QMC QUANTUM MINERALS CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

August 31, 2017 and 2016

Expressed in Canadian Dollars

QMC QUANTUM MINERALS CORP.

CONTENTS

SAM S. MAH INC.
Chartered Professional Accountant

SUITE 2001
1177 WEST HASTINGS STREET
VANCOUVER, BC, V6E 2K3

T: 604.617.8858
F: 604.688.8479

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
QMC Quantum Minerals Corp.

I have audited the accompanying financial statements of QMC Quantum Minerals Corp. ("the Company"), which comprise the statements of financial position as at August 31, 2017 and August 31, 2016 and the statements of loss and comprehensive loss and cash flows and statement of changes in equity for the years then ended August 31, 2017 and August 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2017 and August 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 my opinion, I draw attention to Note 1 in the financial statements which indicates that the Company incurred a net loss of $628,314 during the year ended August 31, 2017 and, as of that date, had an accumulated deficit of $3,789,540 since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Sam S. Mah Inc"
Chartered Professional Accountant

Vancouver, Canada
January 2, 2018

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian Dollars)

		August 31, 2017		August 31, 2016
ASSETS				
Current assets				
Cash	$	**317,095**	$	41,507
Other receivables – Note 3		**13,566**		2,595
Available-for-sale investments – Note 4		**125**		175
Prepaid expenses and deposits		**152,865**		2,507
Reclamation deposit		**40,000**		40,000
		523,651		86,784
Exploration and evaluation assets – Note 5		**2,769,854**		2,572,399
TOTAL ASSETS	**$**	**3,293,505**	$	2,659,183
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities – Note 8	**$**	**1,857,233**	$	1,678,390
Loans and borrowing - Note 8		**123,591**		152,908
Total liabilities		**1,980,824**		1,831,298
SHAREHOLDERS' EQUITY				
Share capital – Note 6		**4,278,824**		3,134,464
Share subscriptions		**-**		355,200
Contributed surplus		**828,272**		504,272
Deficit		**(3,789,540)**		(3,161,226)
Accumulated comprehensive income (loss)		**(4,875)**		(4,825)
Total shareholder's equity		**1,312,681**		827,885
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**$**	**3,293,505**	$	2,659,183

Nature of Operations and Going Concern – Note 1

APPROVED BY THE BOARD:

"Balraj Mann" Director — *"Anthony Zelen"* Director
Balraj Mann — Anthony Zelen

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Net and Comprehensive Loss
For the Years ended August 31, 2017 and 2016
(Expressed in Canadian Dollars)

		2017		2016
General and administrative costs				
Accounting and legal fees	**$**	**44,701**	$	13,297
Bank charges and interest		**878**		438
Consulting - Note 7		**89,100**		52,500
Insurance		**9,000**		9,000
Listing and filing fees		**28,764**		11,672
Office and miscellaneous – Note 7		**14,036**		12,155
Rent – Note 7		**35,960**		12,000
Shareholder communications		**106,494**		266
Stock option compensation – Note 6		**290,000**		-
Travel		**9,381**		2,944
		(628,314)		(114,272)
Other items:				
Impairment of exploration and evaluation assets		**-**		(954,885)
Total other items		**-**		(954,885)
Net Loss for the year		**(628,314)**		(1,069,157)
Fair value increase (decrease) on available for sale investments		**(50)**		75
Net comprehensive income (loss) for the year		**(628,364)**		(1,069,082)
Basic and diluted loss per share	**$**	**(0.02)**	$	(0.04)
Weighted average number of shares outstanding		**33,832,205**		25,805,869

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity
For the Years Ended August 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Common Shares	Share Capital	Contribute Surplus	Share Subscriptions	Deficit	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
Balance, August 31, 2015	**25,805,869**	**$ 3,026,964**	**$ 504,272**	**$ 355,200**	**$ (2,092,069)**	**$ (4,900)**	**$ 1,789,467**
Shares issued for cash	**2,150,000**	**107,500**	**-**	**-**	**-**	**-**	**107,500**
Fair value decrease on available for sale	**-**	**-**	**-**	**-**	**-**	**75**	**75**
Net loss for the year	**-**	**-**	**-**	**-**	**(1,069,157)**	**-**	**(1,069,157)**
Balance August 31 ,2016	**27,955,869**	**$ 3,134,464**	**$ 504,272**	**$ 355,200**	**$ (3,161,226)**	**$ (4,825)**	**$ 827,885**
Shares issued for cash	**2,200,000**	**110,000**	**-**	**-**	**-**	**-**	**110,000**
Shares issued for cash	**11,000,00**	**1,100,000**	**-**	**(195,000)**	**-**	**-**	**905,000**
Shares issued for property	**159,501**	**9,000**	**-**	**-**	**-**	**-**	**9,000**
Finders' fees	**-**	**(40,640)**	**-**	**-**	**-**	**-**	**(40,640)**
Fair value of brokers' option	**-**	**(34,000)**	**34,000**	**-**	**-**	**-**	**-**
Fair value of stock option compensation	**-**	**-**	**290,000**	**-**	**-**	**-**	**290,000**
Fair value decrease on available for sale	**-**	**-**	**-**	**-**	**-**	**(50)**	**(50)**
Reclassified to payables	**-**	**-**	**-**	**(160,200)**			**(160,200)**
Net loss for the year	**-**	**-**	**-**	**-**	**(628,314)**	**-**	**(628,314)**
Balance, August 31, 2017	**41,315,370**	**$ 4,278,824**	**$ 828,272**	**$ -**	**$ (3,789,540)**	**$ (4,875)**	**$ 1,312,681**

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Cash Flows
For the Years ended August 31, 2017 and 2016
(Expressed in Canadian Dollars)

		2017		2016
Operating Activities				
Net loss for the year	**$**	**(628,314)**	$	(1,069,157)
Items not affect cash				
Fair value of stock option compensation		**290,000**		-
Fair value of brokers' option		**34,000**		-
Exploration and evaluation assets impairment		**-**		954,885
Changes in non-cash working capital balances:				
Other receivables		**(10,971)**		(708)
Prepaid expenses		**(150,358)**		-
Accounts payable and accrued liabilities		**18,643**		137,277
Cash provided by (used in) operating activities		**(447,000)**		22,297
Investing Activities				
Expenditures on exploration and evaluation assets		**(188,455)**		(142,558)
Cash used in investing activities		**(188,455)**		(142,558)
Financing Activities				
Shares issued for cash, net		**981,000**		107,500
Due to related party		**25,683**		-
Loans advanced		**-**		113,819
Loans repaid		**(55,000)**		(60,000)
Finder's fee		**(40,640)**		-
Cash provided by investing activities		**911,043**		161,319
Increase in cash during the year		**275,588**		41,058
Cash, beginning of the year		**41,507**		449
Cash, end of the year	**$**	**317,095**	$	41,507

The accompanying notes are an integral part of these financial statements

Note 1 Nature of Operations

The Company was incorporated on November 7, 2003 under the laws of the Province of British Columbia and the Company commenced business operations on December 5, 2005 and changed its name on May 31, 2010 to QMC Quantum Minerals Corp. The Company commenced trading on the TSX Venture Exchange on February 28, 2011.

The Company is in the process of exploring and evaluating resource properties. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each resource property. The carrying amounts of resource properties are based on costs incurred to date, and do not necessarily represent present or future values.

The address of the Company's corporate office and principal place of business is Suite 600, 666 Burrard Street, British Columbia, Canada V6C 2X8.

Going Concern

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as deferred mineral interest costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of its properties.

While the Company's financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. For the year ended August 31, 2017, the Company reported a net loss of $628,314 (2016 - $1,069,157) and as at that date had an accumulated deficit of $3,789,540 (August 31, 2016 - $3,161,226). As of August 31, 2017, the Company has working capital deficit of $1,457,173 (August 31, 2016 – working capital deficit of $1,744,514). The Company does not have sufficient funds available to bring its mineral properties to production, if possible, which would allow it to be self-sustaining. The Company will need additional financing to continue exploring, and if successful develop its properties to bring it to the production stage, While in the past the Company has been successful in obtaining funding from equity financings, option agreements, loans or through other arrangements, there is no assurance that these initiatives will be successful in the future which indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

Note 2 Significant Accounting Policies

a) Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these financial statements are based on IFRS issued and outstanding as of January 2, 2018, the date the Board of Directors approved the financial statements.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments which are measured at fair value.

c) Critical Accounting Estimates, Judgements and Uncertainties

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

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

Share-based payments

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted and warrants issued. Under this model, the Company must estimate the term, volatility and if applicable, the forfeiture rate of options granted and warrants issued.

Exploration and Evaluation Assets

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

Title to Mineral Property Interests

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

Note 2 Significant Accounting Policies – continued

c) Critical Accounting Estimates, Judgements and Uncertainties – continued

Impairment of Non-Financial Assets

The Company reviews and evaluates its property, including exploration and evaluation assets, and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

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

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

Valuation of Shares Issued in Non-Cash Transactions

Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up.

Recognition of Deferred Tax Assets

The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

d) Functional and Presentation Currency

The Company's functional currency is the Canadian Dollar ("CAN"). The financial statements are presented in CAN which is the Company's presentation currency, unless otherwise noted.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term, highly liquid investments with original maturities of three months or less that is readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Note 2 Significant Accounting Policies – continued

f) Reclamation Deposit

Cash and other short-term deposits which are required as a part of ownership of legal rights to explore a property are classified separately as reclamation deposits.

g) Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction.

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the share issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Note 2 Significant Accounting Policies – continued

h) Warrants issued in equity financing transactions - continued

From time to time in connection with private placements, the Company issues compensatory warrants to agents ("Agent Warrants") as commission for services. Awards of Agent Warrants are accounted for in accordance with the fair value method of accounting and result in share issue costs and a credit to reserves when Agent Warrants are issued. Any consideration received upon exercise of Agent Warrants is credited to share capital. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility in the price of the underlying stock, and expected life of the Agent Warrants.

i) Decommissioning and restoration provisions

The Company records a liability based on the best estimates of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows required to discharge the liability discounted at a risk-free rate. The restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate.

The restoration provision is also accreted to full value over time through periodic charges to profit or loss. The amount of the restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to profit or loss. The method of amortization follows that of the underlying asset. The costs related to a restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit. A revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the related asset.
The Company does not have any decommissioning liabilities at this time.

j) Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. The Company does not have any provisions at this time.

k) Earnings (loss) per share

Basic earnings/loss per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Diluted loss per share is not

Note 2 Significant Accounting Policies – continued

k) Earnings (loss) per share - continued

separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

l) Financial Assets

Financial assets are classified into one of four categories:

- fair value through profit or loss ("**FVTPL**");
- held-to-maturity ("**HTM**");
- available for sale ("**AFS**"); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL financial assets

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

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Transaction costs are expensed as incurred.

HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost.

AFS financial assets

Short-term investments and other assets held by the Company are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity.

When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment's revaluation reserve is included in profit or loss for the period

Note 2 Significant Accounting Policies – continued

l) Financial Assets – continued

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences on amortized cost of the asset is recognized in profit or loss, while other changes are recognized in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value, including transaction costs and subsequently are carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Fair value hierarchy

Measurement of the fair value of financial instruments is made under a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices, unadjusted, in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Note 2 Significant Accounting Policies – continued

l) Financial Assets – continued

Impairment of financial assets -continued

Objective evidence of impairment could include the following:

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

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

De-recognition of financial assets

A financial asset is derecognized when:

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

m) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Accounts payable and accrued liabilities, loans and borrowings are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at

Note 2 Significant Accounting Policies – continued

Other financial liabilities -continued

amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest rate method.

De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

n) Share Capital

(i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

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

(iii) All costs related to issuances of share capital are charged against the proceeds received from related share capital.

o) Flow-Through Shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as another liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in net income.

p) Share-based Payments

The cost of incentive share options and other equity-settled share-based compensation and payment arrangements is recorded based on the estimated fair-value at the grant date and charged to earnings over the vesting period. Where incentive share options are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by a charge to earnings, with a corresponding increase to contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Note 2 Significant Accounting Policies – continued

q) Accounting standards, interpretations and amendments to existing standards that have been recently adopted and that are not yet effective

(i) IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IASB 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(ii) IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from and entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

(iii) IFRS 16 applies to the recognition, classification, measurement and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease is for a term of 12 months or less or the underlying asset has a low value. IFRS 16 supersedes IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

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

Expressed in Canadian Dollars

Note 3 Other Receivables

	August 31, 2017	August 31, 2016
GST recoverable	**$ 13,566**	$ 2,595
	$ 13,566	$ 2,595

Note 4 Available-for-Sale Investments

Marketable securities consist of 200,000 common shares of Cassius Ventures Ltd. received pursuant to an option agreement (note 5) and fair value at $0.10 per share based on the market price on the date of receipt. During the year ended August 31, 2011, the Company disposed of 150,000 common shares with a carrying value of $15,000. Shares of Cassius Ventures Ltd. were consolidated on April 22, 2014, on 10 for 1 basis.

The 5,000 shares remaining have a market value of $125 as at August 31, 2017 (August 31, 2016 - $175).

Expressed in Canadian Dollars

Note 5 Exploration and Evaluation Assets

	Rocky Lake	Carrot River	Rocky Namew and Namew Lake Properties	Irgon Lithium Mine Property	Mugaha Property	Other Properties	Total
Balance, August 31, 2014	**$ 1,180,468**	**$ 716,796**	**$ 1,241,984**	**$ -**	**$ 238,090**	**$ -**	**$3,377,338**
Staking costs	-	-	7,388	-	-	-	7,388
Balance, August 31, 2015	**$ 1,180,468**	**$ 716,796**	**$ 1,249,372**	**$ -**	**$ 238,090**	**$ -**	**$3,384,726**
Acquisition costs	-	-	-	22,000	-	-	22,000
Geological & consulting	2,450	-	14,100	15,640	-	80,465	112,655
Staking costs	-	-	-	7,903		-	7.903
Impairment	-	(716,795)	-	-	(238,090)	-	(954,885)
Balance, August 31, 2016	**$ 1,182,918**	**$ 1**	**$ 1,263,472**	**$ 45,543**	**$ -**	**$ 80,465**	**$2,572,399**
Acquisition costs	**-**	**-**	**-**	**24,000**	**-**	**-**	**24,450**
Field supplies	**-**	**-**	**-**	**5,215**	**-**	**-**	**5,215**
Geological & consulting	**5,700**	**-**	**2,452**	**119,569**	**-**	**25,958**	**153,229**
Staking costs	**-**	**-**	**10,000**	**2,103**	**-**	**-**	**12,103**
Travel	**-**	**-**	**-**	**2,458**	**-**	**-**	**2,458**
Balance, August 31, 2017	**$ 1,188,618**	**$ 1**	**$ 1,275,924**	**$ 198,888**	**$ -**	**$ 106,423**	**$2,769,854**

Expressed in Canadian Dollars

Note 5 <u>Exploration and Evaluation Assets</u> – continued

Irgon Lithium Mine (Cat Lake) Property

On August 31, 2016, the Company entered into an option agreement with 101162742 Saskatchewan Ltd. whereby the Company has the exclusive right to acquire an undivided 100% right, title and interest in the Irgon lithium property in Manitoba. To exercise the option, the Company agreed to pay an aggregate of $46,500 and issue common shares in aggregate of $46,500 based the average closing price of the Company's shares for the immediately preceding 30 trading days, payable over a three year period as set out in the table below. The Company has the right to accelerate the payments and share issuances for earning its 100% interest. The property is subject to 2% royalty held by a director of the Company.

Date For Completion	Cash Payment	Dollar value of Shares To Be Issued(1)
Upon execution of the Agreement	$3,000 (paid)	$3,000 (issued)(2)
On or before February 28, 2017	$6,000 (paid)	$6,000 (issued)(3)
On or before August 31, 2017	$6,000 (paid)	$6,000 (issued)(4)
On or before August 31, 2018	$12,000	$12,000
On or before August 31, 2019	$19,500	$19,500
Total	$46,500	$46,500

(1) Based on average closing price of the Company's shares for the immediately preceding 30 trading days.
(2) Shares issued – 54,205 based on the preceding 30-day average.
(3) Shares issued – 105,296 based on the preceding 30-day average.
(4) Shares issued – 60,000 based on the preceding 30-day average.

Rocky Lake Property

On October 16, 2008, the Company entered into an amended and restated property option agreement (the "Rocky Lake Agreement") (replacing an agreement dated for reference April 5, 2006) with 4920776 Manitoba Ltd. ("4920776 Manitoba"), pursuant to which the Company acquired an option to acquire, subject to a net smelter return, a 100% interest in certain mining claims known as the Rocky Lake property located in Manitoba (the "Rocky Lake Property"). The Company has completed payments under the Rocky Lake Agreement, the Company has paid an aggregate of $292,500 and issued an aggregate of 300,000 common shares to 4920776 Manitoba.

The earned 100% interest in the Rocky Lake Property is subject to a 2.0% net smelter returns royalty (the "Rocky Lake NSR").

The Company has the right to purchase 1.0% of the Rocky Lake NSR for $1,000,000, which right may only be exercised during a five year period commencing on the later of the exercise of the Rocky Lake option and the date a bankable feasibility study is prepared and delivered to the Company. By agreement dated October 16, 2008, the Company assigned an additional 0.5% NS Royalty to a director of the Company.

Rock claims 14 to 21 expired on June 25, 2013 and there is no write down associated with the expiry of these claims. Rock claims 1 to 13 are in good standing until June 2018 and Jaln Claim until January 2018.

Expressed in Canadian Dollars

Note 5 Exploration and Evaluation Assets – continued

Rocky-Namew and Namew Lake Properties

The Company entered into two property option agreements dated October 31, 2008 and amended October 13, 2010, with Balraj Mann, President, Chief Executive Officer, and a director of the Company (the "Mann Option Agreements") pursuant to which the Company was granted an option to acquire, subject to a 2.5% net smelter return (the "Rocky-Namew NSR"), a 100% interest in certain mining claims known as the Rocky- Namew property located in Manitoba (the "Rocky-Namew Property"); and an option to acquire, subject to a 2.5% net smelter return (the "Namew Lake NSR"), a 100% interest in certain mining claims known as the Namew Lake property located in Manitoba (the "Namew Lake Property"). Mr. Mann had acquired the mining claims with respect to the Rocky-Namew Property and the Namew Lake Property prior to him becoming a director or an officer of the Company. Prior to October 31, 2008, the initial date of the Mann Option Agreements, the Company had no interest in either the Rocky-Namew Property or the Namew Lake Property.

To exercise the options under each of the Mann Option Agreements, the Company agreed to pay an aggregate of $242,500, and issue an aggregate of 450,000 Common Shares over a two-year period in respect of each Mann Option Agreement as set out in the table below.

	NAMEW-LAKE PROPERTY		**ROCKY-NAMEW PROPERTY**	
Date For Completion	**Cash Payment**	**Number of Shares To be Issued(1)**	**Cash Payment**	**Number of Shares To be Issued(1)**
Upon the Listing Date (1)	$47,500 (paid)	--	$47,500 (paid)	--
On the 6 month Anniversary of the Listing Date	$50,000 (paid)	150,000 (issued)	$50,000 (paid)	150,000 (issued)
On the first anniversary of the Listing Date	$65,000 (paid)	150,000 (issued)	$65,000 (paid)	150,000 (issued)
On the second anniversary of the Listing Date	$80,000 (3)	150,000 (2)(3)	$80,000 (3)	150,000 (2)(3)
Total	$242,500	450,000	$242,500	450,000

(1) *The Company commenced trading on the TSX Venture Exchange on February 28, 2011.*
(2) *Alternatively to the issuance of the 150,000 Shares, making an additional payment of $80,000.*
(3) *The Company is in negotiation over an extension of the payments.*

Upon completion of all the payments, share issuances and work program requirements set out above, the Company will have exercised its option to earn a 100% interest in the Rocky-Namew Property, subject to the Rocky-Namew NSR and a 100% interest in the Namew Lake Property, subject to the Namew Lake NSR. The Company has the right to purchase 1.0% of each of the Rocky-Namew NSR and the Namew Lake NSR in consideration of the payment of $1,000,000 each, which right may only be exercised during a five year period commencing on the later of the exercise of the Rocky-Namew Option or the Namew Lake Option, as applicable, and the date a bankable feasibility study is prepared and delivered to the Company.

The Company, by staking, added Mineral Exploration License 981A for 11,123 hectares, increased the Property total to 35,814 hectares. The license was issued on November 8, 2011 and expired on February 28, 2014. On June 25, 2013, license MEL359A expired and the Company re-staked it as license MEL 1020A to continue to be part of the option agreement. The license expired on August 15, 2014. There is no write down associated with the expiry of these licenses. MEL's 358A, 360A and 361A expired, the Company re-staked them as by MEL's 1054A, 1055A and 1056A which continue to be part of the option agreement.

Note 5 Exploration and Evaluation Assets – continued

Carrot River Property

On November 25, 2011 the Company purchased the Carrot River property located in Manitoba (the "Carrot River Property") for a final payment of $5,000 under the terms of an October 16, 2008, amended and restated property option agreement (replacing a property option agreement dated December 5, 2005) with Mr. James Dawson (the "Carrot River Agreement") pursuant to which the Company acquired an option to acquire a 100% interest in certain mineral claims known as the Carrot River property located in Manitoba (the "Carrot River Property"). The Company holds an 100% interest in the Carrot River Property subject to a net smelter return.

By agreement dated October 16, 2008, the Company assigned a 0.5% NSR Royalty to a director of the Company.

In fiscal 2016, because of uneconomical prospects, the Company has written off an impairment amount of $716,795.

Other Properties

The Company has evaluated various properties relating to rare-earth minerals which are used in existing and emerging energy technologies, and the Company will further access these properties and work towards acquiring one or more.

Note 6 Share Capital

a) Authorized: Unlimited common shares without par value.

b) Issued: see Changes in Shareholders' Equity

c) Share Purchase Warrants

During the year ended August 31, 2017, the Company closed:

- the second tranche of a non-brokered private placement announced on June 17, 2016 for 2,200,000 units at $.05 per unit for total proceeds of $110,000. Each unit consists of one common share and one-half of one common share purchase warrant totalling 1,100,000 warrants. Each whole warrant will entitle the holder to acquire one additional common share at an exercise price of $0.10 a period of 12 months from the closing of each tranche of the financing; and

- a brokered private placement consisting of 11,000,000 units consisting of 11,000,000 common shares and 11,000,000 share purchase warrants in two tranches. Each whole warrant will entitle the holder to acquire one additional common share at an exercise price of $0.17 a period of 18 months from the closing of each tranche of the financing. In connection with the private placement, the Company paid finder's fees of $40,640 cash and 406,440 broker's options entitling the holder to acquire for $0.10 per option, one common share and share purchase warrant exercisable at $0.17 for a period of 18 months after the closing.

On July 13, 2017, the Company extended the expiry date of 1,075,000 warrants from July 29, 2017 to July 29, 2018.

As at August 31, 2017, the Company had 13,175,000 share purchase warrants outstanding. (August 31 2016 – 1,075,000).

Expressed in Canadian Dollars

Note 6 Share Capital

c) Share Purchase Warrants - continued

Warrant activity was as follows:

	Number of Options	Weighted Average Exercise Price
Balance at August 31, 2015	-	$ -
Issued	1,075,000	0.10
Balance at August 31, 2016	1,075,000	0.10
Issued	12,100,000	0.16
Balance at August 31, 2017	**13,175,000**	$ 0.16

At August 31, 2017, the following share purchase warrants were outstanding and exercisable:

Number of Warrants	Exercise Price	Expiring
1,075,000	$0.10	July 29, 2018
1,100,000	$0.10	July 29, 2018
8,250,000	$0.17	September 4, 2018
2,750,000	$0.17	October 5, 2018

d) Stock Options

The Company has a share option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options is 10% of the issued and outstanding common shares at any point in time. The exercise price of each option equals the market price of the Company's shares on the date of the grant. The maximum term of the options is five years. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

The Company has a share option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options is 10% of the issued and outstanding common shares at any point in time. The exercise price of each option equals the market price of the Company's shares on the date of the grant. The maximum term of the options is five years. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

On July 13, 2017, the Company granted three million stock options at an exercise of $0.12 per option with various terms of one to five years. The fair value of stock options is $290,000 determined by the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.5%, volatility of 191%, annual rate of dividend of 0% and expected life of options of 5 years.

Expressed in Canadian Dollars

Note 6 Share Capital

d) Stock Options - continued

Option activity was as follows:

	Number of Options	Weighted Average Exercise Price
Balance at August 31, 2015	1,675,000	$ 0.21
Forfeited/expired	(1,675,00)	0.20
Balance at August 31, 2016	-	$ -
Granted	3,000,000	$ 0.12
Balance at August 31, 2017	3,000,000	$ 0.12

On July 13, 2017, the Company granted a total of 3,000,000 stock options to certain directors, employee and consultants. These options are exercisable for up to five years at a price of $0.12 per share. The company recognized a stock-based compensation of $290,000 (2016 - $Nil) for the stock options vested.

The Company used the Black-Scholes option pricing model to determine the fair value of the options with the following assumptions:

	Granted July 13, 2017
Number of options	3,000,000
Dividend rate	0%
Risk-free interest rate	1.50%
Expected life	5 Years
Expected volatility	191.0%
Exercise price	$0.12
Expiry date	July 13, 2022
Fair value per option	$0.0967
Share-based compensation	$290,000

e) Broker Options

For the year ended August 31, 2017, the Company issued 406,400 brokers' options as a finders' fee for the 11,000,000-unit financing. Each broker option is exercisable at $0.10, entitling the holder to one common share and one share purchase warrant exercisable at $0.17 per warrant for a period of 18 months.

As at August 31, 2017, the Company had 406,400 broker options outstanding (August 31, 2016 – nil).

Broker option activity as follows:

	Number of Broker Options	Weighted Average Exercise Price
Balance at August 31, 2016	-	$ -
Granted	406,400	0.10
Balance at August 31, 2017	406,400	$ 0.10

Expressed in Canadian Dollars

Note 6 Share Capital- continued

e) Broker Options

At August 31, 2017, the following options were outstanding and exercisable:

Number of Options	Exercise Price	Expiring
406,400	$0.10	October 12, 2018

The 406,400 broker's options were fair valued using the Black-Scholes option pricing model with the following assumptions: 185.0% volatility, 0% dividend yield, 0.70% risk-free interest rate and an expected life of 1.50 years. As a result, the fair value was estimated to be $34,000; recorded as a share issue cost with a corresponding credit to contributed surplus.

Note 7 Related Party Transactions and Balances

The Company incurred the following fees and expenses charged by directors of the Company or by entities controlled by them for the year ended August 31, 2017 and 2016.

		2017		2016
Consulting fees	**$**	**51,000**	$	52,500
Project consulting		**51,000**		31,500
Rent		**12,000**		12,000
Office		**12,000**		12,000
Accounting		**12,000**		6,000

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation disclosed above comprised the follow:

	August 31, 2017	August 31, 2016
Key management personnel:		
CEO	**$ 102,000**	$ 84,000
CFO	**12,000**	6,000
Directors	**-**	-
	$ 114,000	$ 90,000

On July 13, 2017, the Company granted a total of 1,550,000 out of 3,000,000 total stock options to certain directors and employee. These options are exercisable for up to five years at a price of $0.12 per share.

Expressed in Canadian Dollars

Note 7 Related Party Transactions and Balances - continued

These transactions are measured at fair value. As at August 31, 2017, accounts payable and accrued liabilities included $734,811 (August 31, 2016 - $791,811) owing to a company with a common director and officer of the Company for consulting services, office and rent. As well, at August 31, 2017, accounts payable and accrued liabilities included $12,539 (August 31, 2016 - $12,000) owing to an officer of the Company for accounting services.

As at August 31, 2017, loans payable in the amount of $123,591 (August 31, 2016 - $145,908) were due to a director and to a company with a common director and officer of the Company for monies advanced for mineral properties expenditures. As at August 31, 2017, loans payable also included $nil (August 31, 2016 - $7,000) due to an officer of the Company. The amounts are unsecured, non-interest bearing and are due on demand.

Note 8 Financial Instruments and Risk Management

As at August 31, 2017, the carrying value of the Company's financial instruments approximates their fair value. Cash and short term investments are recorded at fair value and the Company's other financial instruments are recorded at amortized cost, which approximates fair value due to their short term nature. The Company's financial instruments are classified into the following categories:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. As prices) or indirectly (ie. Derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data.

At August 31, 2017, the Company's financial instruments which are measured at fair value on a recurring basis were cash and available-for-sale investments. These financial instruments were classified as "Level 2" financial instruments.

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk to its financial asset is summarized below:

		August 31, 2017		August 31, 2016
Cash and cash equivalents	$	**317,095**	$	41,507
Available-for-sale investments		**125**		175
Other receivables		**13,566**		2,595

The credit risk of cash, available-for-sale investments, and accounts receivable is assessed as nominal as the counter party is major Canadian financial institutions. The credit risk of accounts receivable is assessed as low as the majority is due from the Government of Canada.

Note 8 Financial Instruments and Risk Management - continued

a) Liquidity Risk (continued)

The carrying amount of these financial assets is their maximum exposure to credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As of August 31, 2017, the Company does not have sufficient cash and highly liquid investment on hand to meet current liabilities and its expected administrative requirements for the coming year. The Company has cash of $317,095 (August 31, 2016 - $41,507), highly liquid investments of $125 (August 31, 2016 - $175), other receivables $13,566 (August 31, 2016 - $2,595) and total liabilities of $1,980,824 (August 31, 2016 - $1,831,298).

The liabilities mature as follow:

- Accounts payable and accrued liabilities of $1,857,233 are due within the next twelve months;
- Loans and borrowing of $123,591 has no specific terms of repayment.

To execute its planned exploration program for the next twelve months, the Company will need to raise additional funds through the issuance of equity or debt instruments or the sale of assets. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and cash equivalents, short term investments and expected exercise of stock options, but there can be no assurance that such financing will be available.

c) Market Risk

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

d) Currency Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company has operations only in Canada and is not subject to currency risk associated with its operations.

e) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has limited exposure to interest rate risk as its interest bearing debt instruments are short-term in nature. A 1% change in interest rates would not have a material change on the net and comprehensive loss of the Company.

Note 8 Financial Instruments and Risk Management – continued

f) Environmental Risk

The Company is not subject to environmental risks associated with its operations.

g) Commodity Price Risk

The Company is subject to commodity price risk for the sale of gold and silver. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from the extraction of mineral products. As such, the effect of these factors on the price in future product sales, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Note 9 Capital Disclosures

The Company’s objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company’s existing properties, and to acquire, explore, and develop other precious and base metal deposits.

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets, especially with respect to exploration results on properties in which the Company has an interest.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company’s Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company’s investment policy is to hold cash in interest bearing accounts at a major Canadian banking institution to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company is not exposed to any externally imposed capital requirements.

Notwithstanding the risks described in Note 1, the Company seeks to continue to raise funds, from time to time, to continue meeting its capital management objectives.

Expressed in Canadian Dollars

Note 10 Corporate Income Taxes

A reconciliation between the Company's statutory and effective tax rates is as follows:

	2017	2016
Statutory tax rate	**26.00%**	26.00%
Loss before income taxes	**$ (628,314)**	$ (1,069,157)
Expected income tax recovery	**$ (163,361)**	$ (277,981)
Non-deductible items	**76,130**	248,270
Unrecognized benefits of non-capital losses	**87,231**	29,711
	$ -	$ -

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

	2017	2016
Future income tax assets		
Non-capital losses carried forward	**$ 616,000**	$ 529,000
Resource properties	**969,000**	938,000
Valuation allowance for future income tax assets	**(1,585,000)**	(1,467,000)
Net future income tax assets	$ -	$ -

Management considers it more likely than not that the amounts will not be utilized and accordingly a full valuation allowance have been applied. The Company has accumulated Canadian Exploration and Development Expenses totaling approximately $3,726,000 and non-capital losses totaling approximately $2,369,000 are available to offset future years' taxable income. The non-capital losses expire by 2037.

Note 11 Subsequent Events

a) On November 6, 2017, the Company completed a private placement for gross proceeds of $774,000 through the issuance of 6.45 million units at the price of $0.12 per unit. Each unit consist of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.17 for a period of 18 months from the closing date. The Company paid finder's fees to arm's length third parties consisting of $25,160 cash and 209,666 broker's options, which allow the holder to acquire for $0.12 per option, one common share and one common share purchase warrant exercisable at $0.17 per warrant for a period of 18 months after closing.

b) On November 16, 2017, the Company announced a non-brokered private placement to issue up to 2,500,000 units at $0.65 per unit for gross proceeds of $1,625,000. Each unit consist of one common share and one-half of one common share purchase warrant exercisable at $0.80 per whole warrant for a period of 18 months. In connection with the private placement, the Company will pay to arms-length parties a finder's fee of $76,830 cash and118,200 broker's options which entitle the holder to acquire for $0.65 per option, one common share and one-half share purchase warrant for $0.80 per warrant for a period of 18 months after closing.

Note 11 **Subsequent Events** - continued

c) On November 16, 2017, the Company granted the 1,500,000 stock options to its directors, officers and consultants at an exercise price of $0.65 per share for expiry date November 16, 2022. The stock option grant is subject to regulatory approval.

d) On November 24, 2017, the Company granted the 1,300,000 million stock options to its directors, officers and consultants at an exercise price of $0.82 per share for expiry date November 24, 2022. The stock option grant is subject to regulatory approval.

e) As at December 8, 2017, the Company has received $37,440 for the exercise of 374,000 brokers' options.

f) As at December 8, 2017, the company has received $72,500 for the exercise of 725,000 warrants at $0.10 per warrant.

g) As at December 8, 2017, the company has received $971,448 for the exercise 5,714,400 warrants at $0.17 per warrant.