EMPIRE METALS CORP.

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Empire Metals Corp.

We have audited the accompanying consolidated financial statements of Empire Metals Corp. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2017 and 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 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.

Auditors' 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 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 involves evaluating the appropriateness of the 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company 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
Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 29, 2018

EMPIRE METALS CORP.

Consolidated statements of financial position
(Expressed in Canadian dollars)

	December 31, 2017 $	December 31, 2016 $
Assets		
Current assets		
Cash	23,167	910
Marketable securities (Note 3)	4,000	4,000
Amounts receivable	17,930	17,230
Prepaid expenses	104,013	–
Loan receivable (Note 4)	–	9,010
Total current assets	149,110	31,150
Non-current assets		
Exploration and evaluation assets (Note 5)	3,942,195	3,283,836
Total assets	4,091,305	3,314,986
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	1,465,511	1,223,214
Loans payable (Note 7)	409,713	382,533
Total liabilities	1,875,224	1,605,747
Shareholders' equity		
Share capital	19,018,461	16,826,066
Share-based payment reserve	2,355,832	1,990,019
Share subscriptions received (Note 9)	–	66,000
Share subscriptions receivable (Note 9)	(1,392,800)	(285,065)
Deficit	(17,765,412)	(16,887,781)
Total shareholders' equity	2,216,081	1,709,239
Total liabilities and shareholders' equity	4,091,305	3,314,986

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 15)

Approved and authorized for issuance on behalf of the Board of Directors on April 29, 2018:

/s/ "Anthony Beruschi"	*/s/ "Vincent Teo"*
Anthony Beruschi, Director	Vincent Teo, Director

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

EMPIRE METALS CORP.
Consolidated statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Year ended December 31, 2017 $	Year ended December 31, 2016 $
Expenses		
Bad debts	8,000	–
Corporate administration (Note 8)	59,079	85,309
Interest and bank charges (Note 8)	214,370	212,041
Investor relations	15,000	–
Management fees (Note 8)	30,000	–
Office and miscellaneous (Note 8)	29,969	60,809
Professional fees (Note 8)	25,983	30,905
Rent (Note 8)	33,600	33,600
Share-based compensation (Note 11)	365,813	–
Salaries	–	36,365
Transfer agent and filing fees	24,057	23,204
Total expenses	805,871	482,233
Loss before other income (expense)	(805,871)	(482,233)
Other income (expense)		
Finance costs	(71,760)	(82,765)
Loss on disposal of marketable securities (Note 3)	–	(6,285)
Loss on settlement of debt (Note 9)	–	(50,000)
Write-off of loan payable	–	400
Total other income (expense)	(71,760)	(138,650)
Net loss and comprehensive loss for the year	(877,631)	(620,883)
Loss per share, basic and diluted	(0.02)	(0.03)
Weighted average shares outstanding	38,489,756	19,106,998

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

EMPIRE METALS CORP.
Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Share subscriptions received	Share subscriptions receivable	Deficit	Total shareholders' equity
	Number of shares	Amount $	$	$	$	$	$
Balance, December 31, 2015	13,687,904	15,249,326	1,990,019	–	–	(16,266,898)	972,447
Shares issued to acquire exploration and evaluation assets	1,610,000	309,425	–	–	–	–	309,425
Shares issued pursuant to private placement – non flow-through	6,900,000	405,000	–	–	(125,300)	–	279,700
Shares issued pursuant to private placement –flow-through	7,100,000	415,000	–	–	(159,765)	–	255,235
Bonus shares issued for loan proceeds	500,000	40,000	–	–	–	–	40,000
Shares issued to settle debt	1,500,000	300,000	–	–	–	–	300,000
Shares issued for warrants exercised	661,259	107,315	–	–	–	–	107,315
Share subscriptions received	–	–	–	66,000	–	–	66,000
Net loss for the year	–	–	–	–	–	(620,883)	(620,883)
Balance, December 31, 2016	31,959,163	16,826,066	1,990,019	66,000	(285,065)	(16,887,781)	1,709,239
Shares issued to acquire exploration and evaluation assets	950,000	225,500	–	–	–	–	225,500
Shares issued pursuant to private placement – non flow-through	3,275,000	349,500	–	–	–	–	349,500
Shares issued to settle loans payable and accrued interest payable	925,000	55,500	–	–	–	–	55,500
Shares issued pursuant to private placement –flow-through	11,666,666	1,575,000	–	–	–	–	1,575,000
Share issuance costs	–	(13,105)	–	–	–	–	(13,105)
Share subscriptions received	–	–	–	(66,000)	–	–	(66,000)
Share subscriptions receivable	–	–	–	–	(1,107,735)	–	(1,107,735)
Fair value of stock options granted	–	–	365,813	–	–	–	365,813
Net loss for the year	–	–	–	–	–	(877,631)	(877,631)
Balance, December 31, 2017	48,775,829	19,018,461	2,355,832	–	(1,392,800)	(17,765,412)	2,216,081

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

EMPIRE METALS CORP.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended December 31, 2017 $	Year ended December 31, 2016 $
Operating activities		
Net loss	(877,631)	(620,883)
Items not involving cash:		
Bad debts	8,000	–
Financing costs	–	34,959
Loss on settlement of debt	–	50,000
Share-based compensation	365,813	–
Write-off of loan payable	–	(400)
Changes in non-cash operating working capital:		
Amounts receivable	(8,700)	(5,167)
Prepaid expenses	(104,013)	2,500
Accounts payable and accrued liabilities	(180,562)	13,680
Net cash used in operating activities	(797,093)	(525,311)
Investing activities		
Proceeds from loan receivable	9,010	–
Exploration and evaluation asset expenditures	(10,000)	(119,794)
Net cash used in investing activities	(990)	(119,794)
Financing activities		
Proceeds from loans payable	117,920	265,406
Repayments of loans payable	(34,240)	(85,751)
Proceeds from issuance of common shares / share subscriptions received	749,765	358,185
Share issuance costs	(13,105)	–
Proceeds from exercise of share purchase warrants	–	107,315
Net cash provided by financing activities	820,340	645,155
Change in cash	22,257	50
Cash, beginning of year	910	860
Cash, end of year	23,167	910
Non-cash investing and financing activities:		
Exploration and evaluation asset expenditures included in accounts payable	422,859	119,846
Exploration and evaluation asset expenditures included in loans payable	–	100,000
Sale of marketable securities to settle accounts payable	–	39,138
Shares issued for settlement of loans payable	49,000	242,750
Shares issued for settlement of accrued interest payable	6,500	–
Shares issued for the acquisition of exploration and evaluation assets	225,500	309,425

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

1. Nature of Operations and Continuance of Business

Empire Metals Corp. (formerly Empire Rock Minerals Inc.) (the "Company") was incorporated in the province of British Columbia. On February 2, 2017, the Company changed its name to Empire Metals Corp. The Company's registered address is located at Suite 702, 889 West Pender Street, Vancouver, BC, V6C 3B2.

The Company is an exploration stage company in the process of exploring its mineral properties in Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2017, the Company has not generated any revenues from operations, has a working capital deficiency of $1,726,114, and has an accumulated deficit of $17,765,412. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on a going concern basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Dominica Energy Minerals Inc. and Lithium Power Corp., companies incorporated in the province of Alberta. All significant inter-company balances and transactions have been eliminated on consolidation

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency.

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes to the consolidated financial statements. Significant financial statement items which involve the use of estimates include the impairment of marketable securities, recoverability of amounts receivable, fair value of share-based payments, flow-through shares premium, recoverability of exploration and evaluation assets, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Significant Accounting Policies (continued)

(d) Exploration and Evaluation Expenditures (continued)

Mineral Property Options

The Company does not record any expenditures made by the optionee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation option arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized.

(e) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

(f) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit-of-production or straight-line method depending on the asset to which the obligation relates.

2. Significant Accounting Policies (continued)

(f) Reclamation and Remediation Provisions (continued)

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases, changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(g) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash and marketable securities are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

2. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the consolidated statement of operations. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable and loan receivable.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the consolidated statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations.

2. Significant accounting policies (continued)

(g) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

With the exception of available-for-sale equity instruments, 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 through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and loans payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(h) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

2. **Significant accounting policies** (continued)

(i) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(j) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized in the consolidated statement of operations with a pro-rata portion of the deferred premium.

(k) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations.

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2017, the Company had 37,083,333 (2016 – 19,216,667) potentially dilutive shares outstanding.

2. Significant Accounting Policies (continued)

(m) Share-based Payments

The grant date fair value of share-base payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(n) Reclassifications

Certain of the prior year figures were reclassified to conform to the current year's presentation.

(o) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

New standard IFRS 9, "Financial Instruments"

Amended standard IFRS 2, "Share-based Payment"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Marketable Securities

2016 Fair value $	Additions $	Disposals $	Unrealized gain $	2017 Fair value $
4,000	–	–	–	4,000

(Expressed in Canadian dollars)

3. Marketable Securities (continued)

	2015 Fair value $	Additions $	Disposals $	Unrealized gain $	2016 Fair value $
	43,138	–	(39,138)	–	4,000

During the year ended December 31, 2017, the Company recorded a loss on the sale of marketable securities of $nil (2016 - $6,285).

4. Loan Receivable

As at December 31, 2017, the amount of $nil (2016 - $9,010) was owed from a public company with two common former directors. The amount due was non-interest bearing, unsecured, and due on demand.

5. Exploration and Evaluation Assets

	Buck Lake Project $	Fox Creek Lithium Project $	Gwyn Lake $	Graphite West $	Total $
Acquisition costs:					
Balance, December 31, 2016	489,756	449,075	53,350	71,000	1,063,181
Additions	–	27,311	–	216,000	243,311
Option payment received	–	–	(35,000)	–	(35,000)
Balance, December 31, 2017	489,756	476,386	18,350	287,000	1,271,492
Exploration costs:					
Balance, December 31, 2016	1,265,891	38,556	916,208	–	2,220,655
Assays (Note 8)	3,099	–	304	–	3,403
Consulting (Note 8)	15,600	129,600	–	–	145,200
Fieldwork	–	2,528	1,233	–	3,761
Property exploration (Note 8)	105,310	145,649	11,286	–	262,245
Travel and accommodations (Note 8)	9,764	24,350	1,325	–	35,439
Balance, December 31, 2017	1,399,664	340,683	930,356	–	2,670,703
Net carrying value, December 31, 2017	1,889,420	817,069	948,706	287,000	3,942,195

(Expressed in Canadian dollars)

5. Exploration and Evaluation Assets (continued)

	Buck Lake Project $	Fox Creek Lithium Project $	Gwyn Lake $	Graphite West $	Total $
Acquisition costs:					
Balance, December 31, 2015	470,285	–	153,350	47,000	670,635
Additions	19,471	449,075	–	24,000	492,546
Option payment received	–	–	(100,000)	–	(100,000)
Balance, December 31, 2016	489,756	449,075	53,350	71,000	1,063,181
Exploration costs:					
Balance, December 31, 2015	1,085,142	–	878,994	–	1,964,136
Assays (Note 8)	16,554	–	3,800	–	20,354
Fieldwork	–	3,234	–	–	3,234
Property exploration (Note 8)	164,195	35,322	26,983	–	226,500
Travel and accommodations (Note 8)	–	–	6,431	–	6,431
Balance, December 31, 2016	1,265,891	38,556	916,208	–	2,220,655
Net carrying value, December 31, 2016	1,755,647	487,631	969,558	71,000	3,283,836

Buck Lake Platinum, Palladium, and Nickel Project, Thunder Bay, Ontario, Canada

On July 24, 2014, the Company entered into a purchase agreement with Goldbank to acquire Goldbank's 51% interest in the Buck Lake Platinum, Palladium, and Nickel Project. Pursuant to the agreement, the Company issued 733,333 common shares to Goldbank and issued a promissory note in the amount of $250,000 to Goldbank. During the year ended December 31, 2016, the Company issued 1,500,000 common shares to settle the promissory note owing to Goldbank. Refer to Note 7(g).

The Company holds a 100% interest in the Buck Lake Platinum, Palladium, and Nickel Project located 25 kilometers west of newly reorganized North American Palladium Corp.'s Lac des Iles Mine near Thunder Bay, Ontario, Canada. The Buck Lake Project is subject to a 2.5% net smelter returns royalty in favour of the original vendors.

NAP and Jordain Claims – Ontario, Canada

On October 14, 2015, the Company entered into an option agreement to acquire a 100% interest in two groups of mineral claims known as the NAP and Jordain Claims. The NAP Claims and Jordain Claims are adjacent to, or in the vicinity of, the Company's Buck Lake Platinum, Palladium and Nickel property where the Company is exploring for platinum, palladium, and nickel mineralization in a mafic/ultramafic intrusive body.

5. Exploration and Evaluation Assets (continued)

Buck Lake Platinum, Palladium, and Nickel Project, Thunder Bay, Ontario, Canada (continued)

NAP and Jordain Claims – Ontario, Canada (continued)

Under the terms of the option agreement, the Company can acquire a 100% interest in the NAP Claims and Jordain Claims, subject to a 1% net smelter royalty, by making payments totalling $74,000 and issuing a total of 80,000 common shares as follows:

Cash to be paid:

- $24,000 upon TSX Venture Exchange acceptance of the option agreement (paid on December 18, 2015);
- $30,000 on or before October 15, 2016 (extended); and
- $20,000 on or before October 15, 2017 (paid subsequently).

Shares to be issued:

- 45,000 common shares within ten days of TSX Venture Exchange acceptance of the option agreement (issued on November 13, 2015); and
- 35,000 common shares to be issued on or before October 15, 2016 (issued on October 14, 2016).

Orbit Lake Claims – Ontario, Canada

On October 11, 2016, the Company entered into an option agreement to acquire a 100% interest in 2 mineral claim units located in the Thunder Bay Mining Division, Ontario, Canada.

Under the terms of the option agreement, the Company acquired a 100% interest in the Orbit Lake claims, subject to a 1.5% net smelter returns royalty, by paying $7,000 (paid) and issuing 25,000 common shares (issued on November 8, 2016). The Orbit Property is situated about 22 kilometres south of the Company's Buck Lake Platinum, Palladium and Nickel project where the Company is exploring for platinum, palladium and nickel mineralization in a mafic/ultramafic intrusive body, and near the NAP and Jordain Claims on which the Company has an option to acquire a 100% interest.

Fox Creek Lithium Project – Fox Creek, Alberta, Canada

On April 11, 2016, the Company entered into an agreement to acquire a 70% interest in the 36 metallic and industrial mineral permits located in the Fox Creek area in the province of Alberta, Canada together with 100% ownership of two newly incorporated private Alberta companies for consideration of $100,000 (paid) and the issuance of 1,200,000 common shares of the Company (issued on May 16, 2016). Following acquisition of the 70% interest, the Company is responsible for incurring the first $2,000,000 in development, production, and all other expenses with respect to the permits. The permits are subject to a 2.2% royalty in favour of one of the original vendors of the permits.

The Company has an interest in approximately 741,000 contiguous acres covering numerous Devonian oil and gas fields at the Fox Creek Lithium project in Alberta, Canada. Petroleum production is from lithium enriched brines at Fox Creek. The Fox Creek Lithium Project consists of 36 industrial minerals permits giving the Company the right to explore for and potentially extract lithium and other industrial minerals including potassium, boron, bromine, and magnesium contained in the brines.

5. Exploration and Evaluation Assets (continued)

Fox Creek Lithium Project – Fox Creek, Alberta, Canada (continued)

Well Permit – Alberta, Canada

The Company holds a 100% interest in the Well Permit, a metallic and industrial mineral permit adjacent to and contiguous with the Company's Fox Creek Mineral Permits at Fox Creek, Alberta. On May 6, 2016, the Company entered into an option agreement to acquire a 100% interest in the Well Permit located in the Fox Creek area in the province of Alberta, Canada. The Well Permit is a 6,912 hectare metallic and industrial mineral permit which allows the Company to explore for and potentially recover lithium, potassium, boron, bromine, and other important elements from brines underlying the permit area.

The terms of the option agreement provided that the Company can acquire a 100% interest in the Well Permit, subject to a 2% net smelter returns royalty, by making payments totalling $20,000 and issuing 100,000 common shares as follows:

Cash to be paid:
- $10,000 within five days of TSX Venture Exchange acceptance of the option agreement (paid on June 15, 2016); and
- $10,000 on or before May 6, 2017 (paid on April 28, 2017).

Shares to be issued:
- 50,000 common shares within five days of TSX Venture Exchange acceptance of the option agreement (issued June 1, 2016); and
- 50,000 common shares on or before May 6, 2017 (issued on April 18, 2017).

Gwyn Lake Gold Property - Ontario, Canada

The Company holds a 100% interest in the Gwyn Lake claims located in the Thunder Bay Mining District of Ontario. The claims are subject to a 1% net smelter return royalty which the Company may purchase at any time for $500,000.

The Company also holds a 100% interest in certain additional mineral claims contiguous to the Gwyn Lake Claims. These claims are also subject to a 1% net smelter return royalty.

On January 12, 2010, the Company entered into an option agreement granting Leeta Gold Corp. ("Leeta"), a public company with two common former directors, the option to acquire a 70% interest in the Beardmore Gold Property, which comprises a portion of Gwyn Lake claims. As consideration, Leeta was to pay $180,000 over four years as follows:

Cash to be paid:
- $10,000 on or before June 1, 2010 (settled with 74,074 shares);
- $20,000 on or before June 28, 2011 (settled with 37,037 shares);
- $50,000 on or before June 28, 2012 ($25,000 paid in 2013); and
- $100,000 on or before December 31, 2013 (extended).

Under the terms of the option agreement, Leeta must also incur exploration and development expenditures on the property of $500,000 on or before September 30, 2013 (extended).

(Expressed in Canadian dollars)

5. Exploration and Evaluation Assets (continued)

Gwyn Lake Claims - Ontario, Canada (continued)

By letter agreement dated September 1, 2016, the Company and Leeta confirmed the following new terms completing the acquisition of a 70% interest in the Beardmore gold property by Leeta:

- Immediate cash payment of $135,000 by Leeta to the Company for payment of outstanding property obligations (received $135,000); and
- $265,000 in exploration and development expenditures incurred by Leeta.

Graphite West Claims – Ontario, Canada

On November 4, 2015, the Company entered into an option agreement to acquire an 80% interest in 16 mineral claim units referred to as the Graphite West Project located in the Porcupine Mining Division, Ontario, Canada.

Under the terms of the option agreement, the Company can acquire an 80% interest in the Graphite West Project, subject to a 1% net smelter returns royalty, by paying $20,000 (paid) and issuing a total of 1,800,000 common shares to Bluenose over three years as follows:

- 600,000 common shares to be issued within five days of TSX Venture Exchange acceptance of the option agreement (issued on December 15, 2015);
- 300,000 common shares to be issued on or before February 15, 2016 (issued on February 12, 2016); and
- 900,000 common shares to be issued on or before December 31, 2017 (issued on September 12, 2017).

The Company is responsible for incurring exploration and related business development expenditures totalling $400,000 over four years.

6. Accounts Payable and Accrued Liabilities

	2017 $	2016 $
Trade payables	50,269	78,740
Related party payables (Note 8)	1,289,390	1,080,082
Accrued liabilities	12,000	16,586
Accrued interest (Note 7)	113,852	47,806
	1,465,511	1,223,214

7. Loans Payable

(a) As at December 31, 2017, the amount of $7,410 (2016 - $15,258) is owed to various unrelated parties. The amounts due are non-interest bearing, unsecured, and due on demand.

(b) As at December 31, 2017, the amount of $115,120 (2016 - $38,091) is owed to a shareholder of the Company, who has significant influence on the Company’s operations, and companies controlled by the shareholder. The amounts due are unsecured, bear interest at 12% per annum compounded monthly, and due on demand. As at December 31, 2017, accrued interest of $6,400 (2016 - $1,109) is included in accounts payable and accrued liabilities.

(c) As at December 31, 2017, the amount of $5,000 (2016 - $15,000) is owed to a shareholder of the Company, who has significant influence on the Company’s operations, and companies controlled by the shareholder. The amount is unsecured, bears interest at 12% per annum compounded quarterly, and due on demand. As at December 31, 2017, accrued interest of $3,221 (2016 - $913) is included in accounts payable and accrued liabilities.

7. Loans Payable (continued)

(d) As at December 31, 2017, the amount of $17,224 (2016 - $49,245) is owed to a company with common directors. The amount is unsecured, bears interest at 8% per annum, and due on demand. As at December 31, 2017, accrued interest of $2,461 (2016 - $1,974) is included in accounts payable and accrued liabilities.

(e) As at December 31, 2017, the amount of $70,000 (2016 - $70,000) is owed to a company with common directors. The amount is unsecured, bears interest at 12% per annum compounded quarterly, and due on demand. As at December 31, 2017, accrued interest of $13,854 (2016 - $4,263) is included in accounts payable and accrued liabilities.

(f) On February 16, 2016, the Company entered into a loan agreement with Blizzard Finance Corp. ("Blizzard"), a company controlled by a shareholder of the Company who has significant influence on the Company's operations, for proceeds of $200,000. The loan is unsecured, bears interest at a rate of 20% per annum compounded quarterly, and is due one year from the date of the agreement. In connection with the financing, the Company incurred financing costs by issuing 500,000 common shares with a fair value of $40,000 to Blizzard as bonus consideration, which will be charged to operations over the term of the loan payable. Refer to Note 9(b). During the year ended December 31, 2017, the Company amortized $nil (2016 - $34,959) of the financing costs. As at December 31, 2017, the carrying value of the loan payable was $194,959 (2016 - $194,959). As at December 31, 2017, accrued interest of $87,916 (2016 - $39,547) is included in accounts payable and accrued liabilities.

(g) During the year ended December 31, 2016, the Company issued 1,500,000 common shares with a fair value of $300,000 to settle debt of $250,000 owed to Goldbank. Refer to Note 9(g).

8. Related Party Transactions

(a) As at December 31, 2017, the amount of $1,289,390 (2016 - $1,080,082) was owed to a shareholder of the Company who has significant influence on the Company's operations and companies controlled by this shareholder, which was recorded in accounts payable and accrued liabilities. This amount bears interest at 2% per month, is unsecured, and due on demand.

(b) During the year ended December 31, 2017, the Company incurred the following expenditures to a shareholder of the Company who has significant influence in the Company's operations and companies controlled by this shareholder:

- Interest expense of $212,067 (2016 - $213,678);
- Management fees of $30,000 (2016 - $nil);
- Corporate administration costs of $67,083 (2016 - $85,309);
- Office and miscellaneous expenses of $310 (2016 - $38,831);
- Professional fees of $12,000 (2016 - $12,000);
- Rent of $33,600 (2016 - $33,600);
- Assays of $3,404 (2016 - $nil);
- Fieldwork of $169,596 (2016 - $456,179)
- Consulting of $145,200 (2016 - $nil); and
- Travel and accommodations of $12,288 (2016 - $6,431).

9. Share Capital

Authorized: unlimited common shares without par value

Share transactions for the year ended December 31, 2017:

(a) On January 6, 2017, the Company issued 2,500,000 non flow-through units at $0.06 per unit for gross proceeds of $300,000. Included in this issuance were 1,666,667 units for proceeds of $44,500 and settlement of loans payable of $49,000 and accrued interest payable of $6,500 issued to a company controlled by the President and 833,333 units for proceeds of $50,000 issued to a company controlled by a director of the Company. Each unit consisted of one common share and one transferrable five year share purchase warrant to purchase an additional common share at a price of $0.08 per share for the first two years and $0.30 per share thereafter.

On January 6, 2017, the Company issued 2,500,000 flow-through units at $0.06 per unit for proceeds of $150,000 to a company controlled by the Company and the President of the Company. Each unit consisted of one flow-through common share and one transferrable five year share purchase warrant to purchase one additional flow-through common share at a price of $0.08 per share for the first two years and $0.30 per share thereafter.

In connection with these private placements, the Company incurred $1,740 in share issuance costs.

(b) On April 18, 2017, the Company issued 50,000 shares with a fair value of $9,500 pursuant to acquire a 100% interest in the Well Permit located in the Fox Creek area in the province of Alberta, Canada. Refer to Note 5.

(c) On September 12, 2017, the Company issued 900,000 shares with a fair value of $216,000 pursuant to an option agreement to acquire an 80% interest in the Graphite West Project. Refer to Note 5.

(d) On November 3, 2017, the Company issued 1,700,000 non flow-through units at $0.15 per unit for gross proceeds of $255,000. Each unit consisted of one common share and one transferrable share purchase warrant to purchase an additional common share at a price of $0.28 per share for a period of three years.

On November 3, 2017, the Company issued 4,166,666 flow-through units at $0.15 per unit for proceeds of $625,000. Included in this issuance were 1,030,000 units for proceeds of $154,500 issued to the President of the Company, 266,667 units for proceeds of $40,000 issued to a company controlled by the President of the Company, 666,667 units for proceeds of $100,000 issued to a company controlled by a director of the Company, 400,000 units for proceeds of $60,000 issued to a director of the Company, and 133,333 units for proceeds of $20,000 issued to the brother of the President the Company. Each unit consisted of one flow-through common share and one transferrable five year share purchase warrant to purchase one additional flow-through common share at a price of $0.28 per share for a period of three years.

In connection with these private placements, the Company incurred share issuance costs of $3,260.

(e) On December 29, 2017, the Company issued 5,000,000 flow-through units at $0.16 per unit for gross proceeds of $800,000. Included in this issuance were 3,125,000 units for proceeds of $500,000 issued to the President of the company, 187,500 units for proceeds of $30,000 issued to a director of the Company, and 115,000 units for proceeds of $18,400 issued to the brother of the President of the Company. Each unit consisted of one flow-through common share and one transferrable share purchase warrant to purchase an additional flow-through common share at a price of $0.21 per share for a period of three years. In connection with this private placement, the company incurred share issuance costs of $8,343.

9. Share Capital

Share transactions for the year ended December 31, 2017 (continued):

(f) As at December 31, 2017, the Company received share subscriptions of $nil (2016 - $66,000).

(g) As at December 31, 2017, the Company had share subscriptions receivable of $1,392,800 (2016 - $285,065)

Share transactions for the year ended December 31, 2016:

(h) On February 2, 2016, the Company issued 300,000 common shares with a fair value of $24,000 pursuant to an option agreement to acquire an 80% interest in the Graphite West Project. Refer to Note 5.

(i) On March 15, 2016, the Company issued 500,000 common shares with a fair value of $40,000 to Blizzard in consideration for providing the Company with a loan. Refer to Note 7(f).

(j) On April 22, 2016, the Company issued 2,000,000 non-flow-through units at $0.08 per unit for total proceeds of $160,000. Included in this issuance were 250,000 units for proceeds of $20,000 issued to a company controlled by a director of the Company and 250,000 units for proceeds of $20,000 issued to a company controlled by the Corporate Secretary of the Company. Each unit consisted of one common share and one transferrable five-year share purchase warrant to purchase an additional common share at a price of $0.15 per share for the first year and then $0.30 per share thereafter.

(k) On April 22, 2016, the Company issued 2,000,000 flow-through units at $0.08 per unit for total proceeds of $160,000. Each unit consisted of one common share and one transferrable five-year share purchase warrant to purchase an additional common share at a price of $0.15 per share for the first year and then $0.30 per share thereafter.

(l) On May 13, 2016, the Company issued 371,259 common shares for proceeds of $92,815 pursuant to the exercise of share purchase warrants.

(m) On May 16, 2016, the Company issued 1,200,000 common shares with a fair value of $264,000 pursuant to an agreement to acquire a 70% interest in certain metallic and industrial mineral permits which are primarily located in the Fox Creek area in the province of Alberta, Canada. Refer to Note 5.

(n) On May 30, 2016, the Company issued 1,500,000 common shares with a fair value of $300,000 to settle debt of $250,000 owed to Goldbank, resulting in a loss on settlement of debt of $50,000. Refer to Note 7(j).

(o) On June 1, 2016, the Company issued 50,000 common shares with a fair value of $10,750 pursuant to an option agreement to acquire a 100% interest in the Well Permit located in the Fox Creek area in the province of Alberta, Canada. Refer to Note 5.

(p) On October 14, 2016, the Company issued 35,000 common shares with a fair value of $8,050 pursuant to an option agreement to acquire a 100% interest in two groups of mineral claims known as the NAP and Jordain Claims. Refer to Note 5.

(q) On November 8, 2016, the Company issued 25,000 common shares with a fair value of $2,625 pursuant to an option agreement to acquire a 100% interest in 2 mineral claim units located in the Thunder Bay Mining Division, Ontario, Canada. Refer to Note 5.

(r) On December 29, 2016, the Company issued 290,000 common shares to a shareholder of the Company who has significant influence in the Company’s operations for proceeds of $14,500 pursuant to the exercise of share purchase warrants.

(Expressed in Canadian dollars)

9. Share Capital (continued)

Share transactions for the year ended December 31, 2016 (continued):

(s) On December 30, 2016, the Company issued 4,900,000 non-flow-through units at $0.05 per unit for proceeds of $245,000. Each unit consisted of one common share and one transferrable five-year share purchase warrant to purchase an additional common share at a price of $0.08 per share for the first two years and then $0.30 per share thereafter.

(t) On December 30, 2016, the Company issued 5,100,000 flow-through units at $0.05 per unit for total proceeds of $255,000. Included in this issuance were 1,200,000 units for proceeds of $60,000 issued to a shareholder of the Company who has significant influence in the Company's operations, 560,000 units for proceeds of $28,000 to a company with common directors, and 200,000 units for proceeds of $10,000 to a director of the Company. Each unit consisted of one common share and one transferrable five-year share purchase warrant to purchase an additional common share at a price of $0.08 per share for the first two years and then $0.30 per share thereafter.

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2015	9,663,933	0.25
Issued	14,000,000	0.10
Exercised	(661,259)	0.16
Expired	(3,786,007)	0.42
Balance, December 31, 2016	19,216,667	0.10
Issued	15,866,666	0.19
Balance, December 31, 2017	35,083,333	0.14

As at December 31, 2017, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date	
1,666,667	0.15	December 31, 2019	(1,000,000 exercisable into flow-through shares)
3,550,000	0.05	December 29, 2020	(2,550,000 exercisable into flow-through shares)
4,000,000	0.15*	May 27, 2021	(2,000,000 exercisable into flow-through shares)
10,000,000	0.08**	December 30, 2021	(5,100,000 exercisable into flow-through shares)
5,000,000	0.08***	January 6, 2022	(2,500,000 exercisable into flow-through shares)
5,866,666	0.28	November 3, 2020	(4,166,666 exercisable into flow-through shares)
5,000,000	0.21	December 29, 2020	(5,000,000 exercisable into flow-through shares)
35,083,333			

*Share purchase warrants are exercisable at $0.15 per share for the first year and at $0.30 per share beginning on May 27, 2017.

**Share purchase warrants are exercisable at $0.08 per share for the first two years and at $0.30 per share beginning on December 30, 2018.

***Share purchase warrants are exercisable at $0.08 per share for the first two years and at $0.30 per share beginning on January 6, 2019.

(Expressed in Canadian dollars)

11. Stock Options

On July 15, 2016 the Company adopted a new stock option pursuant to which options may be granted to directors, officers, employees and consultants of the Company. The exercise price is determined by the Board of Directors, subject to the Discounted Market Price policies of the TSX Venture Exchange. The aggregate number of shares issuable pursuant to stock options granted under the plan is limited to 10% of the issued and outstanding shares at the time of grant. Options are granted for a maximum term of 10 years and are fully vested when granted unless otherwise stated.

On January 20, 2017, the Company granted 500,000 stock options exercisable at a price of $0.10 per common share until January 20, 2022 to the President of the Company

On January 25, 2017, the Company granted 1,500,000 stock options, which includes 1,300,000 stock options to the President of the Company, 50,000 stock options to a director of the Company, and 150,000 stock options to a consultant. The stock options are exercisable at a price of $0.10 per common share until January 25, 2019.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price $
Outstanding, December 31, 2015 and 2016	–	–
Granted	2,000,000	0.10
Outstanding, December 31, 2017	2,000,000	0.10

Additional information regarding stock options outstanding as at December 31, 2017, is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.10	2,000,000	1.8	0.10

During the year ended December 31, 2017, the Company recognized share-based compensation expense of $365,813 (2016 - $nil), of which $334,471 (2016 - $nil) pertains to key management personnel. For the year ended December 31, 2017, the weighted average grant date fair value was $0.18 (2016 - $nil) per option.

The fair values of stock options granted have been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.91%	–
Dividend yield	0%	–
Expected forfeitures	0%	–
Expected volatility	149%	–
Expected life (years)	2.7	–

(Expressed in Canadian dollars)

12. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2017 as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2017 $
Cash	23,617	–	–	23,617
Marketable securities	4,000	–	–	4,000
Total assets measured at fair value	27,617	–	–	27,617

The fair values of other financial instruments, which include amounts receivable, loan receivable, accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(Expressed in Canadian dollars)

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2016.

14. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2017 $	2016 $
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(228,184)	(161,430)
Tax effect of:		
Permanent differences and other	91,702	2,853
Expiry of non-capital loss	–	9,918
Expiry of mineral resource related expenditure pools	–	27,636
Change in enacted tax rates	(102,833)	–
Change in unrecognized deferred income tax assets	239,315	121,023
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2017 $	2016 $
Deferred income tax assets		
Non-capital losses carried forward	2,057,135	1,847,190
Capital losses	42,401	40,830
Marketable securities	12,400	11,941
Property and equipment	6,507	6,266
Resource pools	655,222	630,954
Share issuance costs	2,831	–
Total gross deferred income tax assets	2,776,496	2,537,181
Unrecognized deferred income tax assets	(2,776,496)	(2,537,181)
Net deferred income tax asset	–	–

(Expressed in Canadian dollars)

14. Income Taxes (continued)

As at December 31, 2017, the Company has Canadian non-capital losses carried forward of $7,619,017, which are available to offset future years' taxable income. These losses expire as follows:

	$
2026	457,348
2027	1,342,059
2028	1,248,781
2029	1,195,560
2030	414,905
2031	409,968
2032	341,447
2033	343,313
2034	342,462
2035	437,960
2036	570,775
2037	514,439
	7,619,017

The Company also has available mineral resource related expenditure pools totalling $6,368,943, which may be deducted against future taxable income on a discretionary basis.

15. Subsequent Events

(a) On February 14, 2018, the Company issued 200,000 common shares to satisfy cash payments totaling $40,000 due pursuant to an option agreement to acquire a 100% interest in two groups of claims known as the NAP and Jordain Claims.

(b) On February 20, 2018, the Company granted 2,897,000 stock options to directors, officers, employees, and consultants exercisable at $0.17 per share for a period of five years.

(c) Subsequent to December 31, 2017, the Company received share subscriptions receivable proceeds of $1,392,800.