

# **JUBILEE GOLD EXPLORATION LTD.**

## **CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS For the periods ended June 30, 2017 and 2016**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the interim condensed financial statements have not been reviewed by the Company's auditor.

The accompanying condensed unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**JUBILEE GOLD EXPLORATION LTD.**

Condensed Unaudited Interim  
Statements of Financial Position  
(Expressed in Canadian dollars)

<b>As at</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	338,350	241,570
Prepaid expenses	9,326	4,326
<b>Total Current Assets</b>	<b>347,676</b>	<b>245,896</b>
<b>Non-Current Assets</b>		
Property and equipment, net (note 6)	157,928	161,180
Investments (note 7)	3,879,960	4,110,404
Equity accounted investee (note 8)	516,408	768,250
Mining claims (note 9)	140,410	146,258
<b>Total Non-Current Assets</b>	<b>4,694,706</b>	<b>5,186,092</b>
<b>Total Assets</b>	<b>5,042,382</b>	<b>5,431,988</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 12)	184,779	200,984
Deferred revenue (note 13)	9,105	14,674
Loan payable (note 12)	127,500	127,500
<b>Total Current Liabilities</b>	<b>321,384</b>	<b>343,158</b>
<b>Long Term Liabilities</b>		
Deferred revenue (note 13)	0	5,556
<b>Total Liabilities</b>	<b>321,384</b>	<b>348,714</b>
<b>Shareholders' Equity</b>		
Share capital (note 10)	7,684,494	7,684,494
Contributed surplus	4,619,759	4,619,759
Accumulated comprehensive income	25,760	25,760
Accumulated (deficit)	(7,609,015)	(7,246,739)
<b>Total Shareholders' Equity</b>	<b>4,720,998</b>	<b>5,083,274</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,042,382</b>	<b>5,431,988</b>

**Continuance of Operations (note 2(a))**  
**Commitments and Contingencies (notes 9, 11 and 14)**

**APPROVED ON BEHALF OF THE BOARD**

/signed/ "J.J. Becker"  
Director

/signed/"Grant V. Ohman  
Director

*The accompanying notes are an integral part of these condensed interim financial statements.*

**JUBILEE GOLD EXPLORATION LTD.**Condensed Unaudited Interim Statements of Income (Loss)  
and Comprehensive Income (Loss)  
(Expressed in Canadian dollars)

For the periods ended June 30,	Three Months		Six Month	
	2017	2016	2017	2016
			\$	\$
<b>Income</b>				
Investment income	3,329	3,092	4,874	3,373
Option payment	0	15,000	0	15,000
Lease income (note 13)	1,300	1,380	12,425	12,505
Other	(1,300)	(1,379)	200,199	229
Royalties (note 9)	44,768	0	122,060	76,300
<b>Total Income</b>	<b>48,097</b>	<b>18,093</b>	<b>339,558</b>	<b>107,407</b>
<b>Expenses</b>				
Amortization	1,626	1,889	3,251	3,778
General and administration	15,424	13,220	28,189	27,910
General exploration	19,128	22,235	36,707	40,457
Salaries and benefits (note 12)	12,021	24,253	23,552	51,489
Management fees (note 12)	42,375	42,375	84,750	84,750
Mining and property taxes	1,035	1,517	7,535	14,039
Professional fees	12,735	53,446	27,606	68,574
Rent	0	10,924	0	21,457
Transfer agent fees	1,114	977	2,067	1,863
<b>Total Expenses</b>	<b>105,458</b>	<b>170,836</b>	<b>213,657</b>	<b>314,317</b>
<b>Income (Loss) before the undernoted</b>	<b>(57,361)</b>	<b>(152,743)</b>	<b>125,901</b>	<b>(206,910)</b>
Equity accounted loss from associate (note 8)	(223,677)	(22,406)	(251,842)	(56,769)
Unrealized gain (loss) on fair value through profit or loss financial assets	(593,126)	1,704,841	(230,445)	2,613,253
Gain (loss) on investments	0	24,818	0	24,818
Gain (loss) on foreign exchange	0	(1,225)	0	(1,225)
Write down of mining claims, recovery(note 9)	(3,813)	1,694	(5,848)	1,694
Withholding tax	(42)	(73)	(42)	(73)
<b>Net income and comprehensive income</b>	<b>(878,019)</b>	<b>1,554,906</b>	<b>(362,276)</b>	<b>2,374,788</b>
Basic net income per share	<b>\$(0.11)</b>	<b>\$0.20</b>	<b>\$(0.04)</b>	<b>\$0.30</b>
Weighted average number of common shares outstanding, basic and diluted	<b>7,831,578</b>	<b>7,831,578</b>	<b>7,831,578</b>	<b>7,831,578</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

**JUBILEE GOLD EXPLORATION LTD.**

Condensed Unaudited Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

For the periods ended June 30, 2017 and 2016

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	Class A Common Shares	Contributed Surplus	Accumulated Comprehensive Income	Accumulated (Deficit)	Total Equity
	\$	\$	\$	\$	\$
Balance, January 1, 2016	7,684,494	4,619,759	25,760	(9,137,887)	3,192,126
Net comprehensive income	-	-	-	819,882	819,882
Balance, March 31, 2016	7,684,494	4,619,759	25,760	(8,318,005)	4,012,008
Net comprehensive income	-	-	-	1,554,906	1,554,906
<b>Balance, June 30, 2016</b>	<b>7,684,494</b>	<b>4,619,759</b>	<b>25,760</b>	<b>(6,763,099)</b>	<b>5,566,914</b>
Net comprehensive income	-	-	-	237,341	237,341
Balance, September 30, 2016	7,684,494	4,619,759	25,760	(6,525,758)	5,804,255
Net comprehensive income	-	-	-	(720,981)	(720,981)
Balance, December 31, 2016	7,684,494	4,619,759	25,760	(7,246,739)	5,083,274
Net comprehensive income	-	-	-	515,743	515,743
<b>Balance, March 31, 2017</b>	<b>7,684,494</b>	<b>4,619,759</b>	<b>25,760</b>	<b>(6,730,996)</b>	<b>5,599,017</b>
Net comprehensive income	-	-	-	<b>(878,019)</b>	<b>(878,019)</b>
<b>Balance, June 30, 2017</b>	<b>7,684,494</b>	<b>4,619,759</b>	<b>25,760</b>	<b>(7,609,015)</b>	<b>4,720,998</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

**JUBILEE GOLD EXPLORATION LTD.**

Condensed Unaudited Interim Statements of Cash Flows

(Expressed in Canadian dollars)

For the periods ended June 30,

	2017	2016
	\$	\$
<b>Operating Activities</b>		
Net income (Loss) for the period	(362,276)	2,374,788
<b>Items not affecting cash:</b>		
Amortization	3,251	3,778
(Gain) on sale of financial assets	0	(24,818)
Unrealized (gain) on FVTPL investments	230,445	(2,613,253)
Equity accounted loss from associate	251,842	56,769
Write down of mining claims , recovery	5,848	(1,694)
	<u>129,110</u>	<u>(204,430)</u>
<b>Change in non-cash working capital items:</b>		
Prepaid expenses	(5,000)	4,765
Accounts payable and accrued liabilities	(16,205)	74,252
Deferred revenue	(11,125)	(11,125)
	<u>(32,330)</u>	<u>67,892</u>
<b>Net Cash Flows from Operating Activities</b>	<u>96,780</u>	<u>(136,538)</u>
<b>Investing Activities</b>		
Purchase of investments	0	(55,028)
Proceeds from sale of investments	0	135,152
<b>Net cash flow of investment activities</b>	<u>0</u>	<u>80,124</u>
<b>Financing Activities</b>		
Redemption of common shares	0	(280)
Repayment of loan payable	0	262,500
<b>Net Cash Flows from Financing Activities</b>	<u>0</u>	<u>262,220</u>
Increase (decrease) in cash	96,780	205,806
Cash, beginning of period	241,570	159,023
<b>Cash, end of period</b>	<u>338,350</u>	<u>364,829</u>

*The accompanying notes are an integral part of these condensed interim financial statements.*

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **Note 1      General Information**

Jubilee Gold Exploration Ltd. (the “Company”) is a public company listed on the TSX Venture Exchange (“TSX-V”) that was incorporated under the laws of Ontario on January 1, 2013 to give effect to the amalgamation of Ansil Resources Ltd., Micon Gold Inc. and Jubilee Gold Inc.. The Company is controlled by the Company’s CEO, Jeffrey Becker.

The Company’s primary business consists of exploring its resource properties to determine whether the properties contain reserves that are economically recoverable. The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The continued operations of the Company and the recoverability of amounts shown as mining claims are dependent upon the existence of recoverable reserves, the ability of the Company to obtain financing to complete the development, the Company’s continuing interest in the underlying mineral claims and future profitable production or proceeds from the disposition thereof. The Company also holds investments and earns ancillary investment income.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mining claims and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory and social requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

On September 29, 2014, the Company reported that it had received approval from the TSX-V for the capital reorganization previously announced on June 4, 2014 (the “Capital Reorganization”). Pursuant to the terms of the Capital Reorganization and by notice to its shareholders dated September 24, 2014, the Company exercised its option to convert all outstanding common shares of the Company to a new class of common shares, the Class A common shares, on a 1-for-1 basis. The Class A common shares have the same characteristics as the common shares prior to the addition of conversion and redemption features approved by shareholders at the annual and special meeting held on May 29, 2014.

Holders of common shares (“Shareholders”) and holders of un-exchanged common shares of the Company’s predecessor corporations (“Un-exchanged Shareholders”) had until November 24, 2014 (the “Conversion Deadline”) to surrender their common share certificates, following which Class A common share certificates were issued. Immediately following the Conversion Deadline, the Class A common shares were listed on the TSX-V and the common shares were delisted. Any Shareholders or Un-exchanged Shareholders that did not convert their shares by the Conversion Deadline may have their shares redeemed at a price of \$0.14 per share, the listed closing price of the common shares on the day prior to the date of the notice of conversion. As a result, a liability of \$353,964 reflected as due to shareholders was accrued immediately after the Conversion Deadline to reflect the redemption value of shares that were not converted. On November 24, 2016, the common shares redemption feature expired and the remaining balance of \$276,721 was included in net income.

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **Note 1 General Information (Continued)**

The address of the registered office is c/o McLean & Kerr LLP, 130 Adelaide Street West, Suite 2800 Toronto, Ontario, M5H 3P5. The condensed unaudited interim financial statements of the Company for the periods ended June 30, 2017 and 2016 were approved by the Board of Directors for issuance in accordance with a resolution of the Directors on August 4<sup>th</sup>, 2017.

#### **Note 2 Basis of Preparation**

##### **(a) Statement of compliance and continuance of operations**

These condensed unaudited interim financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations applicable to the Company. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

These condensed unaudited interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability of the Company to obtain necessary financing, and the ability of the Company to identify, evaluate, and negotiate an acquisition of, a participation in or an interest in properties, assets, or businesses. Management feels that it has sufficient working capital to meet the Company’s liabilities and commitments over the next twelve months as they come due. These financial statements do not reflect any adjustments to amounts that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The statements do not include all of the information that would be required for full annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2016.

##### **(b) Basis of measurement**

These condensed unaudited interim financial statements are stated in Canadian dollars and were prepared under the historical cost convention except for fair value through profit or loss financial assets and available for sale financial assets, which are measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

##### **(c) Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

##### **(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are as follows:

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **(e) Useful life of property and equipment**

The Company estimates the useful life of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful life of property and equipment is reviewed periodically and is updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful life of property and equipment is based on management's experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of the property and equipment would increase the recorded expenses and decrease the non-current assets. Historically, changes in useful life and residual values have not resulted in material changes of the Company's amortization charge.

#### **Income taxes**

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### **Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available market data less incidental costs for disposing of the asset.

While assessing whether any indications of impairment exist for mining claims, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, the economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of the mining claims. Internal sources of information include the manner in which mining claims are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining claims.

#### **Impairment of investment in associate**

Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

#### **Stock-based compensation and valuation of investments in derivative instruments**

Grants of stock options and investments in stock options and warrants of other entities are valued using the fair value method. Management uses the Black-Scholes option pricing model to estimate the fair value of share options determined at grant date for options granted to employees and reporting date for stock options and warrants held as investments. Significant assumptions affecting the valuation of options and warrants include the term allowed for exercise, an expected volatility factor relating to the historical share price, expected dividend yield, expected forfeiture rate and risk-free interest rate. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **Note 3 Summary of Significant Accounting Policies**

##### **(a) Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, or other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value with gains and losses recognized in other comprehensive income unless they are unlisted with no active market, in which case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in operations.

Investments traded in an active market at the time of initial recognition are classified as FVTPL and are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive loss. All of the Company's other investments in marketable securities have been designated as available-for-sale. Cash and amounts receivable are classified as loans and receivables and measure at amortized cost. Accounts payable and accrued liabilities, loan payable, and amounts due to shareholders are classified as other financial liabilities, and are measured at amortized cost.

##### **(b) Mining claims and exploration and evaluation expenditures**

General exploration and evaluation expenditures are expensed as incurred. Such costs include, but are not exclusive to, geological and geophysical expenditures, drilling and sampling.

Acquisition costs are capitalized as incurred as "mining claims". Costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. All costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production.

The aggregate costs related to abandoned mining claims are charged to profit or loss at the time of abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for mining claims is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

Mining claims are not depleted and are reclassified to property, plant and equipment when the underlying properties are determined to meet certain technical feasibility and commercial viability thresholds. Upon transfer, the acquisition costs are assessed for impairment in addition to regular impairment reviews to ensure they are not carried at amounts above their estimated recoverable values.

Proceeds derived from the full or partial disposal of interests in properties are credited against the carrying cost of the related property. The Company recognizes in income, proceeds received from the disposal of mining claims when amounts received or receivable are in excess of the carrying amount.

**JUBILEE GOLD EXPLORATION LTD.**

Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

**Note 3 Summary of Significant Accounting Policies (Continued)**

**(c) Impairment**

*Financial assets*

Financial assets carried at amortized cost are assessed for impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset. For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. If impairment has occurred, the carrying amount of the asset is reduced, with the amount of the loss recognized in statement of comprehensive loss. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

*Non-financial assets*

The carrying amounts of the Company's property and equipment and mining claims are assessed for impairment indicators on at least an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit and loss.

**(d) Foreign currency transactions**

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## **JUBILEE GOLD EXPLORATION LTD.**

Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

### **Note 3 Summary of Significant Accounting Policies (Continued)**

#### **(e) Income taxes**

Income tax expense comprises current and deferred tax and is recognized in profit and loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

##### *Current income taxes*

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *Deferred taxes*

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statements of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

#### **(f) Income (loss) per share**

Basic income (loss) per share is calculated by dividing profit or loss attributable to equity holders of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the year by the number of shares bought back or issued during the year, multiplied by a time-weighting factor.

Diluted income (loss) per share is calculated by adjusting the number of shares for the effects of dilutive options and warrants. The effects of anti-dilutive potential units are ignored in calculating diluted income (loss) per share.

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **Note 3 Summary of Significant Accounting Policies (Continued)**

##### **(g) Share-based payments**

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

##### **(h) Property and equipment**

Property and equipment is initially recorded at cost. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life as follows:

Computer equipment	45% declining balance
Office equipment	20% declining balance
Office building	4% declining balance

##### **(i) Investments in associates**

Investments in associates are accounted for using the equity method based on the Company's ability to exercise significant influence over the operating and financial policies of the investee. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's net income or losses after the date of investment, additional contributions made and dividends received. Investments are written down when there has been a significant or prolonged decline in fair value.

##### **(j) Investment in non-financial assets**

The Company holds investments in gold and silver certificates. These non-financial assets have been accounted for based on the cost model. Investment transactions are accounted for on the trade date.

##### **(k) Revenue recognition**

Revenue from investments is recognized when earned. Royalties are recorded upon receipt or when collectability is reasonably assured in accordance with the substance of the relevant agreement. Property option payments are recorded upon receipt.

## **JUBILEE GOLD EXPLORATION LTD.**

Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

### **Note 3 Summary of Significant Accounting Policies (Continued)**

#### **(l) Restoration, rehabilitation and environmental obligations**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of-production method. Changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation impact the carrying value of the asset and liability. The related liability is adjusted each period for the unwinding of the discount rate. The Company had no significant restoration, rehabilitation and environmental obligations as at June 30, 2017 and 2016. (see Note 14)

#### **(m) Provisions**

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate. The Company had no material provisions at June 30, 2017 and 2016.

### **Note 4 Recent Accounting Pronouncements**

#### *New and Amended Standards Adopted*

As of January 1, 2016, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its consolidated financial statements.

#### IAS 1 – Presentation of Financial Statements

IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

#### *New Standards and Interpretations Not Yet Adopted*

The IASB has issued the following standards which have not yet been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2017. The Company is completing its assessment of the impact that the new standards will have on its financial statements.

#### IFRS 2 – Share-based Payment (“IFRS 2”)

IFRS 2 was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **Note 4 Recent Accounting Pronouncements (Continued)**

##### **IFRS 9 – Financial Instruments (“IFRS 9”)**

IFRS 9 was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 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, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. 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. Earlier adoption is permitted.

##### **IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”)**

IFRS 10 and IAS 28 were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

##### **IAS 12 – Income Taxes (“IAS 12”)**

IAS 12 was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

##### **IFRS 16 – Leases (“IFRS 16”)**

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

##### **IAS 7 – Statement of Cash Flows (“IAS 7”)**

IAS 7 was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

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(Expressed in Canadian dollars)

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#### **Note 4 Recent Accounting Pronouncements (Continued)**

IAS 40 – Transfers of Investment Property (“IAS 40”)

IAS 40 was amended to clarify that an investment property shall be transferred to, or from, investment property when, and only when, there is evidence of a change in use. IAS 40 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

#### **Note 5 Financial Instruments**

##### **(a) Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company’s Board of Directors oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company is exposed to various risks through its financial instruments. There have been no changes in risks, objectives, policies and procedures from the previous period. The following analysis provides a measure of the risks:

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and investments. The maximum credit risk is equivalent to the carrying values of the Company’s cash, and investment balances at June 30, 2017 and 2016.

##### *Liquidity risk*

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its needs. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met through a combination of cash flows from operations, dispositions of assets and accessing financing through private placements. As at June 30, 2017, the Company had cash of \$338,350 (2016 - \$364,829) to settle current liabilities of \$321,384 (2016 - \$662,268). All of the Company’s accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

##### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant. The methods and assumptions management uses when accessing market risks are summarized below:

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **Note 5 Financial Instruments (Continued)**

##### **(i) Foreign currency risk**

The Company's functional currency is the Canadian dollar. The Company maintains a portion of its cash and investments in United States ("US") dollars. The Company does not engage in any hedging activities to reduce its foreign currency risk. As at June 30, 2017, the Company had cash held in US dollar accounts totaling \$12,102 (2016 - \$9,338). A change in rates of plus or minus 1% would have a nominal effect on comprehensive profit for the period ended June 30, 2017. As at June 30, 2017, the Company held investments denominated in US dollars with a fair value totaling \$316,151 (2016 - \$177,193).

##### **(ii) Commodity price risk**

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. The loss due to price risk is remote at this time since the Company is not a producing entity.

##### **(iii) Equity price risk**

The Company is exposed to equity price risk associated with changes in the market value of its investments. The Company closely monitors equity prices to determine the appropriate course of action to be taken. The Company's equity investments are concentrated in the resource sector.

##### **(b) Fair value**

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash and cash equivalents, investments, accounts and other receivables, accounts payable and accrued liabilities, and due to shareholders. The fair value of accounts and other receivables, accounts payable and accrued liabilities and amounts due to shareholders is approximately equal to their carrying value due to their short-term nature. Investments in financial assets are carried at their fair value when there is an active market. When the market value is not available, investments are carried at cost.

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that include the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;  
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and  
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## JUBILEE GOLD EXPLORATION LTD.

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### Note 5 Financial Instruments (Continued)

##### *Financial Instruments*

The following is a summary of significant categories of financial instruments outstanding at June 30, 2017 and 2016:

Cash	Loans and receivables
Investment in publicly traded shares	Fair value through profit or loss
Investment in equities that were privately held at the time of original recognition	Available-for-sale
Investment in derivative financial instruments	Fair value through profit or loss
Amounts receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable	Other financial liabilities
Due to shareholders	Other financial liabilities

At June 30, 2017 and 2016, the Company's financial instruments carried at fair value consisted of cash equivalents which have been classified as Level 2, investments in publicly traded equities, which have been classified as Level 1, and investments in derivative instruments which have been classified as Level 3. The fair value disclosure for investment in non-financial assets as disclosed in Note 7 has been classified as Level 1.

The Company's investment in stock options and warrants of Orefinders (see Note 7), are classified as a derivative financial instrument and measured at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available or, where not available, inputs generated by the Company. Changes in the fair value of derivative instruments are recorded as an expense or income in the consolidated statements of loss.

The following table is a reconciliation of changes in the net fair value of the Company's investment in stock options and warrants of Orefinders which are classified as Level 2 in the fair value hierarchy. There were no transfers into or out of Levels 2 or 3 during the periods presented.

	June 30, 2017	June 30, 2016
	\$	\$
Balance, beginning of period	0	4,675
Unrealized losses	0	-
Balance, end of period	0	4,675

#### (c) Capital management

The Company's objectives when managing capital are:

- (i) To safeguard its ability to continue as a going concern;
- (ii) Continue the development and exploration of its mineral properties; and
- (iii) Maintain a capital structure, which optimizes the cost of capital at acceptable risk.

For capital management purposes, the Company defines capital as its shareholders' equity that includes share capital, contributed surplus, accumulated comprehensive income and deficit.

Funds are secured through equity capital. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits.

**JUBILEE GOLD EXPLORATION LTD.**

## Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

**Note 5 Financial Instruments (Continued)**

The Company is not subject to any externally imposed capital imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of June 30, 2017, the Company was compliant with Policy 2.5. There has been no change with respect to the overall capital risk management strategy during the year.

**Note 6 Property and equipment**

<b>Cost</b>	<b>Office Structure \$</b>	<b>Office Equipment \$</b>	<b>Computer Equipment \$</b>	<b>Total \$</b>
January 1, 2016	184,389	42,388	36,442	263,219
Additions/Dispositions	-	-	-	-
<b>March 31, and June 2016</b>	<b>184,389</b>	<b>42,388</b>	<b>36,442</b>	<b>263,219</b>
Additions/Dispositions	-	(42,388)	-	(42,388)
December 31, 2016	184,389	-	36,442	220,831
Additions/Dispositions	-	-	-	-
<b>March 31, and June 2017</b>	<b>184,389</b>	<b>-</b>	<b>36,442</b>	<b>220,831</b>
<b>Accumulated amortization</b>				
January 1, 2016	(16,633)	(38,711)	(36,198)	(91,542)
Amortization	(1,678)	(184)	(27)	(1,889)
March 31, 2016	(18,311)	(38,895)	(36,225)	(93,431)
Amortization	(1,678)	(184)	(27)	(1,889)
<b>June 30, 2016</b>	<b>(19,989)</b>	<b>(39,079)</b>	<b>(36,252)</b>	<b>(95,320)</b>
Amortization	(3,354)	-	(56)	(3,410)
Dispositions	-	39,079	-	39,079
December 31, 2016	(23,343)	-	(36,308)	(59,651)
Amortization	<b>(1,610)</b>	-	<b>(15)</b>	<b>(1,625)</b>
<b>March 31, 2017</b>	<b>(24,953)</b>	<b>-</b>	<b>(36,323)</b>	<b>(61,276)</b>
Amortization	(1,610)	-	(15)	(1,625)
<b>June 30, 2017</b>	<b>(26,563)</b>	<b>-</b>	<b>(36,338)</b>	<b>(62,901)</b>
<b>Net book value</b>				
June 30, 2016	164,400	3,309	190	167,899
<b>June 30, 2017 (adjusted by \$2)</b>	<b>157,824</b>	<b>-</b>	<b>104</b>	<b>157,928</b>

**Note 7 Investments**

The Company's investments are comprised of the following:

	<b>June 30, 2017</b>	June 30, 2016
	<b>\$</b>	\$
<b>Financial Assets</b>		
<i>FVTPL</i>		
Equity portfolio investments (cost - \$5,855,337.; 2016 - \$5,957,003)	<b>3,734,717</b>	4,380,874
Equity portfolio investments – derivative assets (note 8)	-	4,675
<i>Available for sale</i>		
Shoal Point Energy Ltd. (cost - \$1; 2016 - \$1)	<b>51,518</b>	5,152
<b>Non-Financial Assets</b>		
Gold and silver certificates (at cost) (Estimated fair value – \$217,668; 2016 - \$220,404 )	<b>93,725</b>	80,586
	<b>3,879,960</b>	4,471,287

**JUBILEE GOLD EXPLORATION LTD.**

## Notes to Condensed Unaudited Interim Financial Statements

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**Note 8 Investment in Associate**

On January 19, 2012, the Company entered into an option agreement with Fечи Inc. which was subsequently assigned to Orefinders Resources Inc. ("Orefinders"), a publicly traded company listed on the TSX-V. The exercise of the agreement by Orefinders was contingent on Orefinders going public by January 19, 2013. On December 17, 2012, Orefinders went public and as a result the Company received 1,411,714 free trading shares of Orefinders as well as 12,705,429 common shares held in escrow to be released every six months equally until December 17, 2015. As a result, the Company held approximately 30% of the Orefinders issued and outstanding shares and it was determined that the Company had significant influence and it has accounted for the investment in Orefinders shares as an investment in associate using the equity basis of accounting. The Company recorded a value of \$4,600,000 for its interest in Orefinders on the date of acquisition, based on management's estimate of the fair value of the Orefinders shares after considering the escrow provisions. As at June 30, 2017, the Company held 14,117,143 common shares (24.04%) of the total issued and outstanding shares of Orefinders (2016 – 14,117,143; 27.65%).

On December 17, 2012, the Company also received 1,403,571 stock option warrants exercisable at \$0.50 until April 3, 2017, and 291,000 warrants exercisable at \$0.50 that expired June 17, 2014.

A continuity of the investment in Orefinders is as follows:

As at June30,	2017	2016
Balance, beginning of the period	\$ 768,250	\$ 1,102,250
Share of loss for the period	(251,842)	(56,769)
Balance, end of the period	516,408	1,045,481

**JUBILEE GOLD EXPLORATION LTD.**

## Notes to Condensed Unaudited Interim Financial Statements

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**Note 9 Mining Claims**

A summary of the Company's mining claims and royalty interests for the period ended June 30, 2017 is as follows:

	January 1, 2017	Net Additions	Disposed/ Impaired	June 30, 2017
	\$	\$	\$	\$
<b>Staked Claims</b>				
Brackin, Stover, ON	9,660	-	-	9,660
Dufresnoy, PQ	7,882	-	-	7,882
Geary, ON	54,454	-	(3,813)	50,641
Halcrow, ON	7,799	-	-	7,799
Harker Township, ON	342	-	-	342
Holloway, Tannahill, ON	2,719	-	(2,034)	685
Mahaffy, ON	23,422	-	-	23,422
Munro, ON	3,729	-	-	3,729
Todd, ON	4,512	-	-	4,512
Warden, ON	2,994	-	-	2,994
	<u>117,513</u>	<u>-</u>	<u>(5,847)</u>	<u>111,666</u>
<b>Patented Claims</b>				
Brackin-Leeson, ON	8,141	-	-	8,141
Harker, ON	15,000	-	-	15,000
McVittie, ON	1	-	-	1
Munro, Guibord, ON	1	-	-	1
	<u>23,143</u>	<u>-</u>	<u>-</u>	<u>23,143</u>
<b>Leases</b>				
Elliott Lake, ON (o)	312	-	-	312
Elmhirst, ON (b)	1	-	-	1
Geary, ON	1,200	-	-	1,200
Harker, ON (p)	3,470	-	-	3,470
Hislop, ON	600	-	-	600
Holloway, ON	2	-	-	2
Irwin, Pipher, ON (note 14)	1	-	-	1
Munro, ON (Vista claims) (q)	1	-	-	1
	<u>5,587</u>	<u>-</u>	<u>-</u>	<u>5,587</u>
<b>Royalties</b>				
Baird-Farlie, ON (e)	1	-	-	1
Bourlamaque, PQ (d)	1	-	-	1
Birney Lake, NB	1	-	-	1
Coleman, ON	1	-	-	1
Casummit Lake, ON (f)	1	-	-	1
Guillet Township, PQ (j)	1	-	-	1
Duprat, PQ (i)	1	-	-	1
German-Stock, ON (g)	1	-	-	1
Mayo, YT	1	-	(1)	0
McElroy, ON	1	-	-	1
Heyson-Baird, ON (m)	1	-	-	1
McGarry, ON (l)	2	-	-	2
North Palladium 20% Net Profits, PQ (h)	1	-	-	1
Pagwachuan Lake, ON (n)	1	-	-	1
	<u>15</u>	<u>-</u>	<u>(1)</u>	<u>14</u>
Total mining claims	<u><b>146,258</b></u>	<u><b>-</b></u>	<u><b>(5,848)</b></u>	<u><b>140,410</b></u>

**JUBILEE GOLD EXPLORATION LTD.**

## Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

**Note 9 Mining Claims (Continued)**

A summary of the Company's mining claims and royalty interests for the period ended June 30, 2016 are as follows:

	January 1, 2016	Net Additions	Abandoned / Impaired	June 30, 2016
	\$	\$	\$	\$
<b>Staked Claims</b>				
Birneys Lake, NB	18,169	-	-	18,169
Brackin, Stover, ON	9,660	-	-	9,660
Dufresnoy, PQ	7,882	-	-	7,882
Geary, ON	59,899	-	-	59,899
Halcrow, ON	7,799	-	-	7,799
Harker Township, ON	342	-	-	342
Holloway, Tannahill, ON	2,719	-	-	2,719
Mahaffy, ON	23,422	-	-	23,422
Munro, ON	3,729	-	-	3,729
Reid, Thorburn, ON	9,242	-	-	9,242
Todd, ON	4,512	-	-	4,512
Warden, on	2,994	-	-	2,994
	<b>150,369</b>	<b>-</b>	<b>-</b>	<b>150,369</b>
<b>Patented Claims</b>				
Brackin-Leeson, ON	8,141	-	-	8,141
Coleman, ON (c)	63	-	63	0
Harker, ON	15,000	-	-	15,000
McVittie, ON	1	-	-	1
Munro, Guibord, ON	1	-	-	1
	<b>23,206</b>	<b>-</b>	<b>(63)</b>	<b>23,143</b>
<b>Leases</b>				
Elliott Lake, ON (o)	312	-	-	312
Elmhirst, ON (b)	1	-	-	1
Geary, ON	1,200	-	-	1,200
Harker, ON (p)	3,470	-	-	3,470
Hislop, ON	600	-	-	600
Holloway, ON	2	-	-	2
Irwin, Pipher, ON (note 14)	1	-	-	1
Munro, ON (Vista claims) (q)	1	-	-	1
	<b>5,587</b>	<b>-</b>	<b>-</b>	<b>5,587</b>
<b>Royalties</b>				
Baird-Farlie, ON (e)	1	-	-	1
Bourlamaque, PQ (d)	1	-	-	1
Casummit Lake, ON (f)	1	-	-	1
Coleman, On	0	1	-	1
Guillet Township, PQ (j)	1	-	-	1
Duprat, PQ (i)	1	-	-	1
German-Stock, ON (g)	1	-	-	1
Heyson-Baird, ON (m)	1	-	-	1
Mayo, Yukon	1	-	-	1
McElroy, ON	1	-	-	1
McGarry, ON (l)	2	-	-	2
North Palladium 20% Net Profits, PQ (h)	1	-	-	1
Pagwachuan Lake, ON (n)	1	-	-	1
	<b>13</b>	<b>1</b>	<b>-</b>	<b>4</b>
Total mining claims	<b>179,175</b>	<b>1</b>	<b>(63)</b>	<b>179,113</b>

## **JUBILEE GOLD EXPLORATION LTD.**

Notes to Condensed Unaudited Interim Financial Statements

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### **Note 9 Mining Claims (Continued)**

#### **Net Smelter Return Royalties Receivable**

##### **(a) Elmhirst Property**

The Elmhirst Property, a four claim lease in the Beardmore-Geraldton area of north-central Ontario, was optioned to Laurion Mineral Exploration Inc. (“Laurion”) pursuant to an agreement dated August 30, 2011. Laurion can earn a 60% interest in the property by making aggregate cash payments of \$52,000 and issuing 290,000 Laurion common shares, and incurring \$500,000 in exploration expenditures over a five year period. The Company agreed to defer a cash payment of \$10,000 until December 31, 2017. Laurion can earn an additional 40% interest by making additional cash payments of \$30,000, issuing an additional 160,000 Laurion shares, incurring an additional \$333,333 in exploration expenditures, and granting a 2% NSR to the Company. Laurion would have the right to purchase a 1% NSR for \$1,000,000.

##### **(b) Violet and Beaver Properties, Coleman Township**

On May 10, 2011, the Company entered into an option agreement with Grupo Moje Limited (“Grupo”), whereby the Company granted Grupo the exclusive right and option to acquire a 100% undivided interest in the Violet and Beaver Properties, subject to a 3% NSR. Grupo would have the right to purchase each 1% of the NSR for \$1,500,000. In order to earn a 100% interest, Grupo was required to:

- (i) make a cash payment of \$10,000 upon execution of the agreement;
- (ii) incur exploration expenditures aggregating \$100,000 on the property over a seven-year period ending May 10, 2018; and
- (iii) make annual advanced NSR payments of \$10,000 for the five-year period ended July 1, 2016.

Pursuant to a Consent to Assignment and Amendment of Option Agreement letter dated January 31, 2012, Gold Bullion Development Corp. became the operator and assumed the exploration expenditure obligation. The NSR prepayment schedule was amended as follows:

- (i) \$10,000 due July 1, 2012;
- (ii) \$10,000 due July 1, 2013;
- (iii) \$10,000 due July 1, 2014;
- (iv) \$15,000 due July 1, 2015; and
- (v) \$15,000 due July 1, 2016.

The Company received an advanced NSR payment of \$15,000 (2015 - \$15,000) during the year end December 31, 2016.

On October 8, 2015, the Company consented to an Assignment Agreement among Gold Bullion Development Corp. (“Gold Bullion”) and Takara Resources Inc., (“Takara”) whereby Takara now called Castle Silver Resources Inc., agreed to accept all of the rights, obligations and liabilities under the Option Agreement, as amended January 31, 2012. All option payments and the required exploration expenditures have been met.

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **Note 9 Mining Claims (Continued)**

##### **(c) Bourlamaque Royalty**

Property presently owned by McWatters Mining Inc. The Company holds a NSR varying between 0.75% and 2.5% on claims in Bourlamaque Township in Quebec.

##### **(d) Baird-Farlie Township Property**

Property presently owned by Goldcorp Inc. The Company is entitled to a sliding scale NSR based on the price of gold with a 4% NSR if the price of gold per troy ounce exceeds US\$800.

##### **(e) Casummit Lake Property**

In 2010, the Company entered into a milestone claims royalty agreement with Gold Canyon Resources Inc. ("GC") to sell and transfer the recorded title of certain Casummit claims to GC for cash and share considerations. The Company holds a 3% NSR of which GC can purchase 1% NSR for \$1,000,000. GC shall pay the Company an annual advanced royalty of \$70,000, which will be adjusted by the Consumer Price Index published by Stats Canada each year, payable within 90 days of each fiscal year-end of GC. GC will also issue 100,000 common shares to the Company upon each of the first to fifth anniversaries of the TSX-V approval of the agreement. The Company received its final share issuance of 100,000 GC common shares during 2015.

During the period ended March 31, 2017, the Company received/accrued advanced royalties of \$77,292 (2016 - \$76,300).

On July 12, 2010, the Company entered into a royalty agreement with GC, GC agreed to grant a 3% NSR on certain Casummit claims. GC has the right to re-acquire a 1% NSR upon payment of an aggregate of \$500,000. No royalties have been received with respect to this arrangement.

##### **(f) German-Stock Property (Clavos Project)**

Property presently owned by Sage Gold Inc. In 1996, the Company purchased a royalty interest in some mining properties from a company under common management, Clavos Porcupine Mines Limited, for an exchange amount of \$100,000. The Company is entitled to receive future royalty payments as follows:

- (i) A payment of \$200,000 in cash upon commencement of commercial production.
- (ii) A royalty based upon a sliding scale net smelter return based on gold price and subject to changes in the consumer price index.
- (iii) The agreement also provides for a royalty payment in the event that an active exploration program is not commenced within twelve months of the gold price exceeding US\$650 per ounce for more than 90 consecutive days.

##### **(g) Desjardins Property**

The Company retains a 20% interest in the net profits of commercial exploitation of 37 mining claims in the Township of Desjardins, Quebec. This property is held by Aurbec Mines Inc. ("Aurbec").

During 2015, Aurbec went into bankruptcy, as a result the Company recorded a write-off of \$14,999 during the year ended December 31, 2015 relating to these mining claims.

##### **(h) Duprat Township Property**

The Company holds a 7.5% interest in the net profits of commercial exploitation from ten mining claims located in the Township of Duprat in the Province of Quebec. This property is currently owned by Glencore Extrata PLC.

The Company is also entitled to a 2% NSR on 51 mining claims in the Noranda Mining Camp District, Province of Quebec.

## **JUBILEE GOLD EXPLORATION LTD.**

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#### **Note 9 Mining Claims (Continued)**

##### **(i) Guillet Township Property (formerly the Belletere Mine)**

Property presently owned by Phillippe Desjardins (deceased). The Company holds a 2% NSR on two mining concessions located in the Township of Guillet, Quebec of which one-half of the NSR can be purchased for \$500,000.

##### **(j) McGarry Royalty**

The Company holds a royalty interest in certain mining claims held by Kerr Mines Inc. (“Kerr”, “formerly, Armistice Resources Corp.”) in the McGarry Township within the Larder Lake Mining Division of Ontario (“McGarry Property”). The Company is entitled to royalties determined at the greater of:

- i) a NSR royalty based on the price per troy ounce as follows:
  - 2% when less than US\$500
  - 3% when greater than US\$500 and less than US\$800
  - 4% when greater than US\$800; or
- ii) \$1.00 per short ton of ore derived from the properties; and
- iii) an advance royalty payment of \$21,573 payable quarterly, adjusted to the consumer price index.

In the first quarter of 2017, the Company entered into a debt conversion agreement with Kerr Mines Inc. (“Kerr”) to sell to Kerr the advance royalty for cancellation for \$100,000 (the “Retraction Amount”) and whereas, as at December 31, 2016 Kerr is indebted to the Company in the amount of \$1,006,875 (the “Outstanding Amount”) representing in unpaid amounts relating to the Advance Royalty and whereas the Company has agreed to accept \$100,000 (“the Settlement Amount”) in settlement of the Outstanding amount.

As at June 30, 2017, commercial production has not commenced on this project and no royalties are receivable.

##### **(k) Mirado and Red Lake Properties**

On January 19, 2012, the Company entered into an option agreement with Orefinders Resources Inc. (“Orefinders”) whereby Orefinders was granted the sole and exclusive right and option to acquire a 100% undivided interest in the Mirado and Red Lake Properties, subject to a 3% NSR. In order to earn the 100% interest, Orefinders was required to:

- (i) make the following cash payments:
  - in respect of the Mirado Project, \$50,000 on or before the first anniversary and \$75,000 on or before the second anniversary, and
  - in respect of the Red Lake Project, \$20,000 on or before the first anniversary and \$30,000 on or before the second anniversary.
- (ii) incur exploration and development work on the properties:
  - (i) on the Mirado Project, \$300,000 on or before the first anniversary, a further \$500,000 on or before the second anniversary and a further \$1,200,000 on or before the third anniversary, and
  - (ii) on the Red Lake Project, \$200,000 on or before the first anniversary, a further \$300,000 on or before the second anniversary and a further \$500,000 on or before January 19, 2016, this date has been amended to read January 19, 2017.

In September 2013, Orefinders completed its work obligations on the Mirado property and made a final payment of \$125,000 to the Company. Title to these claims has now been transferred to Orefinders.

On August 18, 2015, Orefinders and Jubilee signed an Amended Mining Option Agreement in which

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

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#### **Note 9 Mining Claims (Continued)**

Jubilee has waived the requirement for Orefinders to incur further exploration and development work. A further change occurred in regards to the NSR. Jubilee shall retain a NSR on each project, which the optionee can buy back a portion thereof for cancelation at any time before the commencement of commercial production from the project in question, as follows:

- a. On the Mirado project, a 3% NSR of which only one percentage point can be bought back for \$1,000,000; and
- b. On the Red Lake project, a 3% NSR of which only one percentage point can be bought back for \$1,000,000.

Title to the Red Lake project has been transferred to Orefinders

March 6<sup>th</sup>, 2017 Orefinders entered into a definitive agreement with Pure Gold Mining to sell the Company's Derlak Project in Red Lake, Ontario.

#### **(m) Pagwachuan Lake Property**

Property presently owned by Goldstream Exploration Ltd. The Company holds a 3% NSR in this project located in the Pagwachuan Lake Area, Province of Ontario. The Prodigy Gold Inc. ("Prodigy") has the right and option to purchase a 1% NSR at any time for \$1,000,000.

#### **(n) Birney Lake Property**

Property presently owned by 2527800 Ontario Inc. The Company retains a 1%NSR.

#### **Net Smelter Return Royalties Payable**

##### **(1) Elliott Lake Property**

Property presently owned by Ty Randa. The Company has a 2.5% NSR obligation on net proceeds of production on claims in Elliott Township in Ontario.

##### **(2) Harker Township Property**

The Company has a 2% NSR obligation to Goldcorp on the Harker Township Property.

##### **(3) Munro Property**

The Company has a 2% NSR obligation to Johns Manville Canada Inc. on the Munro Property.

#### **Note 10 Share Capital and Stock Options**

##### *Share Capital*

As at June 30, 2017, the authorized share capital of the Company consists of an unlimited number of common class A shares. Each shareholder has the right to vote their number of shares at a shareholders' meeting. The common class A shares and common shares do not have a par value. All issued shares are fully paid.

**JUBILEE GOLD EXPLORATION LTD.**

## Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

**Note 10 Share Capital and Stock Options (Continued)**

The following shares were issued and outstanding during the periods ended June 30, 2017 and 2016:

	Class A common shares	
	Number #	Value \$
Balance, June 30, 2017 and 2016	7,831,578	7,684,494

*Stock Options*

The Company is authorized to issue stock options to employees, officers and consultants. The options' maximum term is ten years and they vest immediately.

A continuity of the Company's issued and outstanding stock options for the periods ended June 30, 2017 and 2016 is as follows:

	June 30, 2017		June 30, 2016	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding at beginning of period	875,000	\$0.15	875,000	\$0.15
Expired	-	-	-	-
Outstanding and exercisable at end of period	<u>875,000</u>	<u>\$0.15</u>	875,000	\$0.15

Estimated Grant Date Fair Value \$	Outstanding Options #	Options Exercisable #	Exercise Price \$	Expiry Date
438,427	875,000	875,000	0.15	March 19, 2023

**Note 11 Commitments**

During 2015, the Company entered into a new lease for office space for a three year period commencing May 1, 2015 and ending April 30, 2018. The estimated minimum annual payments for successive years ended December 31 are as follows:

2017	\$ 20,873
2018	<u>7,003</u>
	<u>\$ 27,876</u>

**Note 12 Related Party Transactions**

For the period ended June 30, 2017, the Company accrued a management fee of \$75,000 (2016 – accrued \$75,000) excluding HST, to a company owned by the President.

For the periods ended June 30, 2017, the aggregate remuneration incurred and paid to directors and officers was \$23,552 (2016 - \$51,489).

## **JUBILEE GOLD EXPLORATION LTD.**

### Notes to Condensed Unaudited Interim Financial Statements

(Expressed in Canadian dollars)

June 30, 2017 and 2016

#### **Note 12 Related Party Transactions (Continued)**

On April 6, 2016, the Company entered into a loan agreement with Jeffrey Becker providing for the terms and conditions pursuant to which Jeffrey Becker will loan to the Company the principal amount of \$300,000 to be evidenced by a promissory note. The loan is for a term of 5 years and is payable on demand after one year. The loan bears an interest in the amount of 1% per annum payable yearly on the date of each annual anniversary. The loan is convertible at the option of the holder into Class A Common Shares of the Company at any time until the date of expiry of the loan term. The terms and conditions of the loan will provide that accrued interest can also be paid through the issuance of Class A Common Shares. The conversion rate will be determined based on a price per Class A Common Share that is not less than the market price of the Class A Common Shares at the time of the conversion of the loan or at the time the accrued interest is payable, all subject to TSX Venture Exchange (the "Exchange") acceptance. If at the time of conversion, the Company is no longer a publicly traded reporting issuer, the conversion price shall be \$0.10 for any amount of principal or accrued interest to be converted. The loan payable as of June 30, 2017 is \$127,500 and interest payable of \$2,314 included in accounts payable and accrued liabilities (2016 - \$nil).

The proceeds of the loan will be used to cover rent, salaries and administrative costs to support the operations of the Corporation for the ensuing year.

Except for the accrued management fees and the loan payable there were no other amounts payable as at June 30, 2017 and 2016 to directors and officers of the Company.

#### **Note 13 Pangea Fenn-Gibb Ltd.**

On June 1, 1997, the Company entered into an agreement with Pangea Fenn-Gibb Ltd. (Pangea) to lease seven of its transferred properties to Pangea for a term of 21 years. Terms of this lease include:

(a) Pangea has the right to apply for severance of patented mining claim L.4149. Upon such severance, registered title to this claim will be transferred to Pangea for no consideration;

(b) Upon severance and registration and, subject to Pangea incurring exploration and related expenditures in excess of \$1,000,000, the Company retains the right to:

- i) purchase a 50% interest, as tenant in common, in the property for \$100,000; or
- ii) a 3% NSR.

(c) Upon severance and registration of the property, the Company retains the right to repurchase the property from Pangea for the sum of \$1.00 in the event Pangea wishes to transfer the property to a transferee other than an affiliated or associated corporation. Pangea's interest is now held by Lake Shore Gold Corp.

In consideration of the 21-year lease, the Company received a \$275,000 upfront lease payment, reduced by \$41,379 representing the cost of properties incurred by Pangea up to June 1, 1997, resulting in a net upfront lease payment of \$233,621 which was set up as deferred revenue and recognized into income on a straight-line basis over the remaining life of lease.

In 2017, the Company recorded \$11,125 (2016 - \$11,125) of lease income.

**JUBILEE GOLD EXPLORATION LTD.**

## Notes to Condensed Unaudited Interim Financial Statements

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**Note 14 Contingent Liabilities**

Pursuant to an agreement dated May 1, 1941, the Company agreed to issue a \$50,000 income note payable to an optionee, with non-cumulative interest bearing at 5% per annum, depending on net earnings, amongst other criteria. Net earnings were defined as gross proceeds from the sale of products derived from mining operations conducted upon the Irwin, Pipher property, after deducting all expenses of every kind incurred in operating the property. As at June 30, 2017, neither exploration activity nor production has commenced on the property and there is uncertainty as to the timing of payment of this income note payable. In the event that the Company sells the property the income note becomes null and void.

The Company's exploration activities are subject to various international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company, amongst other parties, is subject to a Director's Order (the "Order") dated December 6, 2011, issued by the Director of Mine Rehabilitation (the "Director") to file a certified closure plan with respect to certain mining claims in the Kerr Township. The Company has contested the jurisdiction of the Director to issue an Order against it and has brought a motion to have the issue of jurisdiction determined.

The Company's position is that its preliminary motion to set aside the Order will be successful. At June 30, 2017, the financial effect of the Order and any related costs cannot be reliably measured and the Company has not recorded a provision.

**Note 15 Income Taxes**

As at June 30, 2017, the Company had non-capital losses available to reduce future taxable income that expire as follows:

Year of Expiry	Amount
	\$
2027	22,000
2028	69,000
2029	195,000
2030	161,000
2031	116,000
2032	320,000
2034	389,000
2035	342,000
2036	83,000

The Company has not recorded deferred tax assets related to the items above as it is not probable that there will be future taxable profits against which these can be utilized.

**Note 16 Subsequent Events**

There are no subsequent events to report.