement	7,120,000	7,129,751	-	-	-	-	7,129,751
Allocation of value to flow-through share premium	-	(864,151)	-	-	-	-	(864,151)
Exercise of options, including reallocation of share-based compensation reserve	750,000	718,913	(268,913)	-	-	-	450,000
Share issuance costs	-	(455,457)	-	-	-	-	(455,457)
Share-based compensation	-	-	838,977	-	-	-	838,977
Net loss for the year	-	-	-	-	-	(1,052,653)	(1,052,653)
Fair value adjustment on marketable securities	-	-	-	-	160,546	-	160,546
Balance, December 31, 2016	**125,499,167**	**$ 74,017,786**	**$ 8,099,617**	**$ 297**	**$ 140,056**	**$ (24,332,232)**	**$ 57,925,524**
Shares issued for cash:							
Private placement (Note 7)	13,011,609	9,520,200	-	-	-	-	9,520,200
Allocation of value to flow-through share premium (Note 11)	-	(1,439,000)	-	-	-	-	(1,439,000)
Share issuance costs (Notes 7 and 10)	-	(453,584)	-	-	-	-	(453,584)
Share-based compensation	-	-	1,110,659	-	-	-	1,110,659
Net loss for the year	-	-	-	-	-	(4,560,639)	(4,560,639)
Fair value adjustment on marketable securities	-	-	-	-	53,230	-	53,230
Balance, December 31, 2017	**138,510,776**	**$ 81,645,402**	**$ 9,210,276**	**$ 297**	**$ 193,286**	**$ (28,892,871)**	**$ 62,156,390**

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
Years Ended December 31

		2017		2016
OPERATING ACTIVITIES				
Net loss for the year	$	(4,560,639)	$	(1,052,653)
Items not affecting cash:				
Depreciation		8,970		4,875
Share-based compensation		1,110,659		838,977
Gain on sale of marketable securities		(13,255)		(46,404)
Deferred income tax expense (recovery)		1,377,031		(1,650,892)
Changes in non-cash working capital items:				
Accounts receivable		1,802		(7,387)
Input tax credits receivable		207,866		(119,253)
Prepaid expenses		(6,520)		(3,171)
Accounts payable and accrued liabilities		3,464		38,968
Net cash used in operating activities		(1,870,622)		(1,996,940)
FINANCING ACTIVITIES				
Shares issued for cash		9,520,200		7,579,751
Share issuance costs		(612,952)		(615,482)
Net cash provided by financing activities		8,907,248		6,964,269
INVESTING ACTIVITIES				
Investment in, advances to and expenditures on exploration and evaluation assets		(8,097,287)		(7,432,869)
Cash received from sale of marketable securities, net of commissions		50,558		401,929
Cash received from sale of property		-		3,489,056
Purchase of property, plant and equipment		(18,573)		(38,540)
Net cash used in investing activities		(8,065,302)		(3,580,424)
Increase (decrease) in cash and cash equivalents		(1,028,676)		1,386,905
Cash and cash equivalents, beginning of the year		10,559,915		9,173,010
Cash and cash equivalents, end of the year	$	9,531,239	$	10,559,915
Cash and cash equivalents consist of the following:				
Cash	$	491,836	$	530,095
Term deposits		9,039,403		10,029,820
	$	9,531,239	$	10,559,915
Supplemental cash flow information				
Accounts receivable related to exploration and evaluation assets	$	978	$	22,517
Accounts payable related to exploration and evaluation assets	$	97,068	$	41,561
Asset retirement obligation change	$	100,000	$	-
Marketable securities received for property option (Notes 5(b) and 6(ii)(a))	$	-	$	133,333
Marketable securities received for property sale (Notes 5(c) and 6(i)(a))	$	-	$	200,000
Refundable tax credit for exploration and evaluation assets	$	251,394	$	-
Deferred taxes included in share issue costs	$	159,368	$	160,025

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Balmoral Resources Ltd. (the "Company" or "Balmoral") is incorporated under the laws of British Columbia, Canada, and is primarily engaged in the acquisition and exploration of mineral properties. The address of its head office is 1750 – 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8. The Company is a publicly-traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "BAR", on the OTCQX market in the United States under the symbol "BALMF" and on the Frankfurt Stock Exchange under the symbol "BOR".

Balmoral is an exploration stage company focused on the acquisition and exploration of gold and other precious and base metal properties in Canada. The principal focus of the Company's exploration activities is the properties comprising its Detour Trend Project in Quebec. The Project encompasses mineral claims located along and adjacent to the Sunday Lake (Detour) Deformation Zone.

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized as exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and future profitable production or proceeds from the disposition of the properties.

The Company does not generate cash flows from operations to fund its activities, and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Although these financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's business, results of operations and financial condition.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies, methods of computation and presentation applied in these financial statements have been consistently applied in each of the periods presented. The Board of Directors approved the financial statements on March 22, 2018.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on deposit at financial institutions and highly liquid investments with original maturities of one year or less from the date of purchase that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes.

(c) Property, plant and equipment

Recognition and measurement

On initial recognition, property, plant 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 directly attributable borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability, if any, is recognized within provisions.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Depreciation is recognized in profit or loss on a declining-balance basis at the following annual rates:

Office equipment	20%
Vehicle	20%
Computer equipment	30%

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

(d) Mineral exploration and evaluation expenditures

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors and camp costs during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Mineral exploration and evaluation expenditures (Continued)

The Company may occasionally enter into farm-out arrangements, whereby the Company will farm-out a part of a mineral interest as consideration for an agreement by the farmee to make certain payments to the Company and meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company uses the carrying amount of the interest before the farm-out as the carrying amount for the portion of the interest retained. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the cost previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for in profit or loss.

When a project is deemed to no longer have commercially viable prospects for the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. The Company does not currently have any “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has not commenced commercial operations, any incidental revenues, including receipt of input tax credit receivables, earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(e) Provisions for environmental rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and/or internal expertise, and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at December 31, 2017, the Company recorded a provision of $100,000 (2016 - $Nil) for environmental rehabilitation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Provisions for environmental rehabilitation (Continued)

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

(f) Mining and exploration tax recoverable

The Company recognizes mining and exploration tax recoveries in the period in which the related qualifying resource expenditures are incurred. The amount recoverable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

(g) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income (loss), except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

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 and deferred 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 for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that 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.

(h) Capital stock

The proceeds from the exercise of stock options and warrants and the cost initially recognized on their issuance are recorded as capital stock in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

Commissions paid to agents, and other related share issuance costs, such as legal and printing, on the issue of the Company’s shares are charged directly to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Capital stock (Continued)

Valuation of equity units issued in private placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded in shareholders' equity.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a 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 share into i) fair value of capital stock issued, based on market price at time of issuance, and ii) the residual as a flow-through share premium, which is recognized as a liability. On issuance of a flow-through unit, the Company allocates the flow-through unit into i) fair value of capital stock issued, based on market price at time of issuance, ii) estimated fair value of a warrant, and iii) the residual as a flow-through share premium, which is recognized as a liability. Upon qualifying expenses being incurred the Company derecognizes the liability and recognizes a credit to deferred tax expense.

The Company is required to spend the proceeds received from the issuance of flow-through shares on Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received, but not yet expended at the end of the Company's period, is disclosed in Note 11.

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 flow-through regulations. When applicable, this tax is accrued as a liability until paid.

(i) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Share-based compensation

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period using the graded vesting method. 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 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 also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares or are directly related to the acquisition of an exploration and evaluation asset. Amounts related to the issuance of shares are recorded as a reduction of capital stock, whereas amounts directly related to the acquisition of an exploration and evaluation asset are capitalized as a component of the asset cost.

When the value of goods or services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model, the Black-Scholes option pricing 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 compensation are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the associated amount reflected in reserves is credited to capital stock and 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 or settlement as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the revised 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.

(k) Financial instruments

Financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are comprised of derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash and cash equivalents are included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Loans and receivables are comprised of accounts receivable.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any other financial asset category. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income (loss) and classified as a component of equity. AFS assets include marketable securities.

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in accumulated other comprehensive income (loss) are included in profit or loss.

Held-to-maturity investments

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment including impairment losses are recognized in profit or loss.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and financial liabilities at fair value through profit or loss.

Other financial liabilities

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

Other financial liabilities are classified as current or non-current based on their maturity date. Other financial liabilities include accounts payable and accrued liabilities.

Financial liabilities at fair value through profit or loss

This category is comprised of derivative financial liabilities. Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

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

(l) New accounting pronouncements

The IASB has issued pronouncements effective for accounting periods beginning on or after January 1, 2018. The Company is currently assessing the impact of these standards on the consolidated financial statements, but has not yet determined the extent of that impact, if any. Only those standards which management believes may impact the Company are discussed below:

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) New accounting pronouncements (Continued)

IFRS 9 *Financial Instruments* (Continued)

- Classification and measurement of financial assets:

  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- Classification and measurement of financial liabilities:

  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- Impairment of financial assets:

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting:

  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The final version of this new standard is effective for the Company's annual period beginning on January 1, 2018. The Company has assessed that IFRS 9 will not have a significant impact.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

IFRS 16 is applicable to the Company's annual period beginning on January 1, 2019.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Assumptions used in the calculation of the fair value assigned to share-based compensation

The Black-Scholes option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Provisions for environmental rehabilitation

The Company assesses its provisions for environmental rehabilitation on an annual basis or when new material information becomes available. Provisions for environmental rehabilitation require management to make estimates of the future costs of the work required to comply with legal or constructive obligations. Actual costs incurred may differ from the amounts estimated. Future changes to environmental laws and regulations could change the extent of work required to be performed, which could materially impact the amounts provided for environmental rehabilitation.

Critical accounting judgments

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

Refundable tax credits and flow-through expenditures

The Company is entitled to refundable tax credits and tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether expenditures are eligible for claiming such credits.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Critical accounting judgments (Continued)

The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management's judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities could materially decrease refundable tax credits, increase the flow-through premium liability and flow-through expenditure commitment.

Evaluation of the nature of interests in undivided assets

Management has determined that the contractual arrangement with GTA Resources and Mining Inc. ("GTA") discussed in Note 6(iii)(a) does not meet the definition of a joint operation under IFRS 11 *Joint Arrangements*, as the Company and GTA do not share joint control. However, as the Company retains a 48% undivided interest on the Northshore Property, the Company has accounted for this interest by recognizing its share of the assets, liabilities and expenditures under the arrangement.

Valuation of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks, which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies and there is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. For the fiscal years ended December 31, 2017 and 2016, there were no indicators of impairment on the Company's exploration and evaluation assets or the Company's other assets.

4. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business. The Company currently has no source of revenues, and therefore, is dependent upon external financings to fund activities. In order to carry future projects and pay administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

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

(Expressed in Canadian Dollars)

4. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure is as follows:

		2017		2016
Cash and cash equivalents	$	9,531,239	$	10,559,915
Accounts receivable	$	6,563	$	29,904

The credit risk associated with cash and cash equivalents is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment-grade rating issued by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to maintain sufficient cash balances to meet its liabilities and commitments when due. The Company manages its liquidity by raising financing in advance of committing to the cash outflows required for operations and approved exploration and evaluation activities. Management and the Board of Directors are actively involved in the planning and approval of expenditure plans and other commitments. As at December 31, 2017, the Company had $9,531,239 of cash and cash equivalents on hand to settle $247,699 in accounts payable and accrued liabilities and to fund approximately $5,800,000 of commitments in respect of flow-through share financing (Note 11).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i. Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts and term deposits. Due to the short-term nature of the term deposits, fluctuations in market rates do not have a significant impact on their estimated fair value as of December 31, 2017, and accordingly the Company is not subject to material interest rate risk. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

ii. Foreign currency risk

The Company's presentation and functional currency is the Canadian Dollar. As at December 31, 2017, the Company is not exposed to material foreign currency risk.

(Expressed in Canadian Dollars)

4. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

iii. Fair value of financial instruments

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these financial instruments.

Assets and liabilities measured at fair value at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,531,239	-	-	$ 9,531,239
Marketable securities	$ 355,228	-	-	$ 355,228

Assets and liabilities measured at fair value at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 10,559,915	-	-	$ 10,559,915
Marketable securities	$ 339,301	-	-	$ 339,301

iv. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk.

The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Company's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 10% change in the market prices would not have a material effect on net income (loss) and comprehensive income (loss).

5. MARKETABLE SECURITIES

(a) GTA Resources and Mining Inc.

During the year ended December 31, 2016, the Company sold 454,000 of its holding of GTA shares for an average price of $0.18 per share for proceeds of $82,036, net of commissions of $1,165, and realized a loss of $47,689. The Company classifies these shares as available-for-sale. Fair value adjustment for the year ended December 31, 2016 was an unrealized gain of $194,151, which was recorded as other comprehensive income.

5. MARKETABLE SECURITIES (Continued)

(a) GTA Resources and Mining Inc. (Continued)

As at December 31, 2017, the Company held 2,601,555 (2016 – 2,601,555) common shares of GTA with a fair value of $117,070 (2016 - $156,093). The fair value adjustment on these securities for the year ended December 31, 2017 was an unrealized loss of $39,023, which was recorded as other comprehensive income.

(b) Wealth Minerals Ltd.

During the year ended December 31, 2017, the Company sold 41,777 common shares of Wealth (2016 – 789,700 common shares) for an average price of $1.23 per share (2016 - $0.41 per share) for proceeds of $50,558, net of commissions of $705, and realized a gain of $13,255 (2016 – proceeds of $319,893, net of commissions of $3,892, and realized a gain of $94,093).

As at December 31, 2017 the Company held nil (2016 - 41,777) common shares of Wealth with a fair value of $nil (2016 - $52,221). The fair value adjustment on these securities for the year ended December 31, 2016 was an unrealized gain of $35,408 which was recorded as other comprehensive income.

(c) Wallbridge Mining Company Limited

On May 25, 2016, the Company received 2,381,575 common shares of Wallbridge Mining Company Limited ("Wallbridge") with a fair value on that date of $200,000 as a first payment under a Letter of Intent to purchase the Company's Fenelon Mine Property (Note 6(i)(a)). The Company classified these shares as available-for-sale. As at December 31, 2016, the Company continued to hold 2,381,575 common shares of Wallbridge with a fair value at that date of $130,987. The unrealized loss of $69,013 was recorded as other comprehensive loss.

As at December 31, 2017 the Company held 2,381,575 common shares of Wallbridge with a fair value of $238,158. The unrealized gain of $107,171 was recorded as other comprehensive loss.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Fenelon (Note 6(i)(a))	**N2** (Note 6(ii)(a))	**Martiniere** (Note 6(i)(a))	**Northshore** (Note 6(iii)(a))	**Detour East** (Note 6(i)(b))	**Grasset** (Note 6(i)(c))	**Others** (Note 6(ii)(b))	**Total**
Balance, December 31, 2015	$ 5,448,029	$ 1,829,675	$ 24,397,323	$ 400,049	$ 3,334,626	$ 13,534,841	$ 1,123,316	$ 50,067,859
Acquisition costs								
Cash payments	-	-	-	-	1,014	-	29,000	30,014
Total acquisition costs	-	-	-	-	1,014	-	29,000	30,014
Deferred exploration costs:								
Assays	-	-	-	-	-	23,795	-	23,795
Claims management	1,309	1,309	5,699	1,309	3,035	1,309	6,545	20,515
Community relations	3,000	-	-	-	-	-	-	3,000
Drilling	251,150	9,836	5,334,140	3,050	446,446	762,751	14,595	6,821,968
Engineering	-	-	-	-	-	44,131	-	44,131
Geology	617	-	24,130	-	2,690	16,797	-	44,234
Geophysics	-	-	134,929	-	378,171	4,075	-	517,175
Project management	-	-	68,270	-	121	5,422	-	73,813
Property payments	19,610	4,929	10,710	-	23,649	10,364	18,225	87,487
Total deferred exploration costs	275,686	16,074	5,577,878	4,359	854,112	868,644	39,365	7,636,118
Total expenditures for the year	275,686	16,074	5,577,878	4,359	855,126	868,644	68,365	7,666,132
Cost recoveries	(3,689,056)	(400,000)	-	-	-	-	-	(4,089,056)
Quebec mining tax credit	(6,430)	(1,939)	(27,235)	(391)	(3,391)	(20,283)	(1,511)	(61,180)
Balance, December 31, 2016	$ 2,028,229	$ 1,443,810	$ 29,947,966	$ 404,017	$ 4,186,361	$ 14,383,202	$ 1,190,170	$ 53,583,755

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

	Fenelon (Note 6(i)(a))	N2 (Note 6(ii)(a))	Martiniere (Note 6(i)(a))	Northshore (Note 6(iii)(a))	Detour East (Note 6(i)(b))	Grasset (Note 6(i)(c))	Others (Note 6(ii)(b))	Total
Balance, December 31, 2016	$ 2,028,229	$ 1,443,810	$ 29,947,966	$ 404,017	$ 4,186,361	$ 14,383,202	$ 1,190,170	$ 53,583,755
Acquisition costs								
Cash payments	-	-	-	-	-	-	961	961
Asset retirement obligation	50,000	-	50,000	-	-	-	-	100,000
Total acquisition costs	50,000	-	50,000	-	-	-	961	100,961
Deferred exploration costs:								
Assays	-	-	55,504	-	-	2,068	-	57,572
Claims management	1,052	1,052	7,216	1,052	1,052	1,275	8,089	20,788
Community relations	3,000	-	2,750	-	-	2,750	-	8,500
Drilling	73,737	12,480	6,420,066	600	1,052,333	352,650	14,797	7,926,663
Engineering	-	-	6,574	-	-	-	-	6,574
Geology	6,349	2,286	81,929	-	2,974	4,373	834	98,745
Geophysics	-	301	8,613	-	833	875	13,872	24,494
Maps & Data	-	560	-	-	-	-	-	560
Project management	9,975	-	45,229	-	1,915	8,451	-	65,570
Property payments	4,851	-	9,975	841	11,313	25,633	10,381	62,994
Total deferred exploration costs	98,964	16,679	6,637,856	2,493	1,070,420	398,075	47,973	8,272,460
Total expenditures for the year	148,964	16,679	6,687,856	2,493	1,070,420	398,075	48,934	8,373,421
Cost recoveries	(61,371)	-	(10,785)	-	-	-	-	(72,156)
Quebec mining tax credit	(610)	(81)	(202,018)	-	(80,942)	5,054	272	(278,325)
Balance, December 31, 2017	$ 2,115,212	$ 1,460,408	$ 36,423,019	$ 406,510	$ 5,175,839	$ 14,786,331	$ 1,239,376	$ 61,606,695

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(i). Properties along the Sunday Lake Deformation Zone, Quebec

(a) Fenelon and Martiniere, Quebec

The Company owns 100% interests in each of the Fenelon and Martiniere properties.

There are certain net smelter return ("NSR") royalties on the properties in favour of former property owners and payable on commencement of commercial production: 2% at Martiniere, between 2% and 4% for Fenelon. Buyout provisions exist for certain portions of these royalties.

On May 24, 2016, the Company entered into a letter of intent (the "LOI") to sell its Fenelon Mine Property, which comprises approximately 10% of its broader Fenelon Property, to Wallbridge. Under the terms of the LOI, the Company was to receive payment of 2,381,575 common shares of Wallbridge (Note 5(c)) with a deemed value of $200,000 and cash payments totalling $3,500,000. These payments were received in full during the year ended December 31, 2016. The Company retains a 1% NSR royalty on all future production from the Fenelon Mine property.

The Company recovered $61,371 from the renting of the camp and storage at Fenelon and $10,785 from the use of the Winter Road at Martiniere.

As at December 31, 2017, the Company estimates that the fair value of the liability of the asset retirement as a result of environmental rehabilitation is $50,000 for Fenelon and $50,000 for Martiniere (2016 - $Nil). The fair value of the liability was determined to be equal to the estimated reclamation costs. Due to the early stage of the projects, and that extractive activities have not yet begun, the Company is unable to predict with any precision the timing of the cash flow related to the reclamation activities.

(b) Detour East, Quebec

The Company owns a 100% interest in the Detour East Property, except for 18 claims, which are in a 63%/37% participatory joint venture with Encana Corp. and for which the Company is the operator. During the year ended December 31, 2016, the Company acquired additional claims for staking fees of $1,014.

There is a NSR of 2%, which relates to the entirety of the property, payable to a former property owner, which may be repurchased at any time for $1,000,000 for the first 50% of the NSR interest and $2,000,000 for the remainder.

(c) Grasset, Quebec

The Company owns a 100% interest in the Grasset Property acquired through staking. The Grasset property is located immediately east of and adjoins the Fenelon Property. There are no underlying royalties on the Grasset Property.

(ii). Properties along the Casa Beradi Fault Zone, Quebec

(a) N2, Quebec

The Company owns a 100% interest in the N2 property.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

(ii). Properties along the Casa Beradi Fault Zone, Quebec (Continued)

(a) N2, Quebec (Continued)

There are NSR royalties of 1% to 5% on the property in favour of former property owners and payable on commencement of commercial production. Buyout provisions exist for certain portions of these royalties.

On February 2, 2015, the Company agreed to option a partial interest in its N1 and N2 properties (the "Project") to Wealth. Under the terms of the Option Agreement, Wealth would have been granted an option to earn up to a 75% interest in the Project by completing certain exploration on the Project and issuing 3,000,000 common shares of Wealth and making cash payments to the Company. The Company received 1,000,000 common shares on February 26, 2015 as its initial payment under the Option Agreement. The Option Agreement was terminated on February 25, 2016 when the Company and Wealth entered into a Termination Agreement under which Wealth would pay to the Company a sum of $400,000 in cash or common shares of Wealth, at Wealth's option, in three equal instalments. The first instalment was paid in cash on April 1, the second in shares on July 1 (Note 5(b)), and the final instalment in cash on October 1, 2016. The Company holds a 100% interest in the Project and Wealth maintains no interest in the Project.

(b) Hwy 810

The Company acquired a 100% interest in the Hwy 810 Property, which is located proximal to the producing Casa Berardi gold mine, by staking in 2017 for an amount of $577 (2016 - $29,000).

(iii). Ontario, Thunder Bay Mining Division

(a) Northshore, Ontario

As at December 31, 2017, the Company owns a 48.6% interest in the Northshore Property along with a similar interest in certain surface rights attached to the property. The Northshore Property mineral rights are underlain by a sliding-scale NSR to a third-party, which is adjusted to the contained number of ounces of gold outlined in a pre-production resource estimate.

On July 24, 2011, the Company and GTA entered into an option agreement (the "Option Agreement") whereby GTA was granted the exclusive right to acquire up to a 70% interest in the Northshore Property.

On July 14, 2014, GTA delivered a first option vesting notice to the Company and subsequently advised the Company that it would not be proceeding with a second option, which had been granted under the terms of the Option Agreement. Consequently a 51%/49% participatory contractual arrangement (joint venture) was formed with respect to the Northshore Property with GTA as the majority holder and project operator. As the Company does not have joint control over the operations, but retains an undivided interest to the property, the Company accounted for the disposal of its Northshore Property and the acquisition of this interest in Northshore by recognizing its share of the assets under the arrangement.

7. CAPITAL STOCK

(a) Common shares

Authorized

An unlimited number of common shares without par value.

Share issuances

(i) During the year ended December 31, 2017:

a. On September 15, 2017, the Company closed a brokered private placement of flow-through common shares and raised gross proceeds of $4,061,200 through the issuance of 5,720,000 National flow-through common shares at a price of $0.71 per share.

b. On September 29, 2017, the Company closed a non-brokered private placement of flow-through common shares and raised gross proceeds of $3,459,000 through the issuance of 3,843,333 Quebec flow-through common shares at a price of $0.90 per share.

In connection with the placements the Company paid finders' cash commission of $365,184 and paid an additional $40,703 in share issuance costs.

c. On October 10, 2017, the Company closed a non-brokered private placement of common shares and raised gross proceeds of $2,000,000 through the issuance of 3,448,276 common shares at a price of $0.58 per share.

In connection with the placement, the Company paid finders' cash commissions of $27,797 and $179,268 in share issuance costs.

(ii) During the year ended December 31, 2016:

a. On June 30, 2016, the Company closed a bought deal private placement of flow-through common shares and raised gross proceeds of $7,129,751 through the issuance of 4,714,163 National flow-through common shares at a price of $0.90 per share and 2,405,837 Quebec flow-through common shares at a price of $1.20 per share.

In connection with the placement, the Company paid finders' cash commissions of $427,785 and $187,697 in share issuance costs.

b. The Company issued 750,000 common shares at $0.60 per share pursuant to the exercise of stock options granted on January 23, 2014 and March 14, 2016 and reclassified $268,913 related to these options from share-based compensation reserve to capital stock.

(Expressed in Canadian Dollars)

8. SHARE-BASED COMPENSATION

(a) Stock options

Stock option transactions are summarized as follows:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the year	7,897,700	$ 0.73	7,422,700	$ 0.78
Granted	2,434,250	$ 0.78	2,560,000	$ 0.63
Expired	-	$ -	(1,335,000)	$ (1.14)
Exercised	-	$ -	(750,000)	$ 0.60
Balance, end of the year	10,331,950	$ 0.74	7,897,700	$ 0.73

The weighted average remaining contractual life of options outstanding at December 31, 2017 was 1.25 (2016 – 2.63) years.

Stock options outstanding and exercisable are as follows:

	2017			2016		
Expiry date	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
February 6, 2018*	$ 1.05	1,807,700	1,807,700	$ 1.05	1,807,700	1,807,700
January 23, 2019	$ 0.60	2,855,000	2,855,000	$ 0.60	2,855,000	2,855,000
February 5, 2019	$ 0.61	300,000	300,000	$ 0.61	300,000	300,000
December 23, 2019	$ 0.90	150,000	150,000	$ 0.90	150,000	150,000
June 18, 2020	$ 0.77	360,000	360,000	$ 0.77	360,000	270,000
March 14, 2021	$ 0.60	1,900,000	1,900,000	$ 0.60	1,900,000	1,900,000
November 7, 2021	$ 0.90	175,000	175,000	$ 0.90	175,000	175,000
December 23, 2021	$ 0.70	350,000	350,000	$ 0.70	350,000	350,000
March 2, 2022	$ 0.78	2,434,250	2,434,250	$ -	-	-
		10,331,950	10,331,950		7,897,700	7,807,700

*These options expired unexercised subsequent to December 31, 2017.

(Expressed in Canadian Dollars)

8. SHARE-BASED COMPENSATION (Continued)

(b) Share-based compensation

Share-based compensation expense for the year ended December 31, 2017 totalled $1,110,659 (2016 - $838,977). The weighted average fair value of stock options granted was estimated at $0.45 (2016 - $0.31) at the grant date using the Black-Scholes option pricing model and the following assumptions:

	2017	2016
Risk-free interest rate	1.17%	0.83%
Expected life of options	5 years	5 years
Expected annualized volatility	71%	71%
Expected dividend yield	0.0%	0.0%
Forfeiture rate	0.0%	0.0%
Share price	$0.78	$0.55

Expected volatility is based on historical price volatility over the expected life of the option.

9. RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended December 31, 2017 and 2016, the Company had the following transactions with related parties:

Key management compensation

Key management consists of senior officers and directors of the Company; their compensation is as follows:

	2017	2016
Short-term benefits (included in consulting fees and salaries and benefits and capitalized to mineral properties)*	$ 814,838	$ 966,975
Share-based compensation	677,189	434,405
	$ 1,492,027	$ 1,401,380

*Included in the table above are:
1. Consulting fees of $nil (2016 - $223,125) paid to 68B Resource Consultants Ltd., a company controlled by the president and CEO; and
2. Consulting fees of $54,338 (2016 - $68,340) paid to Blue Pegasus Consulting Inc, a company controlled by the CFO.

Transactions with other related parties

As at December 31, 2017, $5,399 (2016 - $4,197) is due to officers of the Company for reimbursement of expenses and is included in accounts payable and accrued liabilities. The amount is non-interest-bearing with no fixed terms of repayment.

(Expressed in Canadian Dollars)

10. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2016 – 26.00%) to loss before income taxes. The reasons for the difference are as follows:

		2017		2016
Loss before income taxes	$	(3,183,608)	$	(2,703,545)
Statutory income tax rate		26.00%		26.00%
Expected income tax recovery		(827,738)		(702,922)
Items not deductible for tax purposes		299,170		221,270
Change in timing differences		(1,762)		6,690
Renunciation of resource expenditures on flow-through shares		1,778,878		835,150
Share issue cost		(159,368)		(160,025)
Change in fair value of marketable securities		1,998		20,871
Under provided in prior years		1,062,381		65,088
Flow-through share premium		(957,947)		(2,091,454)
Unused tax losses and tax offsets not recognized		22,051		(5,585)
	$	1,217,663	$	(1,810,917)
Allocation of deferred income tax recovery				
Deferred income tax expense (recovery)	$	1,377,031	$	(1,650,892)
Capital stock *		(159,368)		(160,025)
	$	1,217,663	$	(1,810,917)

* Netted against share issuance costs.

The tax effected items that give rise to significant portions of the deferred income tax liability at December 31, 2017 and 2016 are presented below:

		2017		2016
Exploration and evaluation assets	$	(13,885,420)	$	(11,030,985)
Non-capital loss carry-forwards		4,999,080		4,306,540
Marketable securities		76,457		83,415
Property, plant and equipment		5,519		3,187
Share issuance costs		328,673		337,763
Deferred income tax liability	$	(8,475,691)	$	(6,300,080)

The Company recognizes deferred tax assets for tax benefits on losses or other deductible amounts where it is probable the Company will generate sufficient taxable income to utilize the amount. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

(Expressed in Canadian Dollars)

10. INCOME TAXES (Continued)

		2017		2016
Capital losses	$	307,510	$	242,273
Non-refundable income tax credits		175,340		175,340
Donations		59,500		59,000
Unrecognized deferred tax assets	$	542,350	$	476,613

The Company's unused tax losses at December 31, 2017 have the following expiry dates:

2027	$	291,000
2028		186,000
2029		155,000
2030		1,167,000
2031		1,873,000
2032		2,403,000
2033		2,466,000
2034		2,852,000
2035		2,577,000
2036		2,573,000
2037		2,199,000
	$	18,742,000

11. FLOW-THROUGH SHARE PREMIUM LIABILITY

The following is a continuity schedule of the liability portion of the Company's flow-through share issuances:

Balance, December 31, 2015		1,820,585
Liability incurred on flow-through shares issued June 30, 2016		864,151
Settlement of flow-through share liability on incurring expenditures		(2,091,454)
Balance, December 31, 2016	$	593,282
Liability incurred on flow-through shares issued September 15, 2017		860,692
Liability incurred on flow-through shares issued September 29, 2017		578,308
Settlement of flow-through share liability on incurring expenditures		(957,947)
Balance, December 31, 2017	$	1,074,335

11. FLOW-THROUGH SHARE PREMIUM LIABILITY (Continued)

During the year ended December 31, 2017, the Company incurred $6,841,837 of qualified flow-through funded exploration expenditures, which fulfilled its commitment under the flow-through share financings made in 2016 and partially fulfilling its commitment under the flow-through financing on September 15, 2017. As at December 31, 2017, approximately $5,800,000 remains to be incurred on qualifying expenditures during fiscal 2018. The Company intends to fulfill its flow-through commitments within the given time constraints.