JUBILEE GOLD EXPLORATION LTD.

FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

UHY McGovern Hurley LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Jubilee Gold Exploration Ltd.

We have audited the accompanying financial statements of Jubilee Gold Exploration Ltd., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of (loss) income and comprehensive (loss) income, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Jubilee Gold Exploration Ltd. as at December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP
UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 17, 2018

JUBILEE GOLD EXPLORATION LTD.
Statements of Financial Position
(Expressed in Canadian dollars)

As at	December 31, 2017 $	December 31, 2016 $
Assets		
Current Assets		
Cash	**95,637**	241,570
HST receivables	**2,643**	-
Prepaid expenses	**6,847**	4,326
Investments (Note 7)	**155,372**	-
Total Current Assets	**260,499**	245,896
Non-Current Assets		
Property and equipment (Note 6)	**154,677**	161,180
Investments (Note 7)	**3,359,582**	4,110,404
Investment in associate (Note 8)	**719,250**	768,250
Mining claims (Note 9)	**113,083**	146,258
Total Non-Current Assets	**4,346,592**	5,186,092
Total Assets	**4,607,091**	5,431,988
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 12)	**156,491**	200,984
Deferred revenue (Note 13)	**9,105**	14,674
Loan payable (Note 12)	**127,500**	127,500
Total Current Liabilities	**293,096**	343,158
Long Term Liabilities		
Deferred revenue (Note 13)	**-**	5,556
Total Liabilities	**293,096**	348,714
Shareholders' Equity		
Share capital (Note 10)	**7,684,494**	7,684,494
Contributed surplus (Note 10)	**4,619,759**	4,619,759
Accumulated comprehensive income (Note 7)	**25,760**	25,760
Accumulated deficit	**(8,016,017)**	(7,246,739)
Total Shareholders' Equity	**4,313,995**	5,083,274
Total Liabilities and Shareholders' Equity	**4,607,091**	5,431,988

Continuance of Operations (Note 2(a))
Commitments and Contingencies (Notes 9, 11 and 14)
Subsequent Event (Note 16)

APPROVED ON BEHALF OF THE BOARD

/signed/ "J.J. Becker"
Director

/signed/ "Grant V. Ohman"
Director

JUBILEE GOLD EXPLORATION LTD.
Statements of Loss (Income) and Comprehensive Loss (Income)
(Expressed in Canadian dollars)
For the years ended December 31,
The accompanying notes are an integral part of these financial statements.

	2017 $	2016 $
Income		
Option income (Note 9)	**-**	15,000
Investment income	**7,981**	6,793
Lease income (Note 13)	**12,425**	11,125
Royalties (Note 9 (e) and (k))	**122,060**	76,300
Other (Note 9 (j))	**200,000**	1,610
Total Income	**342,466**	110,828
Expenses		
Amortization (Note 6)	**6,503**	7,188
Director's fees	**10,000**	10,000
General and administration	**34,248**	52,164
General exploration	**88,454**	100,957
Salaries and benefits (Note 12)	**42,980**	89,793
Management fees (Note 12)	**169,500**	169,500
Mining and property taxes	**13,878**	24,878
Professional fees	**63,882**	99,257
Rent	**313**	30,066
Transfer agent fees	**3,358**	7,920
Total Expenses	**433,116**	591,723
Loss before the undernoted	**(90,650)**	(480,895)
Equity accounted loss from associate (Note 8)	**(101,000)**	(334,000)
Gain on dilution of associate (Note 8)	**52,000**	-
Loss on sale of furniture	**-**	(2,809)
Gain on sale of financial assets	**-**	9,096
Loss on foreign exchange	**(957)**	(1,290)
Unrealized (loss) gain on FVTPL financial assets	**(595,450)**	2,262,068
Gain on sale of mining claims	**-**	181,832
Derivative asset revaluation impact (Note 5)	**-**	(4,675)
Write down of mining claims (Note 9)	**(33,174)**	(14,749)
Expiry of share redemption obligation (Note 1)	**-**	276,721
Withholding tax	**(47)**	(151)
Net comprehensive (loss) income	**(769,278)**	1,891,148
Basic net (loss) income per share	**$(0.09)**	$0.24
Diluted net (loss) income per share	**$(0.09)**	$0.22
Weighted average number of common shares outstanding, basic and diluted	**7,831,578**	7,831,578

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

JUBILEE GOLD EXPLORATION LTD.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)
For the years ended December 31, 2017 and 2016

	Class A Common shares	Contributed Surplus	Accumulated Comprehensive Income	Accumulated Deficit	Total Equity
	$	$	$	$	$
Balance, December 31, 2015	**7,684,494**	**4,619,759**	**25,760**	**(9,137,887)**	**3,192,126**
Net income and comprehensive income	-	-	-	1,891,148	1,891,148
Balance, December 31, 2016	**7,684,494**	**4,619,759**	**25,760**	**(7,246,739)**	**5,083,274**
Net loss and comprehensive loss	-	-	-	(769,278)	(769,278)
Balance, December 31, 2017	**7,684,494**	**4,619,759**	**25,760**	**(8,016,017)**	**4,313,995**

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

JUBILEE GOLD EXPLORATION LTD.
Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended December 31,

	2017	2016
	$	$
Operating Activities		
Net comprehensive (loss) income for the year	**(769,278)**	1,891,148
Items not affecting cash:		
Amortization	**6,503**	7,188
Gain on sale of financial assets	**-**	(9,096)
Gain on sale of mining claims	**-**	(181,832)
Loss on sale of furniture	**-**	2,809
Unrealized loss (gain) on FVTPL investments	**595,450**	(2,262,068)
Gain on dilution on associate	**(52,000)**	-
Equity accounted loss from associate	**101,000**	334,000
Derivative asset revaluation impact	**-**	4,675
Write down of mining claims	**33,175**	14,749
	(85,150)	(198,427)
Change in non-cash working capital items:		
HST receivables	**(2,643)**	**-**
Prepaid expenses	**(2,521)**	4,765
Expiry of share redemption obligation	**-**	(276,721)
Accounts payable and accrued liabilities	**(44,494)**	165,299
Deferred revenue	**(11,125)**	(7,576)
	(60,783)	(114,233)
Net Cash Flows (used in) Operating Activities	**(145,933)**	(312,660)
Investing Activities		
Purchase of investments	**-**	(68,168)
Proceeds from sale of investments	**-**	135,836
Proceeds from sale of mining claims	**-**	200,000
Proceeds from sale of furniture	**-**	500
Purchase of mining claims	**-**	(1)
Net Cash Flows from Investing Activities	**-**	268,167
Financing Activities		
Redemption of common shares	**-**	(460)
Proceeds from loan payable	**-**	300,000
Repayment of loan payable	**-**	(172,500)
Net Cash Flows from Financing Activities	**-**	127,040
(Decrease) increase in cash	**(145,933)**	82,547
Cash, beginning of year	**241,570**	159,023
Cash, end of year	**95,637**	241,570

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

Note 1 General Information

Jubilee Gold Exploration Ltd. ("Jubilee" or the "Company") is a public company listed on the TSX Venture Exchange (the "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.

The address of the registered office is c/o McLean & Kerr LLP, 130 Adelaide Street West, Suite 2800 Toronto, Ontario, M5H 3P5. The annual financial statements of the Company for the years ended December 31, 2017 and 2016 were approved by the Board of Directors for issuance in accordance with a resolution of the Directors on April 17, 2018.

Note 2 Basis of Preparation

(a) Statement of compliance and continuance of operations

These 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 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 and investments 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.

(b) Basis of measurement

These 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 also 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:

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.

Note 2 Basis of Preparation (Continued)

(d) Use of estimates and judgments (Continued)

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.

Investment in associate
Investments in associates are accounted for using the equity method, whereby the investment is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the investment. The Company's share of the results of operations of an associate is reflection in the profit and loss.

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. The management reviews the relevant factors and made considerations in determining whether significant influence exists in associate(s).

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.

Contingencies
See Note 14.

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 profit or loss. All of the Company's other investments in marketable securities have been designated as available-for-sale. Cash is classified as loans and receivables and measure at amortized cost. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities, and are measured at amortized cost.

(b) Mining claims and exploration and evaluation expenditures and royalty interests

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 and royalty interests. 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.

Royalty interests are recorded at cost and capitalized as tangible assets within finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any.

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.

(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.

Note 3 Summary of Significant Accounting Policies (Continued)

(e) Income taxes (Continued)

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 by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding is calculated by adjusting the shares issued as 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.

(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.

Note 3 Summary of Significant Accounting Policies (Continued)

(h) Property and equipment (Continued)

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.

(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. As at December 31, 2017 and 2016, the Company had no significant restoration, rehabilitation and environmental obligations (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.

Note 3 Summary of Significant Accounting Policies (Continued)

(m) Provisions (Continued)

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 as at December 31, 2017 and 2016.

Note 4 Recent Accounting Pronouncements

New and Amended Standards Adopted
As of January 1, 2017, 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 financial statements.

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.

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.

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, 2018. 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.

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.

Note 4 Recent Accounting Pronouncements (Continued)

New Standards and Interpretations Not Yet Adopted (Continued)
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.

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 recognizes 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 recognize 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.

IFRIC 23 – Uncertainty over Income Tax Treatments ("IFRIC 23")
In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23"). IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, and permits early adoption.

Note 5 Financial Instruments

(a) Risk management framework

The Board of Directors has the 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, HST receivable and investment balances at December 31, 2017 and 2016.

Note 5 Financial Instruments (Continued)

(a) Risk management framework (Continued)

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 December 31, 2017, the Company had cash of $95,637 (2016 - $241,570) to settle current liabilities of $293,096 (2016 - $343,158). 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:

(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 December 31, 2017, the Company had cash held in US dollar accounts totaling $14,318 (2016 - $9,132). A change in rates of plus or minus 1% would have a nominal effect on comprehensive loss for the year ended December 31, 2017. As at December 31, 2017, the Company held investments denominated in US dollars with a fair value totaling $437,517 (2016 - $490,316).

(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. A 1% change in the quoted market of these investments would result in a $33,954 change to the Company’s net loss for the year ended December 31, 2017 (2016 - $39,909).

(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, investments, accounts payable and accrued liabilities and loan payable. The fair value of accounts payable and accrued liabilities and loan payable are 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.

(Expressed in Canadian dollars)

Note 5 Financial Instruments (Continued)

(b) Fair value (Continued)

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).

Financial Instruments

The following is a summary of significant categories of financial instruments outstanding at December 31, 2017 and 2016:

Cash	Loans and receivables
HST receivable	Loans and receivables
Investment in publicly traded shares	FVTPL
Investment in equities that were privately held at the time of original recognition	Available-for-sale
Investment in derivative financial instruments	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable	Other financial liabilities

At December 31, 2017 and 2016, the Company's financial instruments carried at fair value consisted of investments in publicly traded equities, which have been classified as Level 1, and investments in derivative instruments which have been classified as Level 2. 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 Resources Inc. ("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 in profit or 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.

	December 31, 2017	December 31, 2016
	$	$
Balance, beginning of the year	-	4,675
Unrealized losses	-	(4,675)
Balance, end of the year	-	-

(Expressed in Canadian dollars)

Note 5 Financial Instruments (Continued)

(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. There has been no change with respect to the overall capital risk management strategy during the year.

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 at December 31, 2017, the management believes that the Company was compliant with Policy 2.5.

Note 6 Property and equipment

Cost	**Office Building $**	**Office Equipment $**	**Computer Equipment $**	**Total $**
December 31, 2015	184,389	42,388	36,442	263,219
Additions (Dispositions)	-	(42,388)	-	(42,388)
December 31, 2016	184,389	-	36,442	220,831
Additions (Dispositions)	-	-	-	-
December 31, 2017	**184,389**	**-**	**36,442**	**220,831**
Accumulated amortization				
December 31, 2015	(16,633)	(38,711)	(36,198)	(91,542)
Amortization	(6,710)	(368)	(110)	(7,188)
Dispositions	-	39,079	-	39,079
December 31, 2016	(23,343)	-	(36,308)	(59,651)
Amortization	(6,442)	-	(61)	(6,503)
December 31, 2017	**(29,785)**	**-**	**(36,369)**	**(66,154)**
Net book value				
December 31, 2016	161,046	-	134	161,180
December 31, 2017	**154,604**	**-**	**73**	**154,677**

(Expressed in Canadian dollars)

Note 7 Investments

The Company's investments are comprised of the following:

	December 31, 2017 $	December 31, 2016 $
Current Financial Assets		
FVTPL		
Equity portfolio investment (cost - $51,217; 2016 - $nil)	**155,372**	-
	155,372	-
Long-term Financial Assets		
FVTPL		
Equity portfolio investments (cost - $5,834,120; 2016 - $5,855,337)	**3,240,098**	3,990,920
Equity portfolio investment – derivative asset (Note 8)	**-**	-
Available for sale		
Shoal Point Energy Ltd.		
(cost - $1; 2016 - $1)	**25,759**	25,759
Non-Financial Assets		
Gold and silver certificates (at cost)	**93,725**	93,725
(Estimated fair value – $221,523; 2016 - $209,485)		
	3,359,582	4,110,404

On January 8, 2018, Centerra Gold Inc. completed its acquisition of 100% of issued and outstanding shares of AuRico Metals Inc. ("AuRico") for $1.80 per share in cash consideration. The Company owned 86,800 of AuRico shares as of December 31, 2017 and January 8, 2018. As a result, the Company had classified its investment in AuRico as current assets as of December 31, 2017. The Company received $156,240 in cash in March 2018 representing its proceeds from sale of investment in AuRico.

The Company acquired shares of Shoal Point Energy Ltd. ("SPE") when it was a private company. In 2010, it became publicly traded. As at December 31, 2017, these SPE shares were revalued to their fair value of $25,759 (2016 - $25,759).

Note 8 Investment in Associate

On January 19, 2012, the Company entered into an option agreement with Fechi 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.

(Expressed in Canadian dollars)

Note 8 Investment in Associate (continued)

As at December 31, 2017, the Company held 14,117,143 common shares (20.86%) of the total issued and outstanding shares of Orefinders (2016 – 14,117,143; 24.04%). Management has determined that the Company has maintained significant influence through December 31, 2016 and 2017.

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

Summarized financial information of Orefinders for the twelve month periods ended October 31, 2017 and 2016 is as follows, after adjustments to align the accounting policies with those of the Company:

As at October 31,	**2017** **$**	2016 $
Current assets	1,077,678	527,838
Non-current assets	2,319,327	4,049,775
Total assets	3,397,005	4,577,613
Total liabilities	341,720	1,124,146
Total net loss	(420,841)	(1,272,835)

Based on the quoted market price as at December 31, 2017, the fair value of the Company's interest in Orefinders was $1,411,714 (2016 - $705,857).

A continuity of the investment in Orefinders is as follows:

As at December 31,	**2017** **$**	2016 $
Balance, beginning of the year	**768,250**	1,102,250
Share of loss for the year	**(101,000)**	(334,000)
Gain on dilution	**52,000**	-
Balance, end of the year	**719,250**	768,250

(Expressed in Canadian dollars)

Note 9 Mining Claims

A summary of the Company's mining claims and royalty interests for the year ended December 31, 2017 is as follows:

	January 1, 2017	Net Additions	Disposed/ Impaired	December 31, 2017
Staked Claims	$	$	$	$
Brackin, Stover, ON	9,660	-	-	9,660
Dufresnoy, PQ	7,882	-	(4,408)	3,474
Geary, ON	54,454	-	(24,196)	30,258
Halcrow, ON	7,799	-	-	7,799
Harker Township, ON	342	-	-	342
Holloway, Tannahill, ON	2,719	-	(2,034)	685
Mahaffy, ON	23,422	-	(2,536)	20,886
Munro,ON	3,729	-	-	3,729
Todd, ON	4,512	-	-	4,512
Warden, ON	2,994	-	-	2,994
	117,513	-	(33,174)	84,339
Patented Claims				
Brackin-Leeson, ON	8,141	-	-	8,141
Harker, ON	15,000	-	-	15,000
McVittie, ON	1	-	-	1
Munro, Guibord, ON	1	-	-	1
	23,143	-	-	23,143
Leases				
Elliott Lake, ON (n)	312	-	-	312
Elmhirst, ON (a)	1	-	-	1
Geary, ON	1,200	-	-	1,200
Harker, ON (o)	3,470	-	-	3,470
Hislop, ON	600	-	-	600
Holloway, ON	2	-	-	2
Irwin, Pipher, ON (Note 14)	1	-	-	1
Munro, ON (Vista claims) (p)	1	-	-	1
	5,587	-	-	5,587
Royalties				
Baird-Farlie, ON (d)	1	-	-	1
Bourlamaque, PQ (c)	1	-	-	1
Birney Lake, NB (m)	1	-	-	1
Coleman, ON (b)	1	-	-	1
Casummit Lake, ON (e)	1	-	-	1
Guillet Township, PQ (i)	1	-	-	1
Duprat, PQ (h)	1	-	-	1
German-Stock, ON (f)	1	-	-	1
Heyson-Baird, ON (k)	1	-	-	1
Mayo, Yukon	1	-	(1)	-
McElroy, ON	1	-	-	1
McGarry, ON (j)	2	-	-	2
North Palladium 20% Net Profits, PQ (g)	1	-	-	1
Pagwachuan Lake, ON (l)	1	-	-	1
	15	-	-	14
Total mining claims	**146,258**	**-**	**(33,175)**	**113,083**

(Expressed in Canadian dollars)

Note 9 Mining Claims (Continued)

A summary of the Company's mining claims and royalty interests for the year ended December 31, 2016 are as follows:

	January 1, 2016	Net Additions	Disposed/ Impaired	December 31, 2016
Staked Claims	$	$	$	$
Birneys Lake, NB	18,169	-	(18,169)	-
Brackin, Stover, ON	9,660	-	-	9,660
Dufresnoy, PQ	7,882	-	-	7,882
Geary, ON	59,899	-	(5,445)	54,454
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
	150,369	-	(32,856)	117,513
Patented Claims				
Brackin-Leeson, ON	8,141	-	-	8,141
Coleman, ON (b)	63	-	(63)	-
Harker, ON	15,000	-	-	15,000
McVittie, ON	1	-	-	1
Munro, Guibord, ON	1	-	-	1
	23,206	-	(63)	23,143
Leases				
Elliott Lake, ON (n)	312	-	-	312
Elmhirst, ON (a)	1	-	-	1
Geary, ON	1,200	-	-	1,200
Harker, ON (o)	3,470	-	-	3,470
Hislop, ON	600	-	-	600
Holloway, ON	2	-	-	2
Irwin, Pipher, ON (Note 14)	1	-	-	1
Munro, ON (Vista claims)	1	-	-	1
	5,587	-	-	5,587
Royalties				
Baird-Farlie, ON (d)	1	-	-	1
Bourlamaque, PQ (c)	1	-	-	1
Birney Lake, NB (m)	-	1	-	1
Coleman, ON (b)	-	1	-	1
Casummit Lake, ON (e)	1	-	-	1
Guillet Township, PQ (i)	1	-	-	1
Duprat, PQ (h)	1	-	-	1
German-Stock, ON (f)	1	-	-	1
Heyson-Baird, ON (k)	1	-	-	1
Mayo, Yukon	1	-	-	1
McElroy, ON	1	-	-	1
McGarry, ON (j)	2	-	-	2
North Palladium 20% Net Profits, PQ (g)	1	-	-	1
Pagwachuan Lake, ON (l)	1	-	-	1
	13	2	-	15
Total mining claims	**179,175**	**2**	**(32,919)**	**146,258**

Note 9 Mining Claims (Continued)

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 anticipates receiving the cash payment of $10,000 in April 2018. 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. The Company holds a 3% NSR of which each 1% of the NSR can be purchased from the Company for $1,500,000. The Violet and Beaver Properties were subsequently owned by Canada Coblat Works Inc. (formerly Castle Silver Resources Inc.).

(c) Bourlamaque Royalty

The Company holds a NSR varying between 0.75% and 2.5% on claims in Bourlamaque Township in Quebec.

(d) Baird-Farlie Township Property

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 year ended December 31, 2017, the Company received advanced royalties of $77,292 (2016 - $76,300).

On July 12, 2010, the Company entered into a royalty agreement with GC and the Company retains a 3% NSR on a second Casummit claim group. 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. First Mining Finance Corp. acquired Gold Canyon Resources Inc. in November 2015.

Note 9 Mining Claims (Continued)

Royalties Receivable (Continued)

(f) German-Stock Property (Clavos Project)

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.

As at December 31, 2017, commercial production has not commenced on this project and no royalties are currently recoverable.

(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 wrote down these mining claims to $1 during the year ended December 31, 2015.

(h) Duprat Township Property

The Company holds a 7.5% interest in the net proceeds of commercial exploitation from 10 mining claims, and a 2% NSR on 51 additional claims, both located in Duprat Township, in the Noranda Mining Camp, Quebec.

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

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.

Note 9 Mining Claims (Continued)

(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.

On February 27, 2017, the Company entered into a debt conversion agreement with Kerr to sell the advance royalty for cancellation for $100,000 (the "Retraction Amount") and to accept a settlement payment of $100,000 for the unpaid advance royalty as of December 31, 2016 in the amount of $1,006,875. The Company received a total of $200,000 payment from Kerr in March 2017.

(k) Mirado and Derlak Properties

The Company holds a 3% NSR in the Mirado project located in located in the Larder Lake Mining Division of northeastern Ontario. Orefinders Resources Inc. ("Orefinders") has the right to purchase 1% of the retained NSR at any time for $1,000,000.

During the year ended December 31, 2017, the Company received advanced royalties for Mirado Project of $44,768 (2016 - $Nil).

The Company also holds a 3% NSR in the Derlak project located in the Red Lake, Province of Ontario. Orefinders has the right to purchase 1% of the retained NSR at any time for $1,000,000. On March 10, 2017, Orefinders completed the sale of Derlak project to Pure Gold Mining.

(l) Pagwachuan Lake Property

The Company holds a 3% NSR in this project located in the Pagwachuan Lake Area, Province of Ontario. Argonaut Gold Inc. (previously Prodigy Gold Inc.) has the right to purchase 1% of the retained NSR at any time for $1,000,000.

(m) Birney Lake Property

The Company retains a 1% NSR on the Birney Lake Property located in southwester New Brunswick.

Net Smelter Return Royalties Payable

(n) Elliott Lake Property (Ghost Lake)

The Company has a 2.5% NSR obligation on net proceeds of production to Ty Randa on the Elliott Township property in the Larder Lake Mining Division of Ontario.

(Expressed in Canadian dollars)

Note 9 Mining Claims (Continued)

(o) Harker Township Property (Golden Harker)

The Company has a 2% NSR obligation to Goldcorp on 3 mineral claims within the Golden Harker Property in the Larder Lake Mining Division of Ontario.

(p) Munro Property (Croesus-Munro)

The Company has a 2% NSR obligation to Johns Manville Canada Inc. on certain claims within the Croesus-Munro Property in the Larder Lake Mining Division of Ontario.

Note 10 Share Capital and Stock Options

Share Capital

As at December 31, 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.

The following shares were issued and outstanding during the years ended December 31, 2017 and 2016:

	Class A common shares	
	Number #	Value $
Balance, December 31, 2015, 2016 and 2017	**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 is as follows:

	December 31, 2017		December 31, 2016	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
Outstanding, beginning of year	**875,000**	**$0.15**	875,000	$0.15
Expired	**-**	**-**	-	-
Outstanding and exercisable, end of year	**875,000**	**$0.15**	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

As at December 31, 2017, the weighted average exercise price of the stock options was $0.15 (2016 - $0.15) and the weighted average remaining contractual life of stock options was 5.22 (2016 – 6.22 years)

(Expressed in Canadian dollars)

Note 11 Commitments

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

2018	$ 7,003

Note 12 Related Party Transactions

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-V 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 estimated fair value of the conversion option at the time of issue and as at December 2016 and 2017 was $nil.

The loan payable as of December 31, 2017 is $127,500 (2016 - $127,500) and interest payable of $2,963 (2016 - $1,682) included in accounts payable and accrued liabilities.

For the year ended December 31, 2017, the Company incurred an aggregate remuneration of $215,216 (2016 - $245,911) to officer and directors of the Company. As at December 31, 2017, a total of $127,125 (2016 - $169,500) remained unpaid.

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.

As consideration, 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. For the year ended December 31, 2017, the Company recorded $11,125 (2016 - $11,125) of lease income.

(Expressed in Canadian dollars)

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 December 31, 2017 and 2016, 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. As a result, no provision has been made in these financial statements.

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 would be successful. On March 29, 2018, the Mining and Lands Commissioner (the "Commissioner") ruled that the Company's application was denied and the Company has 30 days from March 29, 2018 to appeal the decision, which the Company intends to execute within the required timeframe. As at December 31, 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

The reconciliation of income tax expense from continuing operations to the dollar amount of income tax using the statutory income tax rate of 26.5% (2016 – 26.5%)

	December 31, 2017	December 31, 2016
	$	$
(Loss) income before income taxes	**(769,278)**	1,891,148
Expected tax (recovery)	**(204,000)**	501,000
Non-taxable portion of unrealized loss on FVTPL investments	**-**	(25,500)
Other	**58,000**	(184,500)
Deferred tax assets not recognized	**146,000**	(291,000)
Provision for income taxes	**-**	-

(Expressed in Canadian dollars)

Note 15 Income Taxes (continued)

The Company had the following deductible temporary differences as at December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
	$	$
Non-capital loss carry forwards	**1,920,000**	1,697,000
Exploration properties	**4,579,000**	4,591,000
Capital losses	**784,000**	784,000
Equipment	**22,000**	15,000
Unrealized losses on investments	**2,340,000**	1,745,000
Investment in associate	**3,881,000**	3,832,000
Cumulative eligible capital	**107,000**	115,000
Total deductible temporary differences	**13,633,000**	12,779,000

As at December 31, 2017, the Company had non-capital losses available to reduce future taxable income that expire as follows:

	$
2027	17,000
2028	69,000
2029	195,000
2030	161,000
2031	116,000
2032	320,000
2034	389,000
2035	342,000
2036	311,000
	1,920,000

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 Event

The Company received an advance of $50,000 cash from Jeffrey Becker, the Company's Chief Executive Officer in March 2018, which the Company repaid in April 2018.

See also Notes 9 and 14.