

**DUNNEDIN VENTURES INC.**

Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended September 30, 2017 and 2016



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## Independent Auditor's Report

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### To the Shareholders of Dunnedin Ventures Inc.

We have audited the accompanying consolidated financial statements of Dunnedin Ventures Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 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 Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dunnedin Ventures Inc. and its subsidiaries as at September 30, 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 in the consolidated financial statements, which indicates that at September 30, 2017, the Company had incurred a net loss of \$975,418 during the year ended September 30, 2017 and as at that date had an accumulated deficit of \$40,215,639 and expects to incur further losses in the development of the business. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants

Vancouver, Canada  
January 25, 2018

**DUNNEDIN VENTURES INC.**

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	September 30, 2017	September 30, 2016
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents (note 3(e))	\$ 4,046,976	\$ 874,743
Amounts receivable	72,811	25,886
Advances and deposits (note 7(b))	127,287	132,083
	<b>4,247,074</b>	1,032,712
Non-current assets:		
Equipment	426	534
Reclamation bonds (note 4)	30,284	30,284
Exploration and evaluation assets (note 5)	6,802,144	1,947,679
<b>Total Assets</b>	<b>\$ 11,079,928</b>	<b>\$ 3,011,209</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities (note 7(a))	\$ 1,781,710	\$ 573,655
Total current liabilities	1,781,710	573,655
Other long-term liability (notes 6 and 9)	160,006	75,306
Total liabilities	1,941,716	648,961
Shareholders' Equity:		
Share capital (note 8(b))	44,001,940	36,721,750
Reserves (note 8)	5,416,209	4,942,824
Accumulated other comprehensive loss	(64,298)	(62,105)
Deficit	(40,215,639)	(39,240,221)
	<b>9,138,212</b>	<b>2,362,248</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 11,079,928</b>	<b>\$ 3,011,209</b>

Subsequent events (note 13)

Approved on Behalf of the Board:

"Claudia Tornquist"  
Claudia Tornquist

"Gary Schellenberg"  
Gary Schellenberg

**DUNNEDIN VENTURES INC.**Consolidated Statements of Operations and Comprehensive Loss  
(Expressed in Canadian dollars)

	Years ended September 30,	
	2017	2016
<b>Expenses</b>		
Amortization	\$ 108	\$ 136
Consulting fees and property investigation (note 7)	144,610	152,334
Insurance	13,114	10,742
Management and directors' fees (note 7)	135,000	133,501
Office and administration	4,310	30,277
Professional fees	175,793	47,908
Rent (note 7)	19,967	33,203
Stock based compensation (notes 7 and 8 (d))	300,421	763,579
Transfer agent and filing	25,363	18,535
Travel, promotion and shareholder information	160,387	48,256
Impairment of exploration and evaluation assets (note 5)	3,578	48,229
<b>Loss before other expense</b>	<b>982,651</b>	<b>1,286,700</b>
<b>Other income (expenses)</b>		
Bad debt expense	-	(39,943)
Foreign currency gain (loss)	10,309	(22,998)
Interest	10,583	145
Other income (note 6)	71,041	66,840
<b>Other income (expenses)</b>	<b>91,933</b>	<b>4,044</b>
<b>Net loss before taxes for the year</b>	<b>(890,718)</b>	<b>(1,282,656)</b>
Deferred income tax expense (notes 6 and 9)	(84,700)	(75,306)
<b>Net loss for the year</b>	<b>(975,418)</b>	<b>(1,357,962)</b>
<b>Other comprehensive loss</b>		
Foreign currency translation adjustment	(2,193)	26,105
<b>Comprehensive loss for the year</b>	<b>\$ (977,611)</b>	<b>\$ (1,331,857)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.013)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding</b>	<b>76,602,968</b>	<b>48,663,652</b>

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

**DUNNEDIN VENTURES INC.**Consolidated Statements of Changes in Equity  
(Expressed in Canadian dollars)

	<i>Share Capital</i>		<i>Reserves</i>	<i>Accumulated Other Comprehensive Loss</i>	<i>Deficit</i>	<i>Total</i>
	<i>Number of Shares</i>	<i>Amount</i>				
<b>Balance at October 1, 2015</b>	33,583,131	\$ 34,526,334	\$ 4,082,791	\$ (88,210)	\$ (37,882,259)	\$ 638,656
Net loss for the year	-	-	-	-	(1,357,962)	(1,357,962)
Shares for resource properties (note 8(b))	2,200,000	132,000	-	-	-	132,000
Shares issued in private placement (note 8(b))	29,589,329	2,155,800	-	-	-	2,155,800
Share issue costs (note 8(b))	-	(196,165)	100,335	-	-	(95,830)
Stock based compensation	-	-	763,579	-	-	763,579
Warrant exercise	999,000	103,781	(3,881)	-	-	99,900
Foreign currency translation adjustment	-	-	-	26,105	-	26,105
<b>Change during the year</b>	<b>32,788,329</b>	<b>2,195,416</b>	<b>860,033</b>	<b>26,105</b>	<b>(1,357,962)</b>	<b>1,723,592</b>
<b>Balance at September 30, 2016</b>	<b>66,371,460</b>	<b>\$ 36,721,750</b>	<b>\$ 4,942,824</b>	<b>\$ (62,105)</b>	<b>\$ (39,240,221)</b>	<b>\$ 2,362,248</b>

	<i>Share Capital</i>		<i>Reserves</i>	<i>Accumulated Other Comprehensive Loss</i>	<i>Deficit</i>	<i>Total</i>
	<i>Number of Shares</i>	<i>Amount</i>				
<b>Balance at October 1, 2016</b>	66,371,460	\$ 36,721,750	\$ 4,942,824	\$ (62,105)	\$ (39,240,221)	\$ 2,362,248
Net loss for the year	-	-	-	-	(975,418)	(975,418)
Shares for resource properties (note 8(b))	6,600,000	1,661,000	-	-	-	1,661,000
Flow-Through shares issued in private placement (note 8(b))	3,075,000	698,750	-	-	-	698,750
Shares issued in private placement	16,589,000	4,147,250	-	-	-	4,147,250
Share issue costs (note 8(b))	-	(523,789)	197,812	-	-	(325,977)
Stock based compensation	-	-	300,421	-	-	300,421
Warrant exercise	10,521,307	1,275,199	(14,068)	-	-	1,261,131
Option exercise	100,000	21,780	(10,780)	-	-	11,000
Foreign currency translation adjustment	-	-	-	(2,193)	-	(2,193)
<b>Change during the year</b>	<b>36,885,307</b>	<b>7,280,190</b>	<b>473,385</b>	<b>(2,193)</b>	<b>(975,418)</b>	<b>6,775,964</b>
<b>Balance at September 30, 2017</b>	<b>103,256,767</b>	<b>\$ 44,001,940</b>	<b>\$ 5,416,209</b>	<b>\$ (64,298)</b>	<b>\$ (40,215,639)</b>	<b>\$ 9,138,212</b>

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

**DUNNEDIN VENTURES INC.**

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Years ended September 30,	
	2017	2016
<b>Cash provided by /(used in):</b>		
<b>Operating Activities:</b>		
Net loss for the year	\$ (975,418)	\$ (1,357,962)
Items not affecting cash:		
Amortization	108	136
Deferred income tax expense (includes amortization of premium)	13,659	75,306
Stock based compensation	300,421	763,579
Impairment of exploration and evaluation assets	3,578	48,229
Net changes in non-cash working capital items:		
Amounts receivable	(46,925)	(7,114)
Advances and deposits	4,796	(82,069)
Accounts payable and accrued liabilities	1,086,875	(4,747)
	<b>387,094</b>	<b>(564,642)</b>
<b>Investing Activity:</b>		
Exploration and evaluation assets	(3,075,863)	(843,497)
	<b>(3,075,863)</b>	<b>(843,497)</b>
<b>Financing Activity:</b>		
Shares issued for cash, net of share issuance costs (note 8(b))	5,863,195	2,159,870
	<b>5,863,195</b>	<b>2,159,870</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2,193)</b>	<b>26,105</b>
<b>Change in cash and cash equivalents for the year</b>	<b>\$ 3,172,233</b>	<b>\$ 777,836</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>\$ 874,743</b>	<b>\$ 96,907</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 4,046,976</b>	<b>\$ 874,743</b>
<b>Supplemental Information:</b>		
<b>Non-cash investing and financing activities:</b>		
Common shares issued for interest in resource properties valued at quoted market prices on the dates issued	\$ 1,661,000	\$ 132,000
Share issuance costs	\$ 197,812	\$ 100,335
Change in mineral property costs included in accounts payable	\$ 519,580	\$ 161,813

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

## **DUNNEDIN VENTURES INC.**

Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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### **1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN**

The Company was incorporated under the laws of the Province of British Columbia on January 12, 1987. The Company's common shares are trading as a mining issuer on Tier 2 of the TSX Venture Exchange under the trading symbol DVI.

The Company's activities consist of the exploration and development of base, precious metals and diamonds throughout the Americas. The head office and principal address of the Company are located at 1020 – 800 West Pender Street, Vancouver, BC V6C 2V6.

As the Company is in the exploration stage, the recoverability of amounts shown for exploration and evaluation assets and the Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying resource claims, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production or proceeds from the disposition thereof. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts amortized and/or written-off, and do not necessarily represent present or future values.

The Company incurred a net loss of \$975,418 during the year ended September 30, 2017 and, as of that date, the accumulated deficit was \$40,215,639 and expects to incur further losses in the development of its business. While these consolidated financial statements have been prepared with the assumption that the Company will be able to meet its obligations and continue its operations for its next fiscal year, the aforementioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary if the Company were not to continue as a going concern.

#### Statement of Compliance

These consolidated financial statements for the year ended September 30, 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations ("IFRIC") in effect at September 30, 2017. The Company has elected to present the statements of operations and comprehensive loss in a single statement.

The consolidated financial statements of the Company for the year ended September 30, 2017 (including comparatives) have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 25, 2018.

## **DUNNEDIN VENTURES INC.**

Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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

#### *Critical judgments in applying accounting policies*

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the year. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 periods if the revision affects both current and future periods. 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. Additional disclosure of these items is contained in the Note 3(p) of the consolidated financial statements for the year ended September 30, 2017.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### a. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

#### b. Basis of consolidation

These consolidated financial statements include the financial statements of Dunnedin Ventures Inc. and its wholly owned subsidiaries - Minera Ocean Park, incorporated in Mexico, and Solstice Gold Corp. (formerly Dunnedin Gold Inc.), incorporated pursuant to the laws of British Columbia, Canada. All intercompany transactions and balances have been eliminated upon consolidation.

#### c. Foreign currencies

The consolidated financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars. The functional currency of Dunnedin Ventures Inc. and Solstice Gold Corp is the Canadian dollar and Minera Ocean Park is the Mexican Peso.

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### c. Foreign currencies *(continued)*

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are measured at historical cost are translated by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in the statement of operations or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

All gains and losses on translation of foreign currency transactions are charged to the statement of operations. The assets and liabilities of each subsidiary are translated into Canadian dollars using the exchange rate at the reporting date and the operations are translated into Canadian dollars using the average exchange rate for the reporting period. All gains and losses on translation of a subsidiary from its functional currency to the presentation currency are charged to other comprehensive income.

##### d. Financial instruments

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

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

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

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

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### d. Financial instruments *(continued)*

The Company has classified cash and cash equivalents as loans and receivables, amounts receivable as loans and receivables, advances and deposits as loans and receivables, and accounts payable and accrued liabilities as other liabilities.

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

##### *Loans and receivables*

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

##### *Fair Value*

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – fair values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 – fair values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and

Level 3 – fair values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Company's carrying values of cash and cash equivalents, advances and deposits and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of such instruments.

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### d. Financial instruments *(continued)*

###### *Effective interest method*

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

###### *Impairment of financial assets*

Financial assets, other than financial assets at fair value are assessed for indicators of impairment at each period end. 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 asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

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

The carrying amount of all financial assets is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade 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 profit or loss.

###### *Derecognition of financial assets*

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

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

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### d. Financial instruments *(continued)*

###### *Offsetting of financial assets and liabilities*

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

##### e. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. As at September 30, 2017, the cash and cash equivalents consist of \$4,006,976 in cash and \$40,000 in Guaranteed Investment Certificates.

##### f. Mineral properties under exploration

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

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

Where the Company has entered into option agreements to acquire interests in mineral properties that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are recorded as mineral property costs when the payments are made and the share issuances are recorded as mineral property costs using the fair market value of the Company's common shares at the date the counterparty's performance is complete or the issuance date, whichever is more determinable.

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

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

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Reclamation bonds

Cash which is subject to contractual restrictions on use for mineral properties is classified separately as reclamation bonds. Reclamation bonds are classified as loans and receivables.

h. Equipment

Equipment is recorded at historical cost less accumulated amortization and impairment charges. Equipment is depreciated using a declining balance basis over the estimated useful lives of the individual assets.

For the most significant class of property, furniture and equipment, the Company uses an amortization rate of 20%..

Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to an item of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expenses during the period in which they are incurred. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and recognized in profit or loss.

i. Impairment of non-financial assets

At each date of the statement of financial position, the Company's carrying amounts of its assets are reviewed to determine whether there is any indication that those assets maybe impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### i. Impairment of non-financial assets *(continued)*

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

##### j. Provisions, contingent liabilities and assets

###### *General provisions, contingent liabilities and assets*

Provisions are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities arising from present obligations are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

###### *Restoration and environmental rehabilitation provisions*

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

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j. Provisions, contingent liabilities and assets *(continued)*

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

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

k. Income taxes

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

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

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

l. Share Capital

Share capital represents the amount received on the issue of shares, less issuance costs. Deficit includes all current and prior year losses.

*Flow-through common shares*

Canadian tax legislation permits a company to issue flow-through common shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company.

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### l. Share Capital *(continued)*

Upon issuance of flow-through common shares, the fair value of the common shares is recorded as an increase in share capital. Any difference (premium) between the amounts recognized in share capital and the amount paid by the investor is recognized as a flow-through share premium liability and is reversed into earnings at the time the flow-through expenditures have been incurred, net of share issuance costs.

When flow-through expenditures have been incurred and it is the Company's intent to renounce such expenditures, the Company records the tax effect as a charge to profit or loss and an increase to deferred tax liabilities. To the extent that the Company has deferred tax assets that were not recognized in previous periods, a deferred tax recovery is recorded as an offsetting recovery in profit or loss.

##### m. Loss per share

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

##### n. Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where 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 the statement of comprehensive loss/income over the remaining vesting period.

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

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### n. Share-based payments *(continued)*

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

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

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

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

##### o. Comprehensive loss

Comprehensive 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 net profit such as foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive loss, components of other comprehensive loss and cumulative translation adjustments are presented in the statements of comprehensive loss and the statements of changes in equity.

##### p. Significant accounting judgments and estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p. Significant accounting judgments and estimates *(continued)*

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

***Recovery of Capitalized Exploration and Evaluation Expenditure***

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

***Title to Mineral Property Interests***

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

q. Application of new and revised standards

***New standards, interpretations and amendments adopted by the Company***

The Company has adopted IFRS 7 effective October 1, 2015. The adoption of the standards and amendments is not expected to have a material impact on the consolidated financial statements:

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9.

***New standards, interpretations and amendments not yet effective***

The following new standards, interpretations and amendments, which have not been applied in these consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements:

- IFRS 9 – Financial Instruments: New standard that replaced IAS 39 for classification and measurement, effective for reporting periods beginning on or after January 1, 2018.
- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

**DUNNEDIN VENTURES INC.**

## Notes to the Consolidated Financial Statements

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**4. RECLAMATION BONDS**

The reclamation bond is a guaranteed investment certificate held in a financial institution as security for reclamation obligations pursuant to the Mines Act of the Province of British Columbia and Health, Safety and Reclamation Code for Mines in British Columbia. The investment bears the variable interest rate of prime less 2.10% per annum and matures on April 25, 2018. The reclamation bonds relate to the Trapper resource property.

**5. EXPLORATION AND EVALUATION ASSETS**

Summary of the mineral projects' costs by project for the year ended September 30, 2017:

	<b>Trapper (BC, Canada)</b>	<b>Kahuna (NU, Canada)</b>	<b>Total</b>
<b>Acquisition costs:</b>			
Beg balance, September 30, 2016	\$ -	\$ 604,801	\$ 604,801
<b>Additions during the year:</b>			
Claim fees	-	22,990	22,990
Common shares issued	-	1,661,000	1,661,000
Payment to third parties	-	620,000	620,000
<b>Total acquisition costs</b>	<b>\$ -</b>	<b>\$ 2,908,791</b>	<b>\$ 2,908,791</b>
<b>Exploration costs:</b>			
Beg balance, September 30, 2016	\$ -	\$ 1,342,878	\$ 1,342,878
<b>Additions during the year</b>			
Geological consulting (note 7)	3,578	831,251	834,829
Aircraft charter	-	124,195	124,195
Assays	-	973,642	973,642
Exploration support (note 7)	-	231,374	231,374
Fuel	-	390,013	390,013
Impairment of exploration costs	(3,578)	-	(3,578)
<b>Total exploration costs</b>	<b>\$ -</b>	<b>\$ 3,893,353</b>	<b>\$ 3,893,353</b>
<b>Balance, September 30, 2017</b>	<b>\$ -</b>	<b>\$ 6,802,144</b>	<b>\$ 6,802,144</b>

**DUNNEDIN VENTURES INC.**

## Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

**5. EXPLORATION AND EVALUATION ASSETS** *(continued)*

Summary of the mineral projects' costs by project for the year ended September 30, 2016:

	<b>Trapper (BC, Canada)</b>	<b>Kahuna (NU, Canada)</b>	<b>Total</b>
<b>Acquisition costs:</b>			
Beg balance, September 30, 2015	\$ -	\$ 360,260	\$ 360,260
<b>Additions during the year:</b>			
Cash payments	5,000	100,000	105,000
Claim fees	-	12,541	12,541
Common shares issued	-	132,000	132,000
Impairment of acquisition costs	(5,000)	-	(5,000)
<b>Total acquisition costs</b>	<b>\$ -</b>	<b>\$ 604,801</b>	<b>\$ 604,801</b>
<b>Exploration costs:</b>			
Beg balance, September 30, 2015	\$ -	\$ 498,338	\$ 498,338
<b>Additions during the year</b>			
Geological consulting (note 7)	16,412	175,610	192,022
Aircraft charter	18,086	99,693	117,779
Assays	-	343,405	343,405
Personnel (note 7)	1,725	88,967	90,692
Exploration support (note 7)	7,006	136,865	143,871
Impairment of exploration costs	(43,229)	-	(43,229)
<b>Total exploration costs</b>	<b>\$ -</b>	<b>\$ 1,342,878</b>	<b>\$ 1,342,878</b>
<b>Balance, September 30, 2016</b>	<b>\$ -</b>	<b>\$ 1,947,679</b>	<b>\$ 1,947,679</b>

**a. Kahuna Property**

On November 4, 2014, the Company signed an option agreement to acquire a 100% interest in the Kahuna Diamond project located in Nunavut, Canada. Under the terms of the agreement, the Company must make cumulative exploration expenditures on the project totalling \$5,000,000, issue 11,000,000 common shares, and pay \$700,000 over four years. On April 30, 2017, the Company entered into a Letter Agreement where it accelerated its option agreement to acquire a 100% undivided interest in the Kahuna project by paying the remaining cash (\$100,000 upon signing – paid, and \$250,000 upon completion of its financing – paid, and issuing the remaining 4,400,000 common shares - issued. The Company is no longer required to meet the remainder of its previously disclosed \$5 million cumulative exploration expenditures commitment.

The option agreement contained a Royalty Agreement clause which stated the following; In accordance with the terms of the Royalty Agreement, the Kahuna Property is currently subject to two separate two percent (2%) gross overriding royalties on diamonds (each, a "GOR" and together, the "GORs"), and two separate two percent (2%) net smelter return royalties (each, an "NSR" and together, the "NSRs") on all other minerals derived from the Property. Pursuant to the Royalty Agreement, one percent (1%) of each GOR may be purchased by either of the parties for

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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#### 5. EXPLORATION AND EVALUATION ASSETS *(continued)*

##### a. Kahuna Property *(continued)*

\$2 million, and one percent (1%) of each NSR may be purchased by either of the parties for \$2 million.

On December 11, 2015, the Company entered into an agreement with Kel-ex Development ("Kel-ex"), a private company controlled by an advisor to the Company, whereby Kel-ex will provide equity financing equal to one-third of the Company's diamond processing and other laboratory costs incurred through a laboratory controlled by the advisor. The advisor has also agreed to provide certain professional and technical advisory services to the Company, in exchange the Company has granted a right-of-first-refusal to Kel-ex on the sale of its interests in the Kahuna diamond project.

On May 11, 2017, the Company announced it will proceed with its intention to spin out its rights to gold mineralization at the Kahuna Property. The project and rights will be spun out into a wholly-owned subsidiary, pursuant to a Plan of Arrangement, under the Business Corporations Act. The Plan of Arrangement is subject to approval from the TSX-V. Please see note 13 for further details.

##### b. Trapper Property

By agreement dated November 29, 2010 the Company entered into an option agreement (the "Option"), with Constantine Metal Resources Ltd. ("CMR") to acquire a 70% interest in CMR's Trapper Gold Project. Pursuant to the terms of the Option Agreement, the Company paid \$123,800 and issued 10,000 common shares, valued at \$59,000, to CMR. During the year ended September 30, 2012, the Company paid \$21,500 to CMR. During the year ended September 30, 2013 the Company paid \$32,000 and issued 20,000 common shares valued at \$8,000 to CMR which have been capitalized to the resource property and deferred exploration costs as acquisition costs.

On June 28, 2013, the Company's option with CMR to earn a 70% interest in Trapper was terminated and, upon termination, CMR assigned its underlying agreement with the property owner to acquire 100% of the Trapper property to the Company for assignment consideration consisting of:

- (i) Upon completion of the consolidation of the Company's shares, such number of shares as is equivalent to fifteen percent (15%) of the issued and outstanding common shares of the Company (issued 1,250,844 common shares valued at \$125,084)
- (ii) 250,000 shares upon the Company entering into a joint venture in respect of exploration of the property;
- (iii) 250,000 shares on or before August 2, 2014 (issued);
- (iv) 1,000,000 shares upon completion of a National Instrument 43-101 compliant resource estimate on the property, indicating not less than 1,000,000 ounces of gold equivalent; and
- (v) 2,000,000 shares upon completion of a positive feasibility study on the property.

## **DUNNEDIN VENTURES INC.**

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### **5. EXPLORATION AND EVALUATION ASSETS** *(continued)*

##### **b. Trapper Property** *(continued)*

In addition to the consideration above payable to CMR, the Company paid \$50,000 which was the remaining CMR obligations to the property owner and paid CMR the value of 75,000 CMR common shares it owed to the property owner.

The Company issued 10,444 in common shares to finders of this project based on specific performance conditions having been met. During the year ended September 30, 2011, the Company issued 1,533 common shares valued at \$11,653 to these finders. During the year ended September 30, 2012, the Company issued 6,700 common shares valued at \$19,430 to these finders. During the year ended September 30, 2013, the Company issued 630 common shares valued at \$253 to these finders. CMR has the right to participate in any future financing of the Company of up to 5% of the proposed issuance of shares, provided CMR has ownership of at least 5% of the outstanding issued shares of Dunnedin at the time of financing.

The Company granted CMR a 0.5% NSR and a right to acquire an additional 0.5% NSR on commercial production from the property in payment of \$250,000 to the Company. The parties may also jointly purchase 1.5% of the 2.5% NSR that currently exists on the Property in favour of its previous owner, by contributing that portion of \$500,000 that equals each party's relative interest in the Property at the time of the NSR purchase, with a first right of refusal on the remaining 1.5% NSR.

During the year ended September 30, 2017, the Company conducted an impairment assessment of the carrying value of the Trapper Property. Management determined that there is significant uncertainty as to the recoverable amount of the Trapper Property given management's current view of long term gold prices, the lack of success to date in finding economic reserves and the Company's current focus on the exploration and development of its Kahuna diamond project. Management believes that these conditions still exist and as a result, the Company recorded an impairment charge of \$3,578 (2016 - \$48,229) in its Statement of Operations and Comprehensive Loss for the period ended September 30, 2017.

#### **6. FLOW THROUGH SHARE PREMIUM LIABILITY**

Flow through share premium liabilities include the liability portion of the flow through shares issued. The following is a continuity schedule of the liability portion of the flow through shares issuances.

**DUNNEDIN VENTURES INC.**

## Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

**6. FLOW THROUGH SHARE PREMIUM LIABILITY** *(continued)*

	Issued on December 30, 2016	Issued on July 17, 2017	Total
	\$		
<b>Balance at October 1, 2016</b>	-	-	-
Liability incurred on flow through shares issued	17,500	92,750	110,250
Flow-through issuance costs	(1,065)	(38,144)	(37,079)
Settlement of flow through share liability on incurring expenditures	(16,435)	(54,606)	(71,041)
<b>Balance at September 30, 2017</b>	\$ -	-	-

On December 30, 2016, the Company completed a non-brokered private placement of 1,750,000 flow-through common shares at a price of \$0.22 per share for gross proceeds of \$385,000. A premium of \$0.01 per share was received for the flow through shares. As part of the flow-through financing, 140,000 finders' warrants valued at \$23,443 were issued. Share issuance costs relating to the flow through premium liability was \$1,065.

On July 17, 2017, the Company completed a non-brokered private placement of 1,325,000 flow-through common shares at a price of \$0.32 per share for gross proceeds of \$424,000. A premium of \$0.07 per share was received for the flow through shares. As part of the flow-through financing, 1,118,180 finders' warrants valued at \$174,369 were issued. Share issuance costs relating to the flow through premium liability was \$38,144.

As at September 30, 2017, the Company has fulfilled its commitment to incur expenditures in relation to flow through share financing in 2017, and recorded \$84,700 as deferred income tax expense, a net flow-through premium liability of \$110,250 was reversed during the period, and \$160,006 was recorded as other long-term liability to recognize a deferred tax liability (2016 - \$75,306).

**7. RELATED PARTY TRANSACTIONS**

- a) Amounts paid and accrued to key management personnel, officers and companies controlled by directors and officers, and a company having a director and an officer in common:

**DUNNEDIN VENTURES INC.**

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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

	Year ended September 30,	
	2017	2016
Geological fees capitalized to exploration and evaluation assets	\$ 572,324	\$ 245,314
Management fees and directors' fees	\$ 135,000	\$ 133,501
Consulting and property investigation	\$ 18,573	\$ 42,766
Share-based compensation	\$ 124,355	\$ 359,129

During the year ended September 30, 2017, the Company issued 3,300,000 shares valued at \$830,500 and paid \$260,000 to a director in accordance with the Kahuna option agreement.

As at September 30, 2017, \$446,077 (September 30, 2016 – \$95,604) was payable to these companies without terms of interest or repayment.

- b) During the year ended September 30, 2017, the Company incurred \$nil (2016 - \$29,074) in rent to a company with common directors. As at September 30, 2017 \$18,879 (2016 - \$18,879) had been advanced to this company as a security deposit.

**8. SHARE CAPITAL****a. Authorized**

Share capital consists of an unlimited number of common shares and preferred shares without par value. The Company has not issued any preferred shares.

**b. Share Issuances**Issued during the year ended September 30, 2017

On December 21, 2016, the Company issued 2,200,000 common shares to the vendors of the Kahuna property pursuant to the option agreement at a fair value of \$429,000 based on the common share quoted market price.

On December 30, 2016, the Company issued 1,750,000 flow-through common shares at a price of \$0.22 per share for gross proceeds of \$385,000. As part of the financing, 140,000 finders' warrants with a fair value of \$23,443 were issued. The finders' warrants are exercisable at \$0.22 per share for a period of 36 months.

The Company issued 7,076,307 common shares on the exercise of warrants for proceeds of \$758,449, and allocated \$14,068 from reserves to share capital. The Company received an additional \$300,000 in proceeds for warrant exercises for which common shares were issued subsequent to the year ended September 30, 2017 (note 12).

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 8. SHARE CAPITAL *(continued)*

##### b. Share Issuances *(continued)*

The Company issued 100,000 common shares on the exercise of options for proceeds of \$11,000, and allocated \$10,780 from reserves to share capital.

On May 1, 2017, the Company issued 4,400,000 common shares to the vendors of the Kahuna property at a fair value of \$1,232,000 based on the common share quoted market price (note 5). This amount was capitalized to mineral property acquisition costs.

The Company issued 999,000 common shares on the exercise of warrants for proceeds of \$99,900, and allocated \$3,881 from reserves to share capital.

On July 17, 2017, the Company completed a non-brokered private placement of flow-through and non-flow through units for gross proceeds of \$4,571,250. In connection with closing of the private placement, the Company issued 1,325,000 Flow-Through Units at a price of \$0.32 and 16,589,000 Non-Flow-Through Units at a price of \$0.25. Each Flow-Through Unit consists of one common share and one-half-of-one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.40 for a period of twenty-four months. Each Non-Flow-Through Unit consists of one common share and one-half-of-one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.35 for a period of twenty-four months. The share purchase warrants issued as part of the Flow-Through Units and the Non-Flow-Through Units are subject to accelerated expiry in the event the closing price of the common shares of the Company on the TSX Venture Exchange is \$0.55 or greater for twenty consecutive trading days.

Relating to closing of the placement, the Company paid finders' fees of \$285,891 and issued 1,118,180 broker warrants valued at \$174,369, where each broker warrant is exercisable to acquire a common share of the Company at a price of \$0.25 for a period of twenty-four months, subject to accelerated expiry on the same terms as the warrants comprising the Flow-Through Units and the Non-Flow-Through Units.

In the last quarter of fiscal 2017, 3,445,000 warrants were exercised for gross proceeds of \$516,750.

During the year ended September 30, 2017, share issuance costs totalled \$523,788, which consisted of finders' warrants valued at \$197,812 and cash issuance costs of \$325,976. \$38,144 were allocated to flow-through share issuance costs (Note 6).

##### Issued during the year ended September 30, 2016

On November 10, 2015, the Company closed a non-brokered private placement and issued 2,633,332 shares at \$0.06 per share for gross proceeds of \$158,000. Legal fees of \$4,524 were paid as share issuance costs.

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

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#### 8. SHARE CAPITAL *(continued)*

##### b. Share Issuances *(continued)*

On December 21, 2015, the Company issued 2,200,000 common shares to the vendors of the Kahuna property pursuant to the option agreement at a fair value of \$132,000 based on the common share quoted market price. This amount was capitalized to mineral property acquisition costs.

On December 30, 2015, the Company closed the first tranche of its non-brokered private placement for gross proceeds of \$429,640. On closing, the Company issued 2,800,000 non-flow-through units at a price of \$0.05 per unit, and 4,455,997 flow-through units at a price of \$0.065 per unit. Each non-flow through unit and flow-through unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.10 per share for a period of 24 months, subject to acceleration in the event the Company's common shares trade at a price of \$0.15 or higher.

On January 28, 2016, the Company closed the second tranche of its non-brokered private placement and issued 6,700,000 units at \$0.05 per unit for gross proceeds of \$335,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.10 per share for a period of 24 months, subject to acceleration in the event the Company's common shares trade at a price of \$0.15 or higher.

In connection with closing of the first and second tranches of the private placement, the Company paid fees of \$39,708, and issued 365,307 warrants with a fair value of \$14,321, to finders who introduced subscribers to the Company. The finders' warrants are exercisable at \$0.10 per share for a period of 24 months.

On September 2, 2016, the Company closed a non-brokered private placement and issued 13,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,300,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share at \$0.15 for a two-year period. The share purchase warrants will be subject to acceleration at the Company's discretion in the event the Company's common shares trade on a volume-weighted average price basis of \$0.25 per share for a period of 10 consecutive trading days. The Company paid fees of \$51,597, and issued 574,000 finders' warrants with a fair value of \$86,014.

**DUNNEDIN VENTURES INC.**

## Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

**8. SHARE CAPITAL (continued)****c. Warrants**

The number and weighted average exercise prices of warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at September 30, 2015	734,250	\$0.10
Exercised	(999,000)	\$0.10
Expired	(734,250)	\$0.10
Issued to finders	939,307	\$0.13
Issued with units in private placement	19,978,000	\$0.13
Balance as at September 30, 2016	19,918,307	\$0.13
Exercised	(10,521,307)	\$0.10
Expired	(3,000)	\$0.10
Issued with units in private placement	8,294,500	\$0.35
Issued with units in private placement	662,500	\$0.40
Issued to finders	1,258,180	\$0.25
<b>Balance as at Sept 30, 2017</b>	<b>19,609,180</b>	<b>\$0.25</b>

During the year ended September 30, 2017 the Company recorded \$197,812 as share issue costs in connection with the fair value of the warrants granted to finders and the offsetting amount was recognized in reserves.

The fair value of the finders' warrants was estimated at the grant date based on the Black-Scholes option pricing model, using the following assumptions:

	2017	2016
Expected dividend yield	0%	0%
Weighted average risk-free interest rate	1.19%	0.48% - 0.59%
Weighted average expected life	2 year	2 year
Weighted average expected volatility	133%	155% - 166%
Weighted average fair value of warrants granted	\$0.1559	\$0.0392 - \$0.1499

As at September 30, 2016, the outstanding warrants are summarized as follows:

Expiry date (mm/dd/yyyy)	Number of Warrants	Weighted Average Remaining life in years	Weighted Average Exercise Price
09/02/2018	9,394,000	0.92	\$0.15
12/30/2019	140,000	2.50	\$0.22
07/17/2019	8,294,500	1.79	\$0.35
07/17/2019	662,500	1.79	\$0.40
07/17/2019	1,118,180	1.79	\$0.25
	<b>19,609,180</b>	<b>1.38</b>	<b>\$0.25</b>

**DUNNEDIN VENTURES INC.**

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

**8. SHARE CAPITAL** *(continued)***d. Stock Options**

The Company has adopted an incentive stock option plan (the "Option Plan") dated February 27, 2009 which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the then issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors and unless otherwise stated fully vest when granted.

On October 4, 2016, the Company granted 150,000 stock options exercisable at \$0.19 for a period of 5 years. On December 7, 2016, the Company granted 150,000 stock options exercisable at \$0.195 for a period of 2 years. On January 18, 2017, the Company granted 1,260,000 stock options to directors, officers, and consultants of the Company, at an exercise price of \$0.21 for a period of 5 years

The following is a summary of the Company's stock option activity:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance as at September 30, 2015	2,675,000	\$ 0.11
Forfeited	(750,000)	\$ 0.11
Granted	3,700,000	\$ 0.19
Balance as at September 30, 2016	5,625,000	\$ 0.16
Exercised	(100,000)	\$ 0.11
Granted	1,560,000	\$ 0.21
<b>Balance as at September 30, 2017</b>	<b>7,085,000</b>	<b>\$ 0.17</b>

Stock based payments relating to options vested during the year ended September 30, 2017 using the Black-Scholes option pricing model was \$300,421 (2016 - \$763,579), which was recorded as reserves on the statements of financial position and as stock based compensation expense on the statement of operations and comprehensive loss. The associated stock based compensation expense for the options granted during the year was calculated based on the following assumptions:

**DUNNEDIN VENTURES INC.**

## Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

**8. SHARE CAPITAL** *(continued)***d. Stock Options** *(continued)*

	2017	2016
Expected dividend yield	0%	0%
Weighted average risk-free interest rate	1.10%	0.62% - 0.66%
Weighted average expected life	5 year	5 year
Weighted average expected volatility	222%	222%
Weighted average fair value of options granted	\$0.19739	\$0.1882 - \$0.2074

As at September 30, 2017, the Company has outstanding stock options exercisable as follows:

Expiry date (mm/dd/yyyy)	Number of Options and Exercisable	Weighted Average Remaining life in years	Weighted Average Exercise Price
12/07/2018	150,000	1.44	\$0.195
11/12/2019	1,300,000	2.37	\$0.110
05/07/2020	525,000	2.85	\$0.110
08/04/2021	200,000	4.10	\$0.150
09/06/2021	3,500,000	4.19	\$0.190
10/04/2021	150,000	4.27	\$0.190
01/18/2022	1,260,000	4.56	\$0.210
	<b>7,085,000</b>	<b>3.76</b>	<b>\$0.170</b>

**DUNNEDIN VENTURES INC.**

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

**9. INCOME TAXES**

Taxation in the Company and its subsidiaries' operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction. The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2017	2016
Loss before income taxes	(890,718)	\$ (1,282,656)
Tax expense/(recovery) based on statutory rates of 26.00% (2015: 26%)	(232,000)	(333,000)
Non-deductible expenses	135,000	188,000
Other	13,000	(49,000)
Effect of foreign exchange	-	(304,000)
Expiry of loss carry forward	15,000	5,202,000
Change in unrecognized deferred tax assets	153,700	(4,628,694)
Deferred tax expense/(recovery)	84,700	\$ 75,306

The Canadian Federal corporate tax rate is 15.00%, and the British Columbia provincial tax rate is 11.00%. The tax rate of 35.00% represents the federal statutory rate applicable for the 2016 taxation year for the USA, and 30.00% for Mexico.

**Deferred Tax Assets and Liabilities**

No deferred tax asset has been recognized in respect of the following losses and other temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax to be recovered:

	2017	2016
Non-capital losses	\$ 1,570,000	\$ 1,400,000
Un-deducted financing costs	101,000	45,000
Exploration and evaluation assets	332,000	505,000
Unrecognized deferred tax asset	(2,163,006)	(2,025,306)
Net deferred tax assets/(liabilities)	(160,006)	\$ (75,306)

The total Canadian losses that may be carried forward to reduce taxable income derived in future years are \$5,875,000 expiring for the period of year 2027 to 2037.

## DUNNEDIN VENTURES INC.

### Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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#### 10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, reclamation bonds, and accounts payable and accrued liabilities. Cash and cash equivalents, amounts receivable, and reclamation bonds are designated as "loans and receivables". Accounts payable and accrued liabilities are designated as "other financial liabilities".

The carrying value of the Company's amounts receivable, reclamation bonds, accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity.

The Company examines the various financial instrument risks to which it is exposed and assesses any impact and likelihood of those risks. The Company's risk exposures and their corresponding impact on the Company's consolidated financial instruments are summarized below.

**Liquidity risk** is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. As at September 30, 2017, the Company had cash and cash equivalents balance of \$4,046,976 (September 30, 2016 - \$874,743) to settle current liabilities of \$1,781,710 (September 30, 2016 - \$573,655).

The Company intends to finance future requirements from its existing cash reserves together with share issuances, the exercise of options and/or warrants, debt or other sources. There can be no certainty of the Company's ability to raise additional financing through these means.

**Credit risk** is the risk that the counterparty to a financial instrument will fail to meet their payment obligations, thus this risk is primarily attributable to cash and cash equivalents. As at September 30, 2017, the Company had a receivable balance of \$72,811 (September 30, 2016 - \$25,886), \$58,643 of which relates to GST receivable from the Federal Government of Canada; as such the Company believes that its current risk of default of receiving the payment is minimal.

**Interest rate risk** is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2017, the Company does not have any interest-bearing loans or liabilities outstanding. All receivable and payable balances as at September 30, 2017 are current and as such, are not subject to interest.

**Currency risk** relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign currency. As at September 30, 2017, the Company has in US dollars US\$8,512 or C\$10,623 in equivalent (September 30, 2016 – US\$11,058 or C\$14,504 in equivalent). The Company's payables include payables in US\$ of 138,886 or C\$173,330 in equivalent (September 30, 2016 – US\$138,886 or C\$182,177 in equivalent).

## **DUNNEDIN VENTURES INC.**

Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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### **11. CAPITAL DISCLOSURES**

The Company's objective, when managing capital, is to ensure sufficient resources are available to meet day to day operating and exploration requirements and to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has no debt and is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period. In the management of capital, the Company includes the components of shareholders' equity, as well as cash and cash equivalents.

### **12. SEGMENTED INFORMATION**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mineral exploration sector in Canada.

### **13. SUBSEQUENT EVENTS**

On November 20, 2017, the Company appointed Claudia Tornquist, MEng, MBA, as the new President. Ms. Tornquist, a senior-level executive, initially joined Dunnedin as an adviser in 2015 and was appointed to the board of directors in 2016. The Company also announced the appointment of Jeff Ward, PGeo, as Vice-President, exploration, Andrew Berry as Vice-President, operations, and Emily McNie as project geologist. Mr. Ward, Mr. Berry and Ms. McNie have over 30 years of collective experience in Nunavut and a successful record of diamond exploration and discovery.

#### **Letter Agreement between Dunnedin Ventures Inc. and Solstice Gold Corp.**

Subsequent to period end, Dunnedin and Solstice entered into the Kahuna Property Land Transfer and Rights Agreement (the "Agreement") which sets out the terms to which the Company will transfer mineral claims located in Nunavut to Solstice Gold Corp., a newly incorporated company for this transaction ("Solstice") in return for shares which will then be distributed to Dunnedin shareholders by way of the Arrangement. Under the Arrangement, each Dunnedin shareholder will receive one common share in Solstice for every three Dunnedin shares held.

Upon execution of the Agreement, the Company transferred to Solstice:

- a) 100% title and rights to the Transferred Claims (specifically identified in the Agreement);
- b) A 50% undivided interest in and to certain Border Claims (specifically identified in the Agreement)
- c) Ownership of all technical, economic, geological, and other information and data concerning the transferred claims, and the portion of each of the Border Claims over which Solstice has Primary Development Rights (as defined in the Agreement).

## **DUNNEDIN VENTURES INC.**

Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

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### **13. SUBSEQUENT EVENTS** *(continued)*

#### **Letter Agreement between Dunnedin Ventures Inc. and Solstice Gold Corp.** *(continued)*

In each case, the Agreement is free and clear of any and all mortgages, charges, pledges, liens, licences, privileges, security interests, royalties, encumbrances, claims or rights or interest attaching to or affecting property, whether recorded or unrecorded, and whether arising by agreement, statute or otherwise under applicable laws (each an "Encumbrance"), apart from the gross overriding royalties (GORs) and the net smelter return royalties (NSRs).

In consideration for the Transferred Claims, Solstice will issue approximately 34,418,922 (103,256,767/3) common shares to Dunnedin.

Upon execution of the Agreement, the Company granted to Solstice Primary Development Rights ("PDR") in respect of the Transferred Claims and Secondary Development Rights ("SDR") in respect of the Remaining Claims (other than Transferred or Border Claims) and Solstice grants PDR's in respect of the Remaining Claims and SDR's in respect of the Transferred Claims. Border claims are also split into PDR & SDR depending on geographic location.

PDR means the rights of the holder of a mineral claim or other mining right, to amongst other things, conduct exploration, development, and mining on such mineral claims. SDR means having the right to access the mineral claims for the purpose of inspecting the mineral claims and existing work being undertaken on the claims (related only to the SDR's mineral entitlement) and to propose work to the PDR holder, which work may proceed only with the consent of the PDR holder. SDR's terminate on a claim or claims when a PDR holder commences a feasibility study, completes a feasibility study or commences commercial production on the claim or claims.

In all cases of the Agreement, mining rights of Dunnedin shall be limited to diamonds, gemstones and all minerals found within kimberlitic rocks and mining rights of Solstice shall be limited to all other minerals. Mineral claims & rights under the Agreement may be transferred to third parties provided they are bound by the Agreement.

For the full description of the Arrangement, reference should be made to the Company's Information Circular dated November 24, 2017 available on [www.SEDAR.com](http://www.SEDAR.com).