



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2017 AND 2016

(Expressed in Canadian Dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Treasury Metals Inc.

We have audited the accompanying consolidated financial statements of Treasury Metals Inc. and its subsidiaries which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations, other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 judgement, 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 Treasury Metals Inc. and its subsidiaries, as at December 31, 2017 and December 31, 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 the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 2, 2018
Toronto, Ontario

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TREASURY METALS INC.
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)

	December 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 4,654,896	\$ 2,857,583
Accounts receivable and prepaid expenses (Note 5)	<u>584,907</u>	<u>860,697</u>
	5,239,803	3,718,280
Investments (Note 6)	317,242	279,655
Property and equipment (Note 7)	2,335,564	2,368,818
Mineral properties and related deferred costs (Note 8)	<u>70,290,674</u>	<u>65,366,680</u>
	<u>\$ 78,183,283</u>	<u>\$ 71,733,433</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10) & (Note 15)	\$ 1,364,118	\$ 2,671,576
Current portion of long-term debt (Note 11)	23,615	4,902,108
Derivative liability (Note 11)	1,233,779	887,000
Unrenounced flow-through share premium (Note 12)	<u>381,000</u>	<u>753,295</u>
	3,002,512	9,213,979
Long-term debt (Note 11)	4,889,428	70,029
Deferred tax liability (Note 17)	<u>1,466,000</u>	<u>2,412,500</u>
	<u>9,357,940</u>	<u>11,696,508</u>
Shareholders' Equity		
Capital stock (Note 12)	87,238,185	76,917,364
Contributed surplus (Note 13) & (Note 14)	7,824,194	6,101,553
Deficit	(26,232,053)	(22,981,182)
Accumulated other comprehensive loss	<u>(4,983)</u>	<u>(810)</u>
	<u>68,825,343</u>	<u>60,036,925</u>
	<u>\$ 78,183,283</u>	<u>\$ 71,733,433</u>

Nature of Operations and Going Concern (Note 1)
 Commitments and Contractual Obligations (Note 18)

SIGNED ON BEHALF OF THE BOARD

(Signed) "Doug Bache"
 Director

(Signed) "Marc Henderson"
 Director

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	2017	2016
Income		
Other income	\$ 735	\$ 3,838
Realized gain on converted warrants	<u>51,498</u>	<u>-</u>
	<u>52,233</u>	<u>3,838</u>
Expenses		
Administrative, office and shareholder services	\$ 1,311,610	\$ 860,527
Professional fees	1,019,435	340,882
Salary and benefits	911,479	776,185
Stock-based compensation (Note 14)	235,331	493,087
Accretion and amortization of long-term debt transaction costs (Note 11)	938,596	1,035,646
Interest and commitment fees	638,649	754,341
Foreign exchange loss (gain)	(340,088)	294,623
Write-off of investments (Note 6)	65,018	29,084
Loss on debt extinguishment (Note 11)	1,311,635	-
Net gain on debt settlement (Note 11)	-	(390,872)
Fair value change in derivative liability (Note 11)	<u>(1,088,761)</u>	<u>(44,487)</u>
	<u>5,002,904</u>	<u>4,149,016</u>
Loss before income taxes	(4,950,671)	(4,145,178)
Deferred income tax recovery (Note 17)	<u>1,699,800</u>	<u>969,400</u>
Net loss for the year	<u>\$ (3,250,871)</u>	<u>\$ (3,175,778)</u>
Loss per share - basic and diluted	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding	<u>112,014,025</u>	<u>90,214,823</u>

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	2017	2016
Net loss for the year	\$ (3,250,871)	\$ (3,175,778)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income (loss)		
Unrealized gain (loss) on available for sale investments, net of taxes (Note 6)	(69,191)	(3,229)
Reclassification of realized loss and write-off on available for sale investments to income	65,018	29,084
Other comprehensive income (loss) for the year	(4,173)	25,855
Total comprehensive loss for the year	\$ (3,255,044)	\$ (3,149,923)

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2016	82,274,761	\$ 66,784,052	\$ 4,994,160	\$ (19,805,404)	\$ (26,665)	\$ 51,946,143
Units issued for cash in private placements	9,351,905	4,353,700	-	-	-	4,353,700
Flow-through private placements	3,587,117	2,618,595	-	-	-	2,618,595
Share issue costs	-	(521,695)	-	-	-	(521,695)
Issuance of compensation options	-	(60,000)	60,000	-	-	-
Issuance of warrants (Note 12)	-	(644,983)	644,983	-	-	-
Stock options and warrants exercised	2,615,741	1,319,255	-	-	-	1,319,255
Fair value of options and warrants exercised	-	463,065	(463,065)	-	-	-
Shares issued with respect to term loan	220,000	121,000	-	-	-	121,000
Warrants issued with respect to term loan	-	-	50,812	-	-	50,812
Fair value adjustment of warrants	-	-	532,500	-	-	532,500
Fair value adjustment on loan settlement	-	-	(490,872)	-	-	(490,872)
Issued with respect to business acquisition	5,058,859	3,237,670	40,665	-	-	3,278,335
Unrenounced flow-through shares premium	-	(753,295)	-	-	-	(753,295)
Stock-based compensation	-	-	732,370	-	-	732,370
Net loss for the year	-	-	-	(3,175,778)	-	(3,175,778)
Other comprehensive income	-	-	-	-	25,855	25,855
Balance, December 31, 2016	103,108,383	\$ 76,917,364	\$ 6,101,553	\$ (22,981,182)	\$ (810)	\$ 60,036,925
Units issued for cash in private placements (Note 12)	12,400,000	8,060,000	-	-	-	8,060,000
Flow-through private placements (Note 12)	6,350,000	4,254,500	-	-	-	4,254,500
Share issue cash costs (Note 12)	-	(996,107)	-	-	-	(996,107)
Issuance of agent warrants (Note 13)	-	(239,162)	239,162	-	-	-
Issuance of warrants (Note 12) and (Note 13)	-	(1,042,623)	1,042,623	-	-	-
Stock options and warrants exercised (Note 13) and (Note 14)	1,203,115	500,494	-	-	-	500,494
Fair value of stock options and warrants exercised (Note 13) and (Note 14)	-	164,719	(164,719)	-	-	-
Warrants issued with respect to term loan (Note 13)	-	-	279,954	-	-	279,954
Unrenounced flow-through shares premium	-	(381,000)	-	-	-	(381,000)
Stock-based compensation (Note 14)	-	-	325,621	-	-	325,621
Net loss for the year	-	-	-	(3,250,871)	-	(3,250,871)
Other comprehensive loss	-	-	-	-	(4,173)	(4,173)
Balance, December 31, 2017	123,061,498	\$ 87,238,185	\$ 7,824,194	\$ (26,232,053)	\$ (4,983)	\$ 68,825,343

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	2017	2016
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net loss for the year	\$ (3,250,871)	\$ (3,175,778)
Adjustments for:		
Realized gain on converted warrants (Note 6)	(51,498)	-
Deferred income tax recovery (Note 17)	(1,699,800)	(969,400)
Stock-based compensation	235,331	493,087
Write-down of available for sale investments (Note 6)	65,018	29,084
Accretion and amortization of long-term debt transaction costs (Note 11)	938,596	1,035,646
Net gain on debt settlement	-	(390,872)
Gain on debt extinguishment	1,311,635	-
Fair value change in derivative liability	(1,088,761)	(44,487)
Accrued interest on long-term debt (Note 11)	-	206,377
Foreign exchange on long-term debt (Note 11)	(312,446)	298,738
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	275,790	(536,986)
Accounts payable and accrued liabilities	(1,307,461)	1,155,898
	<u>(4,884,467)</u>	<u>(1,898,693)</u>
Financing Activities		
Private placements, net of issue costs (Note 12)	11,318,393	6,450,600
Proceeds from short-term loan (Note 11)	533,139	5,627,574
Repayment of short-term loan and interest	(652,370)	-
Proceeds from related parties short-term loans (Note 11)	-	90,000
Payments to related parties short-term loans (Note 11)	-	(165,000)
Long-term debt repayments (Note 11)	(21,862)	(5,221,863)
Cash cost of debt settlement (Note 11)	-	(100,000)
Stock options and warrants exercised	500,494	1,319,255
Cash transaction costs of long-term debt (Note 11)	(140,284)	(436,266)
	<u>11,537,510</u>	<u>7,564,300</u>
Investing Activities		
Purchase of investments	(55,280)	(124,614)
Net cash used in business acquisition	-	(148,661)
Proceeds from GPM option agreement (Note 8)	150,000	-
Acquisition of property and equipment	(14,972)	(12,188)
Acquisition of mineral properties and related deferred costs	(4,935,478)	(2,867,683)
	<u>(4,855,730)</u>	<u>(3,153,146)</u>
Change in cash and cash equivalents	1,797,313	2,512,461
Cash and cash equivalents, beginning of the year	2,857,583	345,122
Cash and cash equivalents, end of the year (Note 4)	\$ 4,654,896	\$ 2,857,583

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	2017	2016
Supplementary cash flow information		
Changes in non-cash activities:		
Fair value of shares, warrants and options issued for Goldeye acquisition (Note 9)	<u>\$ -</u>	<u>\$ 3,278,335</u>
Fair value of warrants issued for commission on private placement	<u>\$ 239,162</u>	<u>\$ 60,000</u>
Stock-based compensation capitalized to mineral properties and related deferred costs (Note 14)	<u>\$ 90,290</u>	<u>\$ 239,283</u>
Amortization capitalized to mineral properties and related deferred costs	<u>\$ 48,226</u>	<u>\$ 82,274</u>
Issuance of financier warrants (Note 13)	<u>\$ 279,954</u>	<u>\$ 563,312</u>

TREASURY METALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
years ended December 31, 2017 and 2016

1. NATURE OF OPERATIONS AND GOING CONCERN

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario and listed on the Toronto Stock Exchange under the symbol "TML". The address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario, Canada. The mineral properties of Treasury Metals are all located in Canada and are in the exploration stage and, on the basis of information to date, do not yet have economically recoverable reserves. The recoverability of the amounts shown on the balance sheets for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The Company's success depends on the successful development of the properties and corresponding permitting and feasibility study. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources (debt and equity) to fund the Company's planned operations and development of the Goliath Gold Project.

At December 31, 2017, the Company had a working capital of \$3,852,070 excluding the non-cash unrenounced flow-through share premium liability and the derivative liability (2016 – deficiency of \$4,742,404), had cash outflow from operations of \$4,884,467 (2016 - \$1,898,693) has not yet achieved profitable operations, had accumulated losses of \$26,232,053 (2016 - \$22,981,182) and expects to incur further losses in the development of its business, all of which casts significant doubt upon the Company's ability to continue as a going concern.

On April 2, 2018, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2017 and 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee.

Principles of Consolidation

The consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

The consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries Goldeye Explorations Ltd. and Silvereye Explorations Ltd.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Basis of Preparation

These consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its wholly owned Canadian subsidiaries.

The financial statements are prepared on the historical cost basis except for financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

TREASURY METALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
years ended December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting policies set out below have been applied consistently to the years presented in the consolidated financial statements.

Foreign Currency Translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the balance sheet date's exchange rate and non-monetary assets and liabilities at the historical rate. These foreign currency adjustments are recognized in net loss of the consolidated statement of operations.

Cash and Cash Equivalents

The "cash and cash equivalents" category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less or which are cashable without penalty.

Financial Instruments

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value, with any resultant gain or loss recognized in the consolidated statement of operations.

Financial instruments classified as being available for sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income. When these investments are derecognized, the cumulative unrealized gain or loss previously recognized directly in equity is recognized in profit or loss.

The fair value of financial assets classified as FVTPL and available for sale is their quoted bid price at the balance sheet dates.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.

Other financial liabilities are initially measured at fair value, net of transaction costs and any embedded derivatives that are not closely related to the financial liability, with any resulting premium or discount from the face value being amortized to net loss using the effective interest method.

Hybrid financial instruments issued by the Company comprise of a U.S. dollar denominated convertible loan that can be converted into shares of the Company at the option of the holder at a specified conversion rate in Canadian dollars. Due to the loan being denominated in a currency other than the functional currency of the Company the conversion feature is classified as a derivative liability and presented within liabilities. The conversion feature is valued first with the residual being allocated to the host debt component. Related issue costs are allocated to each of the components on a relative fair value basis.

Transaction costs associated with FVTPL financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and financial liabilities are included in the initial carrying amount of the asset or liability.

Impairment losses for the different financial assets and liabilities are recognized as follows:

TREASURY METALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
years ended December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available for sale financial assets ("AFS"): When a decline in the fair value, including a significant or prolonged decline in value, of an available for sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Any further significant or prolonged decline in the fair value of these AFS investments, after an impairment loss is recognized, will be automatically considered to be further impairments to be recognized in profit and loss. Increases in value from the current carrying amount will be recognized in other comprehensive income. Impairment losses on AFS financial assets are not reversed.

Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial asset and financial liability of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets at FVTPL.

Classifications of these financial instruments are as follows:

Cash and cash equivalents	Loans and Receivables
Accounts receivable	Loans and Receivables
Investments – Equity Instruments	AFS
Investments - Warrants	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative liability	FVTPL

Property and Equipment

i) Assets owned by the Company

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Useful life is reviewed at the end of each reporting period.

(ii) Leased assets

Assets financed by finance lease contracts, in terms of which the Company assumes substantially all the risks and rewards of ownership, are capitalized at the lower of the present value of future minimum lease payments and fair value and the related debt is recorded in the liabilities section of the consolidated balance sheet. These assets are depreciated on a straight-line basis over their estimated useful life. Amortization expenses on assets acquired under such leases are included in mineral properties and related deferred costs if directly related to mineral properties.

TREASURY METALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
years ended December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) Subsequent costs

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the statement of operations as an expense as incurred.

iv) Amortization

Amortization is calculated on straight-line and declining balance basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives in the current and comparative year are as follows:

Building	4% Declining balance
Furniture and equipment	20% Declining balance
Vehicles under finance lease	Straight line over five years
Other vehicles	Straight line over five years

Mineral Properties and Related Deferred Costs

The Company defers exploration and evaluation expenditures until such time as technical and economic feasibility is reached and the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. Capitalized expenditures include all the costs incurred in exploration and evaluation of potential mineral reserves and resources, such as exploratory drilling and sample testing and the costs of prefeasibility studies. Exploration expenditures are related to the initial search for deposits of minerals with economic value. Evaluation expenditures are related to the detailed economic assessments of identified deposits that are potentially economically viable.

Impairment

The Company continually reviews and evaluates the events or changes in the economic environment that indicates a risk of impairment of assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash generating unit ("CGU") level which is the smallest identifiable group of asset that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of an asset's fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Provisions

A provision is recognized on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

TREASURY METALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
years ended December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Acquisition / Business Combination

In accordance with *IFRS 3 - Business Combination*, a transaction is recorded as a business combination if the significant assets, liabilities, or activities are assumed constitute a business. A business is defined as an integrated set of activities and assets, capable of being conducted and managed for the purpose of providing a return, lower costs, or other economic benefits. Where there are no such integrated activities, the transaction is treated as an asset acquisition. The acquisition of Goldeye Explorations Limited as further described in Note 9 was recorded as an asset acquisition whereby the cost of the net assets acquired was allocated to the fair value of the identifiable assets acquired and liabilities assumed.

Deferred Taxes

Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

- Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.
- Current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Units Issuance

From time to time, the Company may issue Units as a means of raising capital. Ordinarily, each Unit contains one common share of the Company and a whole, or fraction of, a share purchase warrant. The Company allocates the proceeds from each unit to the common share and warrant components based on their relative fair value using the Black-Scholes pricing model. Transaction costs arising on the issue of Units are recognized in equity as a reduction of the proceeds allocated to issued capital and warrants on a prorata basis.

Flow-through Shares

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

The Company may enter into flow-through share agreements whereby the Company agrees to transfer the rights to income tax deductions related to exploration expenditures to the flow-through shareholders. The premium, if any, paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issuance is excluded from share capital and recorded as a flow-through share premium liability on the balance sheet statement. The Company reduces its flow-through share premium on renunciation.

TREASURY METALS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
years ended December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the Company fulfills its obligation to pass on the tax deduction to the shareholders, the amount recorded as unrenounced flow-through share premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

Stock-based Compensation

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized as a charge to net loss or mineral property and related deferred costs over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from stock-based payment is transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

Earnings (Loss) per Share

Basic earnings (loss) per share amounts are calculated by dividing net profit (loss) for the period attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of December 31, 2017 and 2016.

Segmental Reporting

The Company presents and discloses segmental information based on information that is regularly reviewed and evaluated by the chief operating decision maker.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

Environment Rehabilitation Provision

The Company's activities could give rise to obligations for environmental rehabilitation which can include facilities dismantling, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are charged to the cost of the project. No environmental rehabilitation provision is recorded by the Company as at December 31, 2017 and 2016.

Accounting Standards Issued but not yet Effective

At the date of authorization of these financial statements, the IASB has issued the following standard which is not yet effective for the relevant reporting period.

IFRS 9 Financial Instruments was issued in July 2014, and is intended to replace *IAS 39, Financial Instruments: Recognition and Measurement* and uses a single approach to determine whether a

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRS 16 Leases was issued in January 2016 and replaces *IAS 17 Leases*. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if *IFRS 15, Revenue from Contracts with Customers*, is also applied. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRIC 23 Uncertainty over income tax treatments was issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. The Company is currently analyzing the potential effects of adopting this standard on its financial statements.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Impairment in mineral properties and related deferred costs - Management uses significant judgment in determining whether there is any indication that mineral properties and related deferred costs may be impaired.

Measurement of impairment in available-for-sale financial assets - The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statements of operations. The impairment loss recognized in the statements of operations is a reclassification of unrealized losses resulting from decline in fair value previously recorded in other comprehensive loss.

Significant or prolonged decline is defined by management as a decline in fair value of at least 50% below original cost or a decline in fair value below original cost for at least 24 months.

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3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Acquisition method accounting - in the acquisition of Goldeye Explorations Ltd. ("Goldeye"), significant judgement was required to determine if that transaction represented a business combination or an asset purchase. More specifically, management concluded that Goldeye Explorations Ltd. did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill generated on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed.

Debt modification - From time to time, the Company pursues amendments to its credit agreements based on prevailing market conditions. Such amendments, when completed, are considered by the Company to be debt modifications or extinguishments. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability and amortized over the remaining term of the liability. If the modification is substantially different then the transaction is accounted for as an extinguishment of the old debt instrument with a gain/loss to the carrying amount of the liability being recorded in the consolidated statements of operations immediately. Also, the transaction costs related to the debt extinguishment are recorded in the profit and loss accounts.

Stock-based compensation, warrants and derivative liabilities - The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the stock-based payments, warrants and derivative liabilities. The Company uses significant judgement in the evaluation of the input variables in the Black-Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life, expected dividend yield.

Flow-through shares – The Company may issue flow through shares to fund a portion of its capital expenditure program. Pursuant to the terms of the flow through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow through shares issued and the value that would have been received for common shares with no tax attributes is initially recognized as a liability. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation and the difference is recognized as a deferred tax expense.

Deferred income taxes - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

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3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Equity vs. Liability - The Company makes estimates and utilizes assumptions in determining whether warrants issued by the Company as part of a unit should be classified as an equity instrument or a liability.

Going Concern - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	December 31, 2017	December 31, 2016
Cash	\$ 4,594,896	\$ 1,610,427
Funds in trust (i)	-	1,202,156
Cashable GIC	60,000	45,000
	\$ 4,654,896	\$ 2,857,583

(i) This account corresponds to the funds held by the trustee regarding the private placement closed on December 21, 2016.

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	December 31, 2017	December 31, 2016
Advances to consultants	\$ 240,605	\$ 281,902
Prepaid expenses and other advances	170,361	250,591
Harmonized sales tax	165,895	285,509
Due from Laramide Resources Ltd. (Note 15)	-	23,341
Due from Forrester Metals Inc. (Note 15)	8,046	19,354
	\$ 584,907	\$ 860,697

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6. INVESTMENTS

The Company's investments in shares are classified as available for sale ("AFS") and the warrants are classified as fair value through profit and loss ("FVTPL") investments, both are carried at fair value. The balance is comprised of the following:

	Number of Shares	December 31, 2017	Number of Shares / Warrants	December 31, 2016
Forrester Metals Inc. - Shares (i)	-	\$ -	1,930,600	\$ 106,348
Zinc One Resources Inc. - Shares (i)	552,036	237,375	-	-
Goldgroup Mining Inc. - Shares	377,775	18,889	377,775	47,222
Millrock Resources Inc. - Shares	217,778	60,978	217,778	102,356
Total AFS investments		317,242		255,926
Forrester Metals Inc. - Warrants	-	-	1,105,600	23,729
Total FVTPL investments	-	-	-	23,729
Total Investments		\$ 317,242		\$ 279,655

(i) In the second quarter of 2017, the Company exercised the 1,105,600 warrants of Forrester Metals Inc. ("Forrester"). In June 2017, Zinc One Resources Inc. ("Zinc One") acquired all of the issued and outstanding shares of Forrester; as a result of this transaction each shareholder of Forrester received one share of Zinc One for every 5.5 shares of Forrester. The Company had 3,036,200 shares of Forrester at the date of that transaction and exchanged them for 552,036 shares of Zinc One.

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2017	\$ 1,456,092	\$ 1,061,062	\$ 147,075	\$ 125,107	\$ 2,789,336
Additions	-	-	14,972	-	14,972
At December 31, 2017	\$ 1,456,092	\$ 1,061,062	\$ 162,047	\$ 125,107	\$ 2,804,308
Accumulated amortization					
At January 1, 2017	\$ -	\$ (197,624)	\$ (97,787)	\$ (125,107)	\$ (420,518)
Amortization for the year	-	(34,536)	(13,690)	-	(48,226)
At December 31, 2017	\$ -	\$ (232,160)	\$ (111,477)	\$ (125,107)	\$ (468,744)
Net book value at December 31, 2017	\$ 1,456,092	\$ 828,902	\$ 50,570	\$ -	\$ 2,335,564

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7. PROPERTY AND EQUIPMENT (Continued)

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2016	\$ 1,456,092	\$ 1,061,062	\$ 97,344	\$ 125,107	\$ 2,739,605
Additions	-	-	49,731	-	49,731
At December 31, 2016	\$ 1,456,092	\$ 1,061,062	\$ 147,075	\$ 125,107	\$ 2,789,336
Accumulated amortization					
At January 1, 2016	\$ -	\$ (161,648)	\$ (54,630)	\$ (121,966)	\$ (338,244)
Amortization for the year	-	(35,976)	(43,157)	(3,141)	(82,274)
At December 31, 2016	\$ -	\$ (197,624)	\$ (97,787)	\$ (125,107)	\$ (420,518)
Net book value at December 31, 2016	\$ 1,456,092	\$ 863,438	\$ 49,288	\$ -	\$ 2,368,818

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As of December 31, 2017 and 2016, the accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance January 1, 2017	Additions net of recoveries (i)	Balance December 31, 2017
Goliath Gold Project	\$ 60,710,377	\$ 4,862,836	\$ 65,573,213
Weebigee Project	3,990,179	(129,047)	3,861,132
Lara Polymetallic Project - BC	666,124	190,205	856,329
	\$ 65,366,680	\$ 4,923,994	\$ 70,290,674

(i) During 2017, \$150,000 was received as per the option agreement with GPM which was credited to the cost of the Weebigee project. More detail is described below in the Weebigee Project section.

	Balance January 1, 2016	Additions/ (Write-off)	Balance December 31, 2016
Goliath Gold Project	\$ 57,720,987	\$ 2,989,390	\$ 60,710,377
Weebigee Project	-	3,990,179	3,990,179
Lara Polymetallic Project - BC	505,686	160,438	666,124
	\$ 58,226,673	\$ 7,140,007	\$ 65,366,680

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8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Goliath Gold Project

The Goliath Gold Project is located in the Kenora Mining Division in north-western Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

The Goliath Gold Project consists of 126 contiguous unpatented mining claims (238 units) and 23 patented land parcels. The Company converted 11 mining claims into 3 mining leases during 2016 resulting in the decrease of the mining claims from 137 to 126. The total area of the project is approximately 5,049 hectares (~50 km²) covering portions of Hartman and Zealand townships. The project comprises three historic properties which are now consolidated into one property: the larger Thunder Lake Property, purchased from Teck Resources ("Teck") and Corona Gold Corporation ("Corona") and the Laramide Property, transferred to the Company from Laramide Resources Ltd. ("Laramide"). The project area has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 13 of the 23 patented land parcels totaling approximately \$105,000 per year.

On October 21, 2014, the Company filed its Environmental Impact Statement ("EIS") with the Canadian Environmental Assessment Agency ("CEAA") and on April 25, 2015, the CEAA confirmed that the EIS conforms to its guidelines. As a result, the Project moved into the public comment period and technical reviews by various federal agencies.

On June 30, 2015, CEAA submitted a series of Information Requests and comments back to the Company as part of their technical review process of the EIS. The Company has reviewed the requests and comments and is working to compile replies to these Information Requests.

In 2016, the Company was engaged in a drilling program to convert the underground "Inferred" category resources to the "Indicated" category within the main resource area. At December 31, 2016 a 12,000 metre drilling was completed. At the same time, the Company continued to work on the Information Request responses, as part of the Federal Government of Canada's Environmental Impact Statement ("EIS") review. An updated Preliminary Economic Assessment ("PEA") was completed and the results announced in March 2017.

The Goliath Gold Project comprises three underlying properties: the Laramide Property, Thunder Lake Property and the Brisson Property.

Laramide Property, Ontario

In 2007, the Company acquired from Laramide Resources Ltd., a related party company, a 100% interest in certain parcels of land, including surface and mineral rights totaling 411 acres in 3 patented land parcels, located in Zealand Township near Dryden, Ontario (collectively the "Laramide Property"). This interest is subject to a 2.0 - 2.5% net smelter returns ("NSR") retained by the owners.

Thunder Lake Property, Ontario

In 2007, the Company and Laramide Resources Ltd. finalized and signed an agreement pursuant to which, Treasury Metals purchased 100% of Corona's and Teck's respective interests in the Thunder Lake West, Thunder Lake East and certain adjacent properties in and around Dryden, Ontario (collectively the "Thunder Lake Property").

Brisson Property, Ontario

In December 2009, the Company acquired a 100% interest in certain parcels of land in the District of Kenora. Under the terms of the agreement, the Company made option payments totaling \$100,000 and issued common shares of the Company equal to \$100,000 based on the market price at the date of issue.

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8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide Resources Ltd. a 100% interest in the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project comprises 59 mineral claims covering approximately 6,392 hectares (~64 km²) at December 31, 2017.

The Company is committed to a 1.0% NSR, held by Argus Metals Corp. (formerly Bluerock Resources Ltd) on 8 of the mineral claims, historically known as the Chemainus claims, located on Vancouver Island.

In early 2011 the annual mining leases on a significant portion of the property were not renewed. As a consequence, the estimated non-recoverable costs associated with this project were written off in 2010. At present, the Company has renewed the mining leases of the most significant areas of this property. The 2017 expenditures of \$190,205 (2016 - \$160,438) are mainly related to the property renewals; there was no work done on the property.

Goldeye Explorations

On November 24, 2016, the Company closed the acquisition of all of the issued and outstanding common shares of Goldeye Explorations Limited ("Goldeye") a public company that holds certain properties. The details of the acquisition are disclosed in Note 9.

The Company acquired the following projects from Goldeye:

- Weebigee Project
- Van Hise Project – Larder Lake Mining Division, Ontario.

All of the consideration in Note 9 has been allocated to the Weebigee Project. The Company decided the no renewal of the Van Hise Project claims which expired in July 2017. Van Hise was neither considered a strategic nor valuable project at the time of the Weebigee acquisition transaction; therefore, no charge to operations has been recorded by the Company.

Weebigee Project

The Weebigee Project is located near Sandy Lake, north of Red Lake in Northwestern Ontario. The Company holds a 100% interest in the property, which comprises 225 claims. Certain claims are subject to a 2% net smelter return ("NSR") that is held by a former director of Goldeye. On November 12, 2013, the Company entered into an exploration agreement with Sandy Lake First Nations ("SLFN") with respect to the Company's exploration of the Weebigee Project. This exploration agreement was renewed for a two-year period on the same terms commencing on November 12, 2014 and again on November 12, 2016. All claims are in good standing until 2018 or later.

On April 15, 2015, Goldeye entered into an option agreement (the "GPM Option Agreement") with GPM Metals Inc. ("GPM") whereby GPM has an option to earn a 50.1% interest in the Weebigee Project by paying a total of \$550,000 in cash (\$50,000, \$100,000 and \$150,000 received in 2015, 2016 and 2017, respectively) and \$25,000 in shares (issued in 2015) to Goldeye over a period of four years. GPM must also complete a minimum of \$5,000,000 in exploration expenditures over a four-year term. In addition, if the first option is exercised, GPM will have the option to earn an additional 19.9% interest by either funding a bankable feasibility study, or at GPM's option, paying Goldeye an additional \$1,500,000 in cash and completing a minimum additional \$3,000,000 in exploration expenditures over the next two years. This option agreement is subject to the terms of the exploration agreement signed between Goldeye and GPM on November 12, 2013.

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8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Subsequent to the GPM Option Agreement, GPM with support and assistance from Goldeye, staked additional claim units (the "Additional Interest") at Weebigee. On September 3, 2015, Goldeye elected, pursuant to the GPM Option Agreement to have the Additional Interest included as part of the Weebigee property. Goldeye tendered to GPM the amount required to pay for its share of the costs of the Additional Interest but GPM refused to accept the payment on the purported ground that Goldeye had forfeited its rights to the Additional Interest due to untimely payment of such amount. In July 2016, GPM sold its interest in the Weebigee property to Sandy Lake Gold Inc.

In September 2016, the Company served Sandy Lake with a notice of arbitration claiming that the force majeure declared by Sandy Lake was not valid; that Sandy Lake had not properly met the contracted spending requirements; and, that the Company had properly met its obligations for acquiring 50% of the Additional Interest which Sandy Lake had staked on contiguous property to Weebigee. The Company commenced an arbitration against Sandy Lake Gold Inc. ("SLG") asserting, among other things, that Goldeye had made a proper election respecting additional staked mining claims pursuant to the terms of the Option Agreement. Goldeye contested SLG's declaration of an Event of Force Majeure on July 27, 2016 including how that impacted the deadline for SLG's year 2 expenditures. Goldeye also asserted that many of SLG's claimed expenditures for year 1 were not eligible as exploration expenditures under the Option Agreement. An arbitral panel was appointed. By decision dated September 14, 2017, the panel determined that an Event of Force Majeure existed from July 27, 2016 until June 7, 2017. SLG brought a subsequent motion respecting the deadline for its year 2 spending requirements. The panel found in favour of SLG determining that SLG has until June 28, 2018 to make the required expenditures in order to keep the option alive.

The remaining issues in dispute were the subject matter of a hearing in February 2018. A decision has not yet been released. During the course of the above-described arbitration, SLG brought a counterclaim against Goldeye for \$2,000,000 plus pre-judgment and post-judgment interest and costs on a full indemnity basis for breach of contract, including breach of certain representations, warranties, and covenants. No further steps have been taken by SLG to advance the counterclaim so full discovery has not yet taken place. Accordingly, no amounts have been recorded in the consolidated financial statements related to this matter.

Gold Rock Project, Kenora Mining Division, Ontario

The Company's 100% owned Gold Rock Project is located near Dryden, Ontario and comprises two properties, the Gold Rock property, consisting of 20 claims and the Thunder Cloud property consisting of 1 claim. All claims at the Gold Rock Project are in good standing until November 2018 with the exception of the claim at Thunder Cloud property, which is in good standing until August 2019.

West Shining Tree Project – Larder Lake Mining Division, Ontario

The West Shining Tree Project consists of 53 claims in Fawcett, Leonard, MacMurchy and Tyrell townships, near Timmins in Northeastern Ontario. 52 of the claims are 100% owned by Goldeye and 1 claim is 50% owned by Goldeye and 50% owned by third parties. All claims are in good standing until December 2019. The property is subject to NSR ranging from 2% to 3% on certain claims in this area. On August 6, 2014, Goldeye received \$30,000 from Creso Resources Inc. ("Creso") as settlement towards the dispute relating to Creso's termination of an option agreement on February 1, 2012. The option agreement was originally entered into in January 2010 whereby the Company optioned up to 75% of 23 claims in Tyrrell Township in the Shining Tree Project to Creso.

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8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Other Goldeye Interests

The Company has also the following NSR interests which are held by Goldeye:

- Sonia-Puma NSR – Region V, Chile;
- McFaulds Lake NSR – Thunder Bay Mining Division, Ontario; and,
- MacMurphy Township NSR – Larder Lake Mining Division, Ontario

9. ACQUISITION OF GOLDEYE EXPLORATIONS LIMITED

On November 24, 2016, the Company closed the acquisition of all of the shares of Goldeye, a public company that holds the Weebigee Project. In accordance with IFRS 3, *Business Combinations*, this transaction does not meet the definition of a business combination as the assets acquired are not an integrated set of activities with inputs, processes and outputs.

The purchase price of \$3,568,390 was allocated to the assets acquired and the liabilities assumed with financial instruments recorded at fair value and other non-financial assets and liabilities recorded at their relative fair values. The Company issued 5,058,859 common shares in exchange for all of the issued and outstanding common shares of Goldeye; in such a way, each former shareholder of Goldeye received 0.10 ("the exchange ratio") of one common share of the Company. After this issuance, the Company has 99,491,974 shares issued and outstanding, with former Goldeye shareholders holding approximately 5% on an undiluted basis. The Company has also authorized the issuance of up to 456,780 common shares upon the exercise of the Goldeye 1,085,000 options and 3,482,000 warrants outstanding prior to completion of the acquisition multiplied by the exchange ratio. The options and warrants were valued using the Black-Scholes option pricing model (see Note 13 and Note 14). The convertible loan payable by Goldeye relates to a \$150,000 convertible debenture for interim working capital needs issued to Goldeye prior to the close of the acquisition. The loan bore interest at 8% per annum and was convertible into Goldeye shares at a price of \$0.055 per share at any time prior to the closing of the acquisition. In addition, the Company incurred costs related to the acquisition of \$137,260.

Details of the acquisition are as follows:

Consideration

Fair value of 5,058,859 shares issued in exchange for 50,588,590 Goldeye common shares outstanding	\$ 3,237,670
Fair value of 108,500 options in exchange for 1,085,000 Goldeye options	16,413
Fair value of 348,280 warrants in exchange for 3,482,800 Goldeye warrants	24,252
Convertible loan payable by Goldeye	152,795
Transaction costs	137,260
Total consideration	<u>\$ 3,568,390</u>

Fair Value of Net Assets Acquired

Cash and cash equivalents	\$ 141,394
Accounts receivable and prepaid expenses	23,192
Equipment	4,668
Investments	93,645
Mineral properties and related deferred costs	3,983,641
Accounts payable and accrued liabilities	(678,150)
Total net assets acquired	<u>\$ 3,568,390</u>

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	December 31, 2017	December 31, 2016
Trade accounts payable	\$ 911,391	\$ 2,166,955
Accrued liabilities	424,208	444,020
Taxes and payroll deductions payable	19,310	60,601
Due to Laramide Resources Ltd. (Note 15)	9,209	-
	\$ 1,364,118	\$ 2,671,576

11. LONG-TERM DEBT

The present value of the long-term debt at December 31, 2017 and 2016 is as follows:

	Convertible Debt Tranche 1	Convertible Debt Tranche 2	Mortgage	Total Debt December 31, 2017
Loan amount	\$ 2,759,900	\$ 2,759,900	\$ 71,897	\$ 5,591,697
Unaccreted amount	(339,327)	(339,327)	-	(678,654)
Carrying value of the debt	2,420,573	2,420,573	71,897	4,913,043
Current portion of the debt	-	-	(23,615)	(23,615)
Long-term debt	\$ 2,420,573	\$ 2,420,573	\$ 48,282	\$ 4,889,428

	Debt	Convertible Debt	Other debts and Mortgage	Total Debt December 31, 2016
Loan amount	\$ 2,953,940	\$ 2,953,940	\$ 211,515	\$ 6,119,395
Unamortized transaction costs	(341,899)	(372,247)	-	(714,146)
Unaccreted amount	-	(433,112)	-	(433,112)
Carrying value of the debt	2,612,041	2,148,581	211,515	4,972,137
Current portion of the debt	(2,612,041)	(2,148,581)	(141,486)	(4,902,108)
Long-term debt	\$ -	\$ -	\$ 70,029	\$ 70,029

Convertible Debt

On June 17, 2016, the Company closed a long-term loan agreement for US\$4.4 million (CAD\$5.9 million) with Loinette Company Leasing Ltd. ("Loinette" or "Tranche 1") and Extract Lending LLC and Extract Capital Master Fund Ltd. ("Extract" or "Tranche 2"). Loinette and Extract each contributed US\$2.2 million (CAD\$2.95 million) of the loan. The proceeds were used in the repayment of the existing RMB Resources Inc. ("RMB") loan, the advancing of the Goliath Gold Project, and for general corporate purposes.

The terms set out in the loan agreement are as follows:

- The loan matures 15 months from the closing date.
- The Extract portion of the loan may be converted at Extract's option, in part or in full, at any time, into common shares of the Company at \$0.588 per share.

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11. LONG-TERM DEBT (Continued)

- The annual interest rate on the Extract portion is the 12-month LIBOR plus 8.5% and on the Loinette portion is the 12-month LIBOR plus 9%. Minimum LIBOR is set at 2%. The interest is payable monthly, in arrears.
- The Facility is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath Gold Project property, land, and mining claims in Kenora.
- An arrangement fee of US\$175,000 (CAD\$225,365) was paid from the proceeds on the closing date.
- The Company issued 220,000 common shares of the Company to the lenders.
- Extract received 250,000 warrants with an exercise price of CAD\$0.94 per common share valid for three years.
- The Company assigned to the lenders 3.0 million warrants previously owned by RMB which were subsequently extended by 12 months from their initial maturity. As a result of their expiry date extension, the fair value of the warrants has increased by \$532,500 which was included as transaction cost of financing.
- The Company will provide the lenders a production fee of US\$10 (CAD\$13.43) per each ounce of gold and US\$0.125 (CAD\$0.17) per each ounce of silver produced from the Goliath Project ("Production Fee"). The Company shall have the option to repurchase the Production Fee. The repurchase price varies from US\$750,000 (CAD\$1,007,025) if the loan is repaid after six months from the closing date and on or before the maturity date, or US\$1.0 million (CAD\$1.34 million) if the loan is repaid after the maturity date. Notwithstanding the forgoing, during the first nine months of the term loan, the Company had the option to repurchase the Production Fee for US\$350,000 while any indebtedness remains outstanding under the term loan. In the first quarter of 2017 the Company repurchased the Production Fee for US\$350,000 (CAD\$470,783) which has been capitalized in the mineral properties and related deferred costs account.

On June 7, 2017, a loan extension agreement was closed extending the maturity of both tranches to April 2, 2019, from September 20, 2017. Pursuant to the terms of the extension, US\$2.2 million (CAD\$2.8 million) of the Tranche 1 loan is convertible, at the election of the lenders, into common shares of the Company at a conversion price fixed at CAD\$0.90 per common share. Pursuant to the terms of the Loan Extension, the applicable interest rate in respect of Tranche 2 has been reduced to LIBOR (minimum 200 basis points) plus 6.5% from 9%.

The Tranche 2 principal amount of US\$2.2 million (CAD\$2.8 million) of the term loan continues to be convertible into common shares at a price equal to CAD\$0.588 per common share and have no further amendments.

As consideration for entering into the loan extension, the Company paid the lenders the following:

- (a) a total extension fee of US\$88,000 (CAD\$118,730) for both tranches in consideration for an extension to the maturity date,
- (b) US\$14,000 (CAD\$18,889) for Tranche 1 loan in connection with the reduction to the applicable interest rate; and
- (c) issue to the lenders of both tranches an aggregate of 1 million common share purchase warrants, entitling the lenders to purchase common shares as set out below:
 - Issuance an aggregate of 300,000 warrants on the closing date for a period of 3 years, to purchase a common share at an exercise price of the lesser of CAD\$0.75 per share or 20% above the value weighted average price of the shares for the 20 immediately preceding days for a period of 3 years from issuance;

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11. LONG-TERM DEBT (Continued)

- Issuance an aggregate of 400,000 warrants on the closing date for a period of 3 years, to purchase a common share at an exercise price of the lesser of CAD\$0.80 per share or 35% above the value weighted average price of the shares for the 20 immediately preceding days for a period of 3 years from issuance; and
- Issuance an aggregate of 300,000 warrants on the closing date for a period of 18 months, to purchase a common share at an exercise price of CAD\$0.77 per share.

Yearly activity of debt - Tranche 1	December 31, 2017	December 31, 2016 (i)
Beginning balance - Debt portion	2,612,041	2,277,551
Beginning balance - Convertible portion	-	-
Carrying value of financial instruments (ii)	2,612,041	2,277,551
Amortized transaction costs	212,963	265,104
Foreign exchange adjustment	14,718	69,386
Carrying value prior to amendment	2,839,722	2,612,041
Loss on extinguishment (iii)	331,720	-
Fair value of new debt instrument	3,171,442	2,612,041
Accretion	\$ 122,499	\$ -
Changes in fair value	(372,237)	-
Foreign exchange adjustment	(175,095)	-
Convertible debt balance - Tranche 1 at December 31	\$ 2,746,609	\$ 2,612,041

Balance of liability component of convertible debt-Tranche 2	December 31, 2017	December 31, 2016 (i)
Beginning balance - Debt portion	\$ 2,148,581	\$ 1,465,383
Beginning balance - Convertible portion	887,000	931,487
Carrying value of financial instruments (ii)	3,035,581	2,396,870
Amortized transaction costs	225,050	276,692
Accretion	261,846	321,934
Changes in fair value	(128,757)	(44,487)
Foreign exchange adjustment	15,285	84,572
Carrying value prior to amendment	3,409,005	3,035,581
Loss on extinguishment (iii)	559,676	-
Fair value of new debt instrument	3,968,681	3,035,581
Accretion	122,499	-
Changes in fair value	(587,767)	-
Foreign exchange adjustment	(175,097)	-
Convertible debt balance - Tranche 2 at December 31	\$ 3,328,316	\$ 3,035,581

(i) The year 2016 column discloses a shorter period than a year because the beginning date of the loan agreement is June 17, 2016.

(ii) The financial instrument is composed of the debt and convertible portions for each of Tranche 1 and 2.

(iii) Does not include transaction costs incurred on amendment of \$420,238.

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11. LONG-TERM DEBT (Continued)

Due to the amendment being considered an extinguishment of debt under IFRS, the new debt instrument was recorded at fair value on the amendment date.

The fair value of the debt component upon issuance was \$1,833,064 for Tranche 1 and \$1,833,064 for Tranche 2, based on a market borrowing rate of 19.31%

Due to the loans being denominated in U.S. dollars, the conversion feature has been presented as a derivative liability, and upon issuance was assigned a fair value of \$698,223 for the Tranche 1 and \$1,495,511 for the Tranche 2, using the Black-Scholes option pricing model with the following assumptions: share price \$0.67, dividend yield 0%, expected volatility, based on historical volatility of 77.5%, a risk free interest rate of 0.71% and an expected life of 22 months for both tranches. The cash and non-cash transaction costs were expensed through profit and loss. The effective interest rate of the Tranches 1 and 2 are both 18.5%.

As at December 31, 2017, the derivative liability of the Tranche 1 was assigned a fair value of \$326,036 using the Black-Scholes option pricing model with the following assumptions: share price \$0.62, dividend yield 0%, expected volatility, based on historical volatility 65.295%, a risk free interest rate of 1.68% and an expected life of 15 months. The fair value gain of 2017 of \$372,237 has been recognized in the statements of operations.

As at December 31, 2017, the derivative liability of the Tranche 2 was assigned a fair value of \$912,442 (2016 - \$887,000) using the Black-Scholes option pricing model with the following assumptions: share price \$0.62 (2016 - \$0.60), dividend yield 0%, expected volatility, based on historical volatility 65.29% (2016 - 86.46%), a risk free interest rate of 1.68% and an expected life of 15 months (2016 - 8.4 months). The fair value gain in 2017 of \$587,867 has been recognized in the statements of operations.

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11. LONG-TERM DEBT (Continued)

Other Debt and Mortgage

Balance at,	December 31, 2017	December 31, 2016
Related party short-term loan (a)	\$ -	\$ 87,870
Mortgage (b)	71,897	93,645
Short-term loan from former director (c)	-	30,000
	\$ 71,897	\$ 211,515

(a) The amount included principal and interest payable to an entity which has a director in common with the Company. This debt was unsecured and bore an annual interest of 15% compounded quarterly and due on demand (Note 15). The debt and accrued interest were repaid during 2017.

(b) The mortgage is related to a purchase of land and building located on the Goliath Gold Project property for a total of \$200,000. The purchase was made in November 2010 consisting of 120 monthly payments with annual interest rate of prime plus 3% expiring in October 2020 as per the chart presented below.

The future principal payments of the outstanding mortgage are as follows:

	Total
2018	\$ 25,177
2019	24,851
2020	21,869
Total mortgage	\$ 71,897

(c) On April 29, 2016 a former director of Goldeye loaned \$30,000 to the Company through a promissory note. This debt was interest free, unsecured and due on demand (Note 15); it was repaid in 2017.

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12. CAPITAL STOCK

- a) *AUTHORIZED*
 Unlimited common shares
- b) *ISSUED*

COMMON SHARES	Number of Shares	Stated Value
Balance, January 1, 2016	82,274,761	\$ 66,784,052
Units issued for cash in private placements	9,351,905	4,353,700
Flow-through private placements	3,587,117	2,618,595
Share issue costs	-	(521,695)
Issuance of compensation options	-	(60,000)
Issuance of warrants	-	(644,983)
Stock options and warrants exercised	2,615,741	1,319,255
Fair value of options and warrants exercised	-	463,065
Shares issued with respect to term loan	220,000	121,000
Issued with respect to business acquisition	5,058,859	3,237,670
Unrenounced flow-through shares premium	-	(753,295)
Balance, December 31, 2016	103,108,383	\$ 76,917,364
Balance, December 31, 2016	103,108,383	\$ 76,917,364
Units issued for cash in private placements	12,400,000	8,060,000
Flow-through private placements	6,350,000	4,254,500
Share issue cash costs	-	(996,107)
Issuance of agent warrants	-	(239,162)
Issuance of warrants	-	(1,042,623)
Stock options and warrants exercised	1,203,115	500,494
Fair value of stock options and warrants exercised	-	164,719
Flow-through shares premium	-	(381,000)
Balance, December 31, 2017	123,061,498	\$ 87,238,185

Private Placements

On December 21, 2017, the Company closed a private placement for aggregate gross proceeds of \$4,254,500 through the issuance of 6,350,000 flow-through common shares at a price of \$0.67 per flow-through share. The offering was completed through a Syndicate of agents and the flow-through shares are subject to a four-month hold period, which will expire on April 22, 2018. The proceeds from the issuance of flow-through shares will be used to incur Canadian Exploration Expenses, and will qualify as flow-through mining expenditures under the Income Tax Act. The Company paid cash finder's fees of \$255,270 and \$70,345 of other issue costs in addition to the grant of 381,000 compensations options with a fair value of \$84,625.

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12. CAPITAL STOCK (Continued)

On May 15, 2017, the Company closed a short-form prospectus offering for aggregate gross proceeds of \$8,060,000 through the issuance of 12,400,000 units at a price of \$0.65 per unit. Each unit consisted of one common share and one half common share purchase warrant. Each warrant entitles his holder to acquire one common share at an exercise price of \$0.95 for a period of 24 months from the date of issuance. The proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company paid an aggregate cash finder's fees and commissions of \$447,388 to certain parties in connection with this financing and \$223,104 of other issue costs.

On December 21, 2016, the Company closed a non-brokered placement for aggregate gross proceeds of \$2,618,595 through the issuance of 3,587,117 flow-through common shares at a price of \$0.73 per flow-through share. The proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company paid an aggregate cash finder's fee of \$101,526 to certain parties in connection with this financing and \$26,884 of other issue costs.

In connection with the Goldeye acquisition (see Note 9), on November 24, 2016, the Company issued 5,058,859 common shares at a fair market value of \$3,237,670 in exchange for all of the issued and outstanding common shares of Goldeye. After this issuance, the former Goldeye shareholders hold approximately 5% of the capital stock on an undiluted basis.

In connection with the long-term debt agreement closed on June 17, 2016 (Note 11), the Company issued 220,000 common shares to the lenders at the fair market value of \$0.55 each and incurred \$10,798 in issue costs.

On May 18, 2016, the Company closed a brokered private placement for which it issued 6,258,000 units at a price of \$0.48 per unit for aggregate gross proceeds of \$3 million. In addition, the Company issued, on a non-brokered basis, 2,083,333 units at a price of \$0.48 per unit to a strategic financial investor for additional gross proceeds of \$1 million, resulting in total gross proceeds raised under the brokered and the non-brokered placements of \$4 million. Each unit sold under the placements consists of one common share of the Company and one half of one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.70 for a period of 24 months from the date of issuance. The Company paid a cash commission of \$184,550, \$176,597 of other issue costs and issued an aggregate of 351,480 compensation options, valued at \$60,000, to the broker in connection with the brokered financing. The Compensation Options are exercisable for 24 months following the closing date at an exercise price of \$0.70 per common share. The net proceeds of the placements will be used to fund technical programs and mine permitting of the Company's Goliath Gold Project and for working capital and general corporate purposes. The common shares and warrants comprising the units, the compensation options, and any shares issued upon due exercise of the warrants and compensation options, are subject to a four-month hold period under applicable securities laws in Canada.

On January 13, 2016, the Company closed the final tranche of the private placement initiated in December 2015, and received \$353,700 for 1,010,572 units, at a price of \$0.35 per unit. Each unit consists of one common share and one half of one common share purchase warrant of the Company exercisable for a period of 36 months at \$0.55 per share. The Company paid a cash finder fees of \$22,960 and \$9,178 of other issue costs.

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13. WARRANTS

In connection with the short-form prospectus offering (Note 12), on May 15, 2017, the Company issued 6,200,000 warrants exercisable within 24 months at a price of \$0.95 per share and were assigned a fair value of \$1,042,623 using the Black-Scholes option pricing model with the following assumptions: share price \$0.66, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the short-form prospectus offering on May 15, 2017, the Company issued 573,575 warrants to certain agents exercisable within 24 months at a price of \$0.65 per share and were assigned a fair value of \$154,537 using the Black-Scholes option pricing model with the following assumptions: share price \$0.66, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the extension of the debt agreements signed with Loinette and Extract (Note 11), on June 7, 2017, the Company executed the following transactions with warrants:

- Issued 300,000 warrants exercisable at a price of \$0.75 per share until June 7, 2020. The warrants were assigned a fair value of \$95,440 using the Black-Scholes option pricing model with the following assumptions: share price \$0.67, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Issued 400,000 warrants exercisable at a price of \$0.80 per share until June 7, 2020. The warrants were assigned a fair value of \$118,769 using the Black-Scholes option pricing model with the following assumptions: share price \$0.67, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Issued 300,000 warrants exercisable at a price of \$0.77 per share until December 7, 2018. The warrants were assigned a fair value of \$65,745 using the Black-Scholes option pricing model with the following assumptions: share price \$0.67, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 1.5 years.

In connection with the Goldeye acquisition (Note 9), on November 24, 2016, the Company issued 348,280 warrants exercisable at a price between \$0.50 and \$1.00 per share, in different dates from December 17, 2016 to February 22, 2017 and were assigned a fair value of \$24,252 using the Black-Scholes option pricing model with the following assumptions: share price \$0.64, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 8 months.

In connection with the debt agreements signed with Loinette and Extract (Note 11), on June 17, 2016, the Company executed the following transactions with warrants:

- Issued 250,000 warrants exercisable at a price of \$0.94 per share until June 17, 2019. The warrants were assigned a fair value of \$50,812 using the Black-Scholes option pricing model with the following assumptions: share price \$0.55, dividend yield 0%, expected volatility, based on historical volatility 77.19%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Transferred 1,500,000 financier warrants, previously owned by RMB, exercisable at a price of \$0.395 per share until August 18, 2018 which is a one-year extension over the original expiry date. The transferred warrants were assigned a fair value of \$232,500, as per their intrinsic value.
- Transferred 1,500,000 financier warrants previously owned by RMB, exercisable at a price of \$0.35 per share until May 18, 2019 which is a one-year extension over the original expiry date. The transferred warrants were assigned a fair value of \$300,000, as per their intrinsic value.

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13. WARRANTS (Continued)

In connection with the brokered private placement (Note 12), on May 18, 2016, the Company issued 3,129,000 warrants exercisable within 24 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of \$0.70 per share and were assigned a fair value of \$534,144 using the Black-Scholes option pricing model with the following assumptions: share price \$0.50, dividend yield 0%, expected volatility, based on historical volatility 80.32%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the non-brokered private placement (Note 12), on May 18, 2016, the Company issued 1,041,667 warrants exercisable within 24 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of \$0.70 per share and were assigned a fair value of \$177,820 using the Black-Scholes option pricing model with the following assumptions: share price of \$0.50, dividend yield 0%, expected volatility, based on historical volatility of 80.32%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the May 18, 2016 private placement, the Company issued 351,480 agent warrants; each warrant entitles the holder to purchase one common share at a price of \$0.70 per share for a period of 24 months, subject to a four-month hold period under applicable securities laws in Canada. These warrants were assigned a fair value of \$60,000 using the Black-Scholes option pricing model with the following assumptions: share price of \$0.50, dividend yield 0%, expected volatility, based on historical volatility of 80.32%, a risk free interest rate of 1.30% and an expected life of 2 years. The fair value of warrants issued is equivalent to the services received.

In connection with the second tranche of the private placement, on January 13, 2016, the Company issued 505,286 warrants exercisable for the following 36 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of \$0.55 per share and were assigned a fair value of \$73,547 using the Black-Scholes option pricing model with the following assumptions: share price \$0.36, dividend yield 0%, expected volatility, based on historical volatility 79.72%, a risk free interest rate of 1.03% and an expected life of 3 years.

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13. WARRANTS (Continued)

The following table reflects the continuity of warrants:

	Number of Warrants 2017	Number of Warrants 2016	Weighted Average Exercise Price 2017	Weighted Average Exercise Price 2016
Balance, at beginning of year	9,532,910	6,182,785	\$ 0.60	\$ 0.49
Issued, on private placement units	-	505,286	-	0.55
Issued, on brokered placement (Note 12)	6,200,000	3,129,000	0.95	0.700
Issued, on non-brokered placement (Note 12)	-	1,041,667	-	0.70
Issued, agent warrants	573,575	351,480	0.65	0.70
Issued with respect to Goldeye acquisition (Note 9)	-	334,000	-	1.00
Issued with respect to Goldeye acquisition (Note 9)	-	14,280	-	0.50
Issued, agent warrants	381,000	-	0.67	-
Issued on debt agreement (Note 11)	-	250,000	-	0.94
Issued on debt agreement (Note 11)	300,000	-	0.75	-
Issued on debt agreement (Note 11)	400,000	-	0.80	-
Issued on debt agreement (Note 11)	300,000	-	0.77	-
Exercised	-	(19,450)	0.45	0.45
Exercised	(378,115)	(429,492)	0.56	0.56
Exercised	-	(17,000)	0.55	0.55
Exercised	(375,000)	(375,000)	0.35	0.35
Expired	-	(80,000)	0.40	0.40
Expired	-	(1,327,846)	-	0.75
Expired	(310,000)	(24,000)	1.00	1.00
Expired	(5,600)	(2,800)	0.50	0.50
Balance December 31	16,618,770	9,532,910	\$ 0.74	\$ 0.60

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13. WARRANTS (Continued)

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	Warrants at December 31, 2017	Warrants at December 31, 2016	Exercise Price
July 23, 2017	Warrants	-	210,000	\$ 1.00
July 23, 2017	Warrants	-	5,600	\$ 0.50
August 12, 2017	Warrants	-	100,000	\$ 1.00
May 18, 2018	Warrants	4,522,147	4,522,147	\$ 0.70
August 18, 2018	Financier warrants	1,500,000	1,500,000	\$ 0.39
September 24, 2018	Warrants	507,262	885,377	\$ 0.56
December 7, 2018	Warrants	300,000	-	\$ 0.77
December 24, 2018	Warrants	217,000	217,000	\$ 0.55
January, 13, 2019	Warrants	212,500	212,500	\$ 0.45
January, 13, 2019	Warrants	505,286	505,286	\$ 0.55
May 15, 2019	Warrants	6,200,000	-	\$ 0.95
May 15, 2019	Agent warrants	573,575	-	\$ 0.65
May 18, 2019	Financier warrants	750,000	1,125,000	\$ 0.35
June 17, 2019	Warrants	250,000	250,000	\$ 0.94
December 21, 2019	Agent warrants	381,000	-	\$ 0.67
June 7, 2020	Warrants	300,000	-	\$ 0.75
June 7, 2020	Warrants	400,000	-	\$ 0.80
		16,618,770	9,532,910	

The weighted average life of the outstanding warrants at December 31, 2017 is 1 year (2016 - 1.4 years).

14. STOCK-BASED COMPENSATION

On June 29, 2017, the Company granted a total of 800,000 options to certain employees and consultants to buy common shares at an exercise price of \$0.62 each and expire on June 29, 2020. The stock options vest 33.3% on June 29, 2017 and the remaining 66.7% vest in two equal portions at each anniversary of the date of granting. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.59, dividend yield 0%, expected volatility 76.17% based on historical volatility, a risk free interest rate of 1.35%, and an expected life of 3 years. As a result, the fair value of the options was estimated at \$230,415 and will be recognized in the statement of operations over the periods the options vest.

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14. STOCK-BASED COMPENSATION (Continued)

On December 5, 2016, the Board of Directors approved the issuance of 900,000 and 100,000 stock options to an officer and an employee, respectively, at an exercise price of \$0.62. The 900,000 options have a three-year term, one third vest at date of issuance and two thirds vest 50% at each anniversary date. The \$284,981 fair value assigned to the 900,000 options was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.62, dividend yield 0%, expected volatility 78.44% based on historical volatility, a risk free interest rate of 1.03%, and an expected life of 3 years. The 100,000 options have a 22-month term, vest 50% after the first six months and the remaining 50% after twelve months. The \$31,480 fair value assigned to the 100,000 options was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.62, dividend yield 0%, expected volatility 81.12% based on historical volatility, a risk free interest rate of 1.03%, and an expected life of 22 months. The fair value of the options will be recognized in the statement of operations over the periods the options vest.

In connection with the Goldeye acquisition (Note 9), on November 24, 2016, the Company issued 108,500 stock options exercisable at prices between \$0.50 and \$1.50 per share, with expiry date on February 2017 and were assigned a fair value of \$16,413 using the Black-Scholes option pricing model with the following assumptions: share price \$0.64, dividend yield 0%, expected volatility, based on historical volatility between 77.51% and 86.22%, a risk free interest rate of 1.03% and an expected life according to their expiration date.

On July 19, 2016, the Company granted a total of 2,250,000 options to officers, directors, employees and consultants to buy common shares at an exercise price of \$0.63 each. These options vest at the date of grant and expire on October 19, 2018. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.63, dividend yield 0%, expected volatility 77.64% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 2.25 years. As a result, the fair value of the options was estimated at \$634,773 and is recognized at the date of grant.

On January 16, 2016, the Board of Directors approved the issuance of 150,000 stock options to an officer. The stock options have a three-year term, vest 50% after the first six months and the remaining 50% after twelve months, and have an exercise price of \$0.40. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.39, dividend yield 0%, expected volatility 80.03% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 3 years. As a result, the fair value of the options was estimated at \$30,131 and will be recognized over the periods the options vest.

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at December 31, 2017, the Company has an additional 5,900,150 (2016 – 3,996,667) options available for issuance under the plan.

During the year ended December 31, 2017, the stock-based compensation charged to mineral properties and related deferred costs amounted \$90,290 (2016 - \$239,283).

The Company estimates expected life of options and expected volatility based on historical volatility, which may differ from actual outcomes.

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14. STOCK-BASED COMPENSATION (Continued)

Continuity of the unexercised options to purchase common shares is as follows:

	Number of Stock Options 2017	Number of Stock Options 2016	Weighted Average Exercise Price 2017	Weighted Average Exercise Price 2016
Balance, at beginning of year	6,859,433	7,015,732	\$ 0.52	\$ 0.46
Options granted	-	2,250,000	-	0.63
Options granted	-	150,000	-	0.40
Options granted	800,000	1,000,000	0.62	0.62
Issued with respect to business acquisition (Note 9)	-	40,000	-	0.50
Issued with respect to business acquisition (Note 9)	-	48,500	-	1.00
Issued with respect to business acquisition (Note 9)	-	20,000	-	1.50
Exercised	-	(370,000)	0.50	0.50
Exercised	(450,000)	(150,000)	0.35	0.35
Exercised	-	(74,799)	0.56	0.56
Expired	(475,000)	(1,700,000)	0.55	0.55
Cancelled	(100,000)	-	0.63	-
Expired	(20,000)	-	1.50	-
Expired	(40,000)	(1,370,000)	0.50	0.50
Expired	(48,500)	-	1.00	-
Balance December 31 and December 31	6,525,933	6,859,433	\$ 0.52	\$ 0.52

The weighted average life of the outstanding options at December 31, 2017 is 1 year (2016 - 1.7 years). The weighted average market value of the shares when the options were exercised in 2017 was \$0.77 (2016 - \$0.52).

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14. STOCK-BASED COMPENSATION (Continued)

The outstanding options are comprised as follows:

Grant Date	Expiry Date	Number of Stock Options at December 31, 2017	Number of Stock Options at December 31, 2016	Exercise Price
March 7, 2014	September 7, 2016 (i)	-	475,000	0.55
November 24, 2016	February 22, 2017	-	3,500	1.00
November 24, 2016	February 22, 2017	-	20,000	1.50
November 24, 2016	February 22, 2017	-	25,000	1.00
November 24, 2016	February 22, 2017	-	20,000	1.00
November 24, 2016	February 22, 2017	-	20,000	0.50
November 24, 2016	February 22, 2017	-	20,000	0.50
April 30, 2015	April 30, 2018	2,125,000	2,575,000	0.35
June 16, 2015	June 16, 2018	175,000	175,000	0.38
September 24, 2015	September 24, 2018	125,933	125,933	0.56
July 19, 2016	October 19, 2018	2,150,000	2,250,000	0.63
December 5, 2016	October 19, 2018	100,000	100,000	0.62
January 16, 2016	January 16, 2019	150,000	150,000	0.40
December 5, 2016	December 5, 2019	900,000	900,000	0.62
June 29, 2017	June 29, 2020	800,000	-	0.62
		6,525,933	6,859,433	

(i) The expiry date was extended until the end of a black-out period to January 27, 2017. All of these options subsequently expired on that date.

At December 31, 2017, 5,692,600 of the outstanding options are fully vested and exercisable (2016 - 3,996,667).

15. RELATED PARTY DISCLOSURES

Certain corporate entities that are related to the Company's officers and directors provide services to Treasury Metals. At December 31, 2017, there is \$9,209 of accounts payable to Laramide. (2016 - accounts receivable of \$23,341), a company that has a director and an officer in common with Treasury Metals. During the year, Laramide charged \$217,071 (2016 - \$206,256) for office space rent, and other expenditures paid by Laramide on behalf of the Company and the Company charged \$14,406 of shared expenditures paid on behalf of Laramide (2016 - \$46,175). At December 31, 2016, there was \$19,354 of accounts receivable from Forrester Metals Inc. a company that had an officer in common with Treasury Metals Inc.

In the accounts payable and accrued liabilities account at December 31, 2016, there is \$57,343 of accounts payable to a former officer of Goldeye for services rendered (subsequently paid).

Transactions with related parties were conducted in the normal course of operations.

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16. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and directors of the Company.

The compensation payable to key management is shown below:

Years ended December 31	2017	2016
Salaries	\$ 480,500	\$ 496,961
Director fees	129,833	129,805
Stock-based compensation, at fair value	-	597,253
	\$ 610,333	\$ 1,224,019

17. INCOME TAX

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate of 26.5%. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2017	2016
Loss before income taxes	\$ (4,950,671)	\$ (4,145,178)
Expected income tax recovery	(1,311,900)	(1,088,600)
Stock-based compensation	86,300	194,100
Effects of renouncing flow-through expenditures	693,900	277,900
Other	(107,900)	(79,300)
Flow-through share premium	(753,300)	(194,400)
Change in tax benefits not recognized	(306,900)	(79,100)
Income tax recovery reflected in the statement of operations	\$ (1,699,800)	\$ (969,400)

The Company's income tax recovery is allocated as follows:

Deferred tax recovery	\$ (1,699,800)	\$ (969,400)
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17. INCOME TAX (Continued)

The Company's deferred tax assets and liabilities as at December 31, 2016 and 2015:

Deferred income tax assets	2017	2016
Undeducted finance costs	\$ 507,700	\$ 342,200
Excess book value of investments	18,700	10,200
Excess book value of property and equipment	84,200	64,700
Excess book value of derivative liabilities	327,000	235,100
Capital losses carried forward	475,000	475,000
Non-capital losses carried forward	4,563,500	3,623,200
Intangible assets	199,000	214,000
	\$ 6,175,100	\$ 4,964,400
Less: allocated against deferred income tax liabilities	\$ (5,597,100)	\$ (4,079,700)
Less: unrecognized deferred tax asset	\$ (578,000)	\$ (884,700)
Deferred income tax assets	\$ -	\$ -
Deferred income tax liabilities	2017	2016
Deferred exploration expenses	\$ (6,863,600)	\$ (6,204,800)
Excess tax value on convertible debt	\$ (199,500)	\$ (287,400)
Less: reduction due to allocation of applicable deferred income tax assets	5,597,100	4,079,700
Net deferred tax liability	\$ (1,466,000)	\$ (2,412,500)

The Company's non-capital income tax losses expire as follows:

2027	\$ 64,600
2028	591,800
2029	173,200
2030	396,000
2031	1,077,700
2032	1,299,500
2033	1,473,600
2034	2,213,800
2035	2,874,600
2036	2,849,300
2037	4,275,300
	\$17,289,400

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18. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company is committed to spend \$4,254,500 on Canadian exploration costs as part of its flow-through funding agreement dated on December 21, 2017. All flow-through spending commitments from previous flow-through financings have been fulfilled.

In August 2017, the Company received from the Canada Revenue Agency ("CRA") a letter advising the Company that as a result of their audit of flow-through spending in the years 2012 to 2014, that CRA disagreed with renounced expenses and intended to reassess. The Company has been disputing the disallowed expenses with the CRA and final agreement is still pending. If the matter is not resolved to the Company's satisfaction, the Company intends to appeal.

Due to the uncertainty of the final outcome, no liability has been recorded in these consolidated financial statements.

19. FINANCIAL RISK FACTORS

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At December 31, 2017, the Company has a working capital of \$3,852,070 excluding the non-cash unrenounced flow-through share premium liability and derivative liability (2016 - Deficiency of \$4,742,404); Capital stock and contributed surplus total \$95,062,379 (2016 - \$83,018,917).

To effectively manage the Company's capital requirements, the management has in place a rigorous planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and marketable securities.

At December 31, 2017, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. At December 31, 2017, there were certain externally imposed capital requirements related to the long term debt, to which the Company is subject and with which the Company was not in compliance. A waiver was obtained to confirm that the Company was not in default on the long-term debt.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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19. FINANCIAL RISK FACTORS (Continued)

There were no changes in the Company's approach to capital management during the year ended December 31, 2017.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

Credit Risk

The Company has cash and cash equivalents balance of \$4,654,896 (2016 - \$2,857,583) and accounts receivable of \$344,302 (2016 - \$328,204). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk with respect of receivables.

Interest Rate Risk

The Company has exposure to interest rate risk since its long-term debt has an interest rate based on 12-month LIBOR, subject to an interest floor.

Market Price Risk

The Company has issued denominated in US Dollars. The convertible feature of this long-term debt has been classified as a derivative liability. Among other variables, the fair value of this derivative liability is affected by changes in the market price of the Company shares.

Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary liabilities in such currency as of December 31, 2017 is \$4,277,072 (2016 - \$5,261,383).

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable and its debt. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash and cash equivalents balance of \$4,654,896 (2016 - \$2,857,583) to settle current liabilities of \$2,621,512 (2016 - \$8,460,684), excluding the non-cash unrenounced flow-through share premium liability. All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The Company relies on external financing to generate sufficient operating capital and the management believes it will be able to raise any required funds in the short-term.

Sensitivity Analysis

As at December 31, 2017 and 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

- i) The Company is exposed to interest rate risk on LIBOR fluctuations for its long-term debt. A variance of 1% in the 12-month LIBOR will affect the annual Company's net comprehensive loss by approximately \$54,912.

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19. FINANCIAL RISK FACTORS (Continued)

- ii)* The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by \$427,707.
- iii)* The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their December 31, 2017 fair market value positions, the comprehensive loss would have varied by \$31,724.

Fair Value Hierarchy

The Company has designated its warrants as FVTPL financial assets, and investments in shares as available for sale, which are measured at fair value. The derivative liability is classified as FVTPL and is measured at fair value with unrealized gains or losses reported in the consolidated statement of operations.

Accounts payable and accrued liabilities and the long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value. The fair value of long-term debt approximates their carrying amount due to the effective interest rate being close to the market rate.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

December 31, 2017:	Level One	Level Two	Level Three
Cash and cash equivalents	\$ 4,654,896	\$ -	\$ -
Investments	317,242	-	-
Derivative liability	-	1,233,779	-
	\$ 4,972,138	\$ 1,233,779	\$ -
December 31, 2016:	Level One	Level Two	Level Three
Cash and cash equivalents	\$ 2,857,583	\$ -	\$ -
Investments	255,926	23,729	-
Derivative liability	-	887,000	-
	\$ 3,113,509	\$ 910,729	\$ -

There have been no transfers between levels 1, 2 or 3 during the years.