JUBILEE GOLD EXPLORATION LTD.

CONDENSED UNAUDITED INTERIM
FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

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 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 Professional 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)

As at	**June 30, 2018** **$**	December 31, 2017 $
Assets		
Current Assets		
Cash	**225,923**	95,637
Amounts receivable	**8,949**	2,643
Prepaid expenses	**5,377**	6,847
Investments (Note 7)	**-**	155,372
Total Current Assets	**240,249**	260,499
Non-Current Assets		
Property and equipment (Note 6)	**151,382**	154,677
Investments (Note 7)	**3,103,336**	3,359,582
Investment in associate (Note 8)	**664,647**	719,250
Mining claims (Note 9)	**113,083**	113,083
Total Non-Current Assets	**4,032,448**	4,346,592
Total Assets	**4,272,697**	4,607,091
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**233,229**	156,491
Deferred revenue (Note 12)	**-**	9,105
Loan payable (Note 11)	**127,500**	127,500
Total Current Liabilities	**360,729**	293,096
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
Accumulated deficit	**(8,392,285)**	(8,016,018)
Total Shareholders' Equity	**3,911,968**	4,313,995
Total Liabilities and Shareholders' Equity	**4,272,697**	4,607,091

Continuance of Operations (Note 2(a))
Commitments and Contingencies (Notes 9 and 13)
Subsequent Events (Note 14)

APPROVED ON BEHALF OF THE BOARD

/signed/ "J.J. Becker"	/signed/ "Grant V. Ohman"
Director	Director

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

JUBILEE GOLD EXPLORATION LTD.

Condensed Unaudited Interim Statements of (Loss) Income and Comprehensive (Loss) Income
For the periods ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

	Three Months ended June 30,		**Six Months ended June 30,**	
	2018	2017	**2018**	2017
	$	**$**	**$**	**$**
Income				
Investment income	**2,916**	3,329	**3,272**	4,874
Lease income (Note 12)	**-**	1,300	**6,785**	12,425
Royalties (Note 9 (e) and (k))	**78,219**	44,768	**78,219**	122,060
Other (Note 9 (j))	**10,004**	(1,300)	**10,004**	200,199
Total Income	**91,139**	48,097	**98,280**	339,558
Expenses				
Amortization (Note 6)	**1,611**	1,626	**3,296**	3,251
General and administration	**12,899**	15,424	**14,760**	28,189
General exploration	**18,534**	19,128	**34,115**	36,707
Salaries and benefits (Note 11)	**-**	12,021	**-**	23,552
Management and consulting fees (Note 11)	**37,500**	42,375	**78,000**	84,750
Mining and property taxes	**3,479**	1,035	**11,240**	7,535
Professional fees	**43,087**	12,735	**62,840**	27,606
Transfer agent fees	**672**	1,114	**4,733**	2,067
Total Expenses	**117,782**	105,458	**208,984**	213,657
(Loss) Income before the Undernoted	**(26,643)**	(57,361)	**(110,704)**	125,901
Equity accounted loss from associate (Note 8)	**(43,519)**	(223,677)	**(143,603)**	(251,842)
Gain on dilution of associate (Note 8)	**-**	-	**89,000**	-
Realized loss on FVTPL financial assets (Note 7)	**(303,350)**	-	**(198,327)**	-
Gain on foreign exchange	**489**	-	**1,057**	-
Unrealized gains (loss) on FVTPL financial assets (Note 7)	**516,765**	(593,126)	**(13,690)**	(230,445)
Write-down of mining claims (Note 9)	**-**	(3,813)	**-**	(5,848)
Withholding tax	**-**	(42)	**-**	(42)
Net Income (Loss) and Comprehensive Income (Loss)	**143,742**	(878,019)	**(376,267)**	(362,276)
Basic and diluted net income (loss) per share	**$ 0.02**	$ (0.11)	**$ (0.05)**	$ (0.04)
Weighted average number of common shares outstanding, basic and diluted	**7,831,578**	7,831,578	**7,831,578**	7,831,578

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

JUBILEE GOLD EXPLORATION LTD.

Condensed Unaudited Interim Statements of Financial Position

For the periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

	Class A Common shares $	Contributed Surplus $	Accumulated Comprehensive Income $	Accumulated Deficit $	Total Equity $
Balance, December 31, 2016	**7,684,494**	**4,619,759**	**25,760**	**(7,246,739)**	**5,083,274**
Net income and comprehensive income	-	-	-	515,743	515,743
Balance, March 31, 2017	**7,684,494**	**4,619,759**	**25,760**	**(6,730,996)**	**5,599,017**
Net loss and comprehensive loss	-	-	-	(878,019)	(878,019)
Balance, June 30, 2017	**7,684,494**	**4,619,759**	**25,750**	**(7,609,015)**	**4,270,998**
Balance, December 31, 2017	**7,684,494**	**4,619,759**	**25,760**	**(8,016,018)**	**4,313,995**
Net loss and comprehensive loss	-	-	(25,760)	(520,009)	(545,769)
Balance, March 31, 2018	**7,684,494**	**4,619,759**	**-**	**(8,536,027)**	**3,768,226**
Net income and comprehensive income	-	-	-	143,742	143,742
Balance, June 30, 2018	**7,684,494**	**4,619,759**	**-**	**(8,392,285)**	**3,911,968**

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

JUBILEE GOLD EXPLORATION LTD.

Condensed Unaudited Interim Statements of Financial Position

For the periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

	2018	2017
	$	$
Operating Activities		
Net loss for the periods	**(376,267)**	(362,276)
Items not affecting cash:		
Amortization (Note 6)	**3,295**	3,251
Realized loss on FVTPL financial assets (Note 7)	**198,327**	-
Unrealized loss on FVTPL financial assets (Note 7)	**13,690**	230,445
Equity accounted loss from associate (Note 8)	**143,603**	251,842
Gain on dilution of associate (Note 8)	**(89,000)**	-
Write-down of mining claims	**-**	5,848
	(106,352)	129,110
Change in non-cash working capital items:		
Amounts receivable	**(6,306)**	-
Prepaid expenses	**1,470**	(5,000)
Accounts payable and accrued liabilities	**76,738**	(16,205)
Deferred revenue (Note 12)	**(9,105)**	(11,125)
	62,797	(32,330)
Net Cash Flows (used in) from Operating Activities	**(43,555)**	96,780
Investing Activities		
Proceeds from disposals of investments (Note 7)	**173,841**	-
Net Cash Flows from Investing Activities	**173,841**	-
Increase in cash	**130,286**	96,780
Cash, beginning of period	**95,637**	241,570
Cash, end of period	**225,923**	338,350

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

Note 1 Nature of Operations

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 Chief Executive Officer ("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 of its resource properties, 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 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 condensed unaudited interim financial statements of the Company for the periods ended June 30, 2018 and 2017 were approved by the Board of Directors for issuance in accordance with a resolution of the Directors on August 14, 2018.

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 and investments to meet the Company's liabilities and commitments over the next twelve months as they come due. These condensed unaudited interim 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 – Interim Financed Reporting 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, 2017.

(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 certain financial instruments which are measured at fair value. In addition, these condensed unaudited interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Functional and presentation currency

These condensed unaudited interim 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.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Areas where estimates are significant to the financial statements are as follows:

Note 2 Basis of Preparation (continued)

(d) Use of estimates and judgments (continued)

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.

Note 3 Summary of Significant Accounting Policies

(a) Financial instruments

Financial assets

Financial assets within the scope of IFRS 9 – Financial Instruments ("IFRS 9") are classified as financial assets measured at amortized cost, at fair value through other comprehensive income (loss) or at fair value through profit or loss ("FVTPL"), as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs. The Company's financial assets include cash and investments.

Recognition, derecognition and measurement

Purchases and disposals of investments are recognized on the transaction date.

Investments at FVTPL are initially recognized at fair value plus transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired.

Subsequent to initial recognition, all financial assets are measured at amortized cost, at fair value through other comprehensive income or at FVTPL. All investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at FVTPL are presented in profit or loss within net change in unrealized gains or losses on investments in the period in which they arise.

Publicly-traded investments

Securities including shares, which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the end of the reporting period or the closing price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1 of the fair value hierarchy.

Private company investments

All privately-held investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at the end of each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted based on any known information available to the Company. These are included in Level 3 of the fair value hierarchy. The determination of fair value of the Company's private investments at other than initial cost, is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Financial liabilities

All financial liabilities within the scope of IFRS 9 are measured at amortized cost, except for financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, contingent consideration recognized by an acquirer in a business combination to which IFRS 3 – Business Combinations applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss.

The Company's financial liabilities consist of accounts payable and accrued liabilities and loans payable, and are measured at amortized cost.

The subsequent measurement of financial liabilities depends on their classification.

Note 3 Summary of Significant Accounting Policies (continued)

(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.

(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.

Note 3 Summary of Significant Accounting Policies (continued)

(c) Impairment (continued)

Non-financial assets (continued)

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.

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 period. The weighted average number of ordinary shares outstanding is calculated by adjusting the shares issued as at the beginning of the period by the number of shares bought back or issued during the period, 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.

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 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 are 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.

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. As at June 30, 2018 and December 31, 2017, the Company had no significant restoration, rehabilitation and environmental obligations (see Note 13).

(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 as at June 30, 2018 and December 31, 2017.

Note 4 Recent Accounting Pronouncements

New accounting standards and policies adopted

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions. The adoption of these standards did not result in any significant impact on the Company's condensed unaudited interim 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.

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 replaces 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.

Note 4 Recent Accounting Pronouncements (continued)

New accounting standards and policies adopted (continued)

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 replaces IAS 18 – Revenue, IAS 11 – Construction Contracts and related interpretations. The new standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service.

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, 2019. The Company is currently completing its assessment of the impact that the new standards will have on its financial statements.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) & 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.

IFRIC 23 – Uncertainty over Income Tax Treatments (“IFRIC 23”)

In June 2017, the IASB issued IFRIC 23 which 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 – Income Taxes 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.

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.

Note 5 Financial Instruments (continued)

(a) Risk management framework (continued)

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, amounts receivable and investment balances as at June 30, 2018 and December 31, 2017.

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, 2018, the Company had cash of $225,923 (December 31, 2017 – $95,637) to settle current liabilities of 360,729 (December 31, 2017 – $239,096). 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:

<ins>Foreign currency risk</ins>

The Company's functional currency is the Canadian dollar. The Company also 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, 2018, the Company had cash held in US dollar accounts totaling $23,155 (December 31, 2017 – $14,318). A change in rates of plus or minus 1% would have a nominal effect on comprehensive loss for the period ended June 30, 2018. As at June 30, 2018, the Company held investments denominated in US dollars with a fair value totaling $429,084 (December 31, 2017 – $437,517).

<ins>Commodity price risk</ins>

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.

<ins>Equity price risk</ins>

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 $31,033 change to the Company's net loss for the period ended June 30, 2018 (December 31, 2017 – $33,954).

Note 5 Financial Instruments (continued)

(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. When the market value is not available, investments are carried at cost.

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

At the end of each reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

Financial instruments

The following is a summary of significant categories of financial instruments:

Cash	Amortized cost
Amounts receivable	Amortized cost
Investment in publicly-traded shares	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost

As at June 30, 2018 and December 31, 2017, the Company's financial instruments carried at fair value consisted of cash and investments in publicly-traded equities, which have been classified as Level 1. The fair value disclosure for investment in non-financial assets as disclosed in Note 7 has been classified as Level 1.

(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 period ended June 30, 2018 and the year ended December 31, 2017.

(Expressed in Canadian dollars)

Note 5 Financial Instruments (continued)

(c) Capital management (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 at June 30, 2018, the Company was compliant with Policy 2.5.

Note 6 Property and Equipment

	Office Building	Computer Equipment	Total
	$	$	$
Cost			
December 31, 2016	184,389	36,442	220,831
Additions (Dispositions)	-	-	-
December 31, 2017	184,389	36,442	220,831
Additions (Dispositions)	-	(36,442)	(36,442)
June 30, 2018	**184,389**	**-**	**184,389**
Accumulated amortization			
December 31, 2016	(23,343)	(36,308)	(59,651)
Amortization	(6,442)	(61)	(6,503)
December 31, 2017	(29,785)	(36,369)	(66,154)
Amortization	(3,222)	(74)	(3,296)
Disposals	-	36,443	36,443
June 30, 2018	**(33,007)**	**-**	**(33,007)**
Net book value			
December 31, 2016	161,046	134	161,180
December 31, 2017	154,604	73	154,677
June 30, 2018	**151,382**	**-**	**151,382**

Note 7 Investments

The Company's investments are comprised of the following:

	June 30, 2018	December 31, 2017
Financial Assets	**$**	$
FVTPL		
Equity portfolio investments	**3,009,611**	3,455,430
(Cost – $5,483,169; December 31, 2017 – $5,834,121) (1)		
Non-Financial Assets		
Gold and silver certificates (at cost)	**93,725**	93,725
(Estimated fair value – $222,575; December 31, 2017 – $221,523)		
	3,103,336	3,549,155

(1) Investments with a total fair value of $25,760 were classified as available-for-sale prior to the adoption of IFRS 9 as of December 31, 2017. Effective January 1, 2017, the investments were reclassified as FVTPL.

(Expressed in Canadian dollars)

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 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, 2018, the Company held 14,117,143 common shares (15.61%) of the total issued and outstanding shares of Orefinders (December 31, 2017 – 14,117,143; 20.86%).

Based on the quoted market price as at June 30, 2018, the fair value of the Company's interest in Orefinders was $1,241,657 (December 31, 2017 – $1,411,714).

A continuity of the investment in Orefinders is as follows:

	June 30, 2018	December 31, 2017
	$	$
Balance, beginning of period	**719,250**	768,250
Share of loss for the period	**(143,603)**	(101,000)
Gain on dilution	**89,000**	52,000
Balance, end of period	**664,647**	719,250

(Expressed in Canadian dollars)

Note 9 Mining Claims

A summary of the Company's mining claims and royalty interests for the periods ended June 30, 2018 is as follows:

	January 1, 2018	**Net Additions**	**Disposed/ Impaired**	**June 30, 2018**
	$	**$**	**$**	**$**
Staked Claims				
Brackin, Stover, ON	9,660	-	-	9,660
Dufresnoy, PQ	3,474	-	-	3,474
Geary, ON	30,258	-	-	30,258
Halcrow, ON	7,799	-	-	7,799
Harker Township, ON	342	-	-	342
Holloway, Tannahill, ON	685	-	-	685
Mahaffy, ON	20,886	-	-	20,886
Munro,ON	3,729	-	-	3,729
Todd, ON	4,512	-	-	4,512
Warden, ON	2,994	-	-	2,994
	84,339	-	-	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 13)	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
McElroy, ON	1	-	-	1
McGarry, ON [j]	2	-	-	2
North Palladium 20% Net Profits, PQ [g]	1	-	-	1
Pagwachuan Lake, ON [l]	1	-	-	1
	14	-	-	14
Total mining claims	**113,083**	**-**	**-**	**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, 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 13)	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**

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 received the cash payment of $10,000 in April 2018. Laurion can earn an additional 40% interest by making additional cash payments of $50,000 by March 28, 2019, issuing an additional 160,000 Laurion common shares, incurring an additional $333,333 in exploration expenditures, and granting a 2% Net Smelter Return ("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. ("Gold Canyon") to sell and transfer the recorded title of certain Casummit claims to Gold Canyon for cash and share considerations. The Company holds a 3% NSR of which Gold Canyon can purchase 1% NSR for $1,000,000. Gold Canyon shall pay the Company an annual advanced royalty of $70,000, which will be adjusted by the Consumer Price Index ("CPI") published by Statistics Canada each year, payable within 90 days of each fiscal year-end of Gold Canyon. Gold Canyon 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 Gold Canyon common shares during 2015.

During the period ended June 30, 2018, the Company received advanced royalties of $78,219 (2017 – $77,292).

On July 12, 2010, the Company entered into a royalty agreement with Gold Canyon and the Company retains a 3% NSR on a second Casummit claim group. Gold Canyon 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 in November 2015.

Note 9 Mining Claims (continued)

Net Smelter Return 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 CPI.

(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 June 30, 2018, commercial production has not commenced on this project and no royalties are recoverable.

Subsequent to June 30, 2018, Sage Gold Inc. ("Sage"), the current owner of the Clavos Project, was issued a Court Order by the Ontario Superior Court of Justice Commercial List (the "Court"), as a receiver was appointed by the Court to oversee all of the assets, undertakings and properties of Sage. The receivership application was brought forth by CRH Funding II Pte. Ltd. ("CRH"), alleging that Sage had become insolvent and was unable to fulfil its obligations to CRH under a gold prepayment agreement.

(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.

(j) McGarry Royalty

The Company holds a royalty interest in certain mining claims held by Kerr Mines Inc. ("Kerr"), formerly Armistice Resources Corp., in McGarry Township within the Larder Lake Mining Division of Ontario ("McGarry Property").

Note 9 Mining Claims (continued)

Net Smelter Return Royalties Receivable (continued)

(j) McGarry Royalty (continued)

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 per short ton of ore derived from the properties; and

(iii) An advance royalty payment of $21,573 payable quarterly, adjusted to the CPI.

On February 27, 2017, the Company entered into a debt conversion agreement with Kerr to sell the advance royalty for cancellation for $100,000 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-Red Lake 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.

The Company also holds a 3% NSR in the Derlak project located in the Red Lake Area, in 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, in 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 southwestern 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.

(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.

(Expressed in Canadian dollars)

Note 9 Mining Claims (continued)

Net Smelter Return Royalties Payable (continued)

(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 June 30, 2018, the authorized share capital of the Company consists of an unlimited number of Class A common shares. Each shareholder has the right to vote their number of shares at a shareholders' meeting. The Class A common shares do not have a par value. All issued shares are fully paid.

The following shares were issued and outstanding:

	Class A common shares	
	Number	Value
	#	$
Balance, June 30, 2018 and December 31, 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 for the periods ended June 30, 2018 and December 31, 2017 is as follows:

	June 30, 2018		December 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**875,000**	**0.15**	875,000	0.15
Expired	**(200,000)**	**(0.15)**	-	-
Outstanding, end of period	**675,000**	**0.15**	875,000	0.15
Exercisable, end of period	**675,000**	**0.15**	875,000	0.15

Estimated grant date fair value	**Outstanding options**	**Options exercisable**	**Exercise price**	**Expiry date**
$ 338,427	675,000	675,000	$ 0.15	March 19, 2023

As at June 30, 2018, the weighted average remaining contractual life of stock options was 4.72 (December 31, 2017 – 5.22 years).

Note 11 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 the CEO 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 loan payable as at June 30, 2018 consists of a principal amount of $127,500 (December 31, 2017 – $127,500) and interest payable of $3,595 (December 31, 2017 – $1,682), which are included in accounts payable and accrued liabilities.

For the period ended June 30, 2018, the Company incurred an aggregate remuneration of $81,000 (2017 – $107,250) to an officer and director of the Company. As at June 30, 2018, a total of $202,125 (December 31, 2017 – $127,125) are included in accounts payable and accrued liabilities.

During the period ended June 30, 2018, the CEO also lent $50,000 to the Company to finance working capital. This amount had been re-paid as of June 30, 2018.

Note 12 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:

(i) 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;

(ii) 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:
   a. Purchase a 50% interest, as tenant in common, in the property for $100,000; or
   b. a 3% NSR.

(iii) 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 period ended June 30, 2018, the Company recorded $6,785 (2017 – $12,425) of lease income.

Note 13 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, 2018 and December 31, 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. As a result, no provision has been recorded 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 brought a motion to have the issue of jurisdiction determined. On July 12, 2018, the Order was rescinded.

Note 14 Subsequent Events

Refer to Notes 9(f) and 13.