FORAN MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Canadian Dollars)

Smythe
CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FORAN MINING CORPORATION

We have audited the accompanying consolidated financial statements of Foran Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 7, 2018

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FORAN MINING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	December 31, 2017	December 31, 2016
ASSETS	**$**	$
Current		
Cash and cash equivalents	**5,299,680**	1,028,701
Accounts receivable	**14,277**	19,812
Prepaid expenses and deposits	**69,591**	61,563
	5,383,548	1,110,076
Non-Current		
Deposits	**11,000**	11,000
Investments (Note 5)	**120,014**	164,366
Plant and equipment (Note 6)	**360,298**	421,824
Exploration and evaluation assets (Notes 7 and 15)	**26,769,793**	25,704,608
	32,644,653	27,411,874
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 11 and 15(d))	**137,487**	51,802
Flow-through share premium liability (Note 8)	**757,920**	-
	895,407	51,802
Non-Current		
Deferred share units (Notes 9 and 15)	**512,275**	324,972
	1,407,682	376,774
EQUITY		
Share capital (Note 10)	**71,953,767**	67,141,436
Share-based payments reserve	**5,471,044**	5,097,213
Accumulated other comprehensive income	**18,504**	62,856
Deficit	**(46,206,344)**	(45,266,405)
	31,236,971	27,035,100
	32,644,653	27,411,874

Approved on behalf of the Board:
"David Petroff", Director
"Darren Morcombe", Director

See accompanying notes to the consolidated financial statements.

FORAN MINING CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian dollars)

	2017	2016
	$	$
Expenses		
Depreciation (Note 6)	**73,482**	89,117
Directors' fees (Notes 9 and 15)	**12,000**	-
Investor relations	**68,219**	57,610
Office and administration (Notes 15(a) and (d))	**168,097**	175,344
Professional fees (Note 15(b))	**94,521**	78,671
Salaries and benefits (Notes 9 and 15)	**323,694**	274,376
Share-based payments expense (Notes 10(d) and 15)	**293,047**	124,923
Transfer agent, regulatory and filing fees	**15,627**	16,195
Travel and accommodation	**21,981**	3,627
	1,070,668	819,863
Other Items		
Gain on sale of investments (Note 5)	**(257,028)**	-
Interest income	**(1,004)**	(4,589)
Revaluation of deferred share units (Note 9)	**127,303**	218,496
	(130,729)	213,907
Net loss for the year	**(939,939)**	(1,033,770)
Other Comprehensive Income (Loss)		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain on available-for-sale investments (Note 5)	**212,676**	64,458
Transfer on sale of available-for-sale investments (Note 5)	**(257,028)**	-
	(44,352)	64,458
Total comprehensive loss for the year	**(984,291)**	(969,312)
Basic and diluted loss per share	**$ (0.01)**	$ (0.01)
Basic and diluted weighted average number of shares outstanding	**98,760,033**	93,754,005

See accompanying notes to the consolidated financial statements.

FORAN MINING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based payments reserve	Accumulated other comprehensive income (loss)	Deficit	Total
		$	$	$	$	$
Balance, December 31, 2015	**90,773,922**	**66,075,689**	**4,962,035**	**(1,602)**	**(44,232,635)**	**26,803,487**
Net loss for the year	-	-	-	-	(1,033,770)	(1,033,770)
Other comprehensive income	-	-	-	64,458	-	64,458
Private placement, net of share issue costs	5,882,353	993,512	-	-	-	993,512
Issued pursuant to exercise of stock options	225,000	72,235	(27,235)	-	-	45,000
Share-based payments expense	-	-	162,413	-	-	162,413
Balance, December 31, 2016	**96,881,275**	**67,141,436**	**5,097,213**	**62,856**	**(45,266,405)**	**27,035,100**
Net loss for the year	-	-	-	-	(939,939)	(939,939)
Other comprehensive loss	-	-	-	(44,352)	-	(44,352)
Private placement, net of share issue costs (Note 10(b)(i)	10,105,600	4,834,957	-	-	-	4,834,957
Flow-through share premium (Note 8)	-	(757,920)	-	-	-	(757,920)
Issued pursuant to exercise of warrants (Note 10(b)(ii))	2,941,176	735,294	-	-	-	735,294
Share-based payments expense (Note 10(d))	-	-	373,831	-	-	373,831
Balance, December 31, 2017	**109,928,051**	**71,953,767**	**5,471,044**	**18,504**	**(46,206,344)**	**31,236,971**

See accompanying notes to the consolidated financial statements.

FORAN MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECMBER 31
(Expressed in Canadian dollars)

	2017	2016
	$	$
Operating Activities		
Net loss for the year	**(939,939)**	(1,033,770)
Items not involving cash:		
Depreciation	**73,482**	89,117
Directors' fees (Note 9)	**12,000**	-
Share-based payments expense (Note 10(d))	**293,047**	124,923
Salaries and benefits (Note 9)	**48,000**	48,000
Revaluation of deferred share units (Note 9)	**127,303**	218,496
Gain on sale of investments (Note 5)	**(257,028)**	-
Interest income	**180**	440
	(642,955)	(552,794)
Net change in non-cash working capital (Note 11)	**27,754**	(76,728)
Cash used in operating activities	**(615,201)**	(629,522)
Investing Activities		
Purchase of equipment (Note 6)	**(11,956)**	-
Exploration and evaluation assets expenditures	**(982,068)**	(396,326)
Proceeds on sale of investments (Note 5)	**257,028**	-
Cash used in investing activities	**(736,996)**	(396,326)
Financing Activities		
Issuance of shares for cash pursuant to private placement (Note 10(b))	**4,951,744**	1,000,000
Share issue costs (Notes 10(b) and 11)	**(63,862)**	(6,488)
Cash received on exercise of warrants (Note 10(b))	**735,294**	-
Cash received on exercise of stock options (Note 10(b))	**-**	45,000
Cash provided by financing activities	**5,623,176**	1,038,512
Net increase in cash and cash equivalents	**4,270,979**	12,664
Cash and cash equivalents, beginning of year	**1,028,701**	1,016,037
Cash and cash equivalents, end of year	**5,299,680**	1,028,701
Cash and cash equivalents is comprised of:		
Guaranteed Investment Certificates	**20,898**	20,710
Cash	**5,278,782**	1,007,991
	5,299,680	1,028,701

Supplemental cash flow information (Note 11)

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Foran Mining Corporation (the "**Company**") is a publicly listed company on the TSX Venture Exchange, incorporated under the laws of British Columbia. The Company and its subsidiary are involved in activities that include the acquisition and exploration of mineral properties.

The Company's head office and registered and records office is located at 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

These consolidated financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of $939,939 for the year ended December 31, 2017 (2016: $1,033,770). As at December 31, 2017, the Company had an accumulated deficit of $46,206,344 (2016: $45,266,405). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has incurred significant operating losses in its exploration operations and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and fund their operations until commercially successful and future production or proceeds from the disposition thereof. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. These uncertainties raise significant doubt about the Company's ability to continue as a going concern.

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

These consolidated financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the "**Board**") approved these consolidated financial statements on March 7, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 623133 Saskatchewan Ltd.

A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany balances and transactions have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

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

i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

The going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting estimates and judgments (continued)

ii) Critical accounting judgments (continued)

Impairment

The assessment of any impairment or recovery of plant and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Judgment is required in assessing the appropriate level of cash generating units ("**CGU**") to be tested for such impairment, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Decommissioning liabilities

In the event that decommissioning liabilities are required to be recognized, such liabilities would be stated at the fair value of estimated future costs. Such estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations, and remediation practices.

Estimated useful lives and related rates of depreciation of plant and equipment

The Company estimates depreciation rates and selects methods used to allocate depreciable amounts of plant and equipment in a systematic basis over their estimated useful lives. Technical obsolescence of plant and equipment could significantly impact estimated residual useful lives and in turn carrying values being over or understated.

c) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand and guaranteed investment certificates with maturities of three months or less.

d) Plant and equipment

Plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

Cost 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.

Plant and equipment is depreciated over its estimated useful life using the declining-balance method at the following annual rates:

Computer and survey equipment	30%
Camp equipment	30%
Furniture and fixtures	20%
Plant	15%
Trailers	25%
Vehicles	30%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Plant and equipment (continued)

Plant and equipment is derecognized upon disposal or when no future economic benefit is expected to arise from the continued use of an asset. Any gain or loss arising on disposal of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Management reviews and evaluates the useful lives and residual values of items of plant and equipment, and adjusts if appropriate, at the end of each reporting period. The carrying amount of an item of plant and equipment is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

e) Exploration and evaluation assets

The Company capitalizes exploration and evaluation expenditures, net of recoveries, for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable. The Company recognizes the payment or receipt of amounts required under option agreements as an addition or reduction, respectively, in the carrying amount of the property under option when paid or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to exploration and evaluation assets within plant and equipment. Exploration and evaluation assets are amortized over the estimated productive lives of the properties using the unit-of-production method.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas of interest. If the properties are abandoned, allowed to lapse, there is little prospect of further work being carried out by the Company or if circumstances suggest that an asset's carrying amount is not recoverable, it is written down immediately to its recoverable amount.

f) Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to CGUs to which the exploration activity relates.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of non-financial assets (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Provisions

General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Decommissioning obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the decommissioning of an asset, when those obligations result from the acquisition, construction, development or normal operation of the assets. Such costs are discounted to their net present value using an appropriate risk-free rate, and are provided for and capitalized as soon as the obligation to incur such costs arises. These costs are charged against profit or loss over the life of the operation, through the amortization of the asset and the unwinding of the discount on the provision.

Estimates of the timing and amount of undiscounted cash flows required to fulfill decommissioning obligations are updated periodically to reflect significant changes in facts and circumstances, and the obligations are remeasured to incorporate any resulting change in their fair value. The capitalized decommissioning cost is correspondingly increased or decreased by the amount of remeasurement.

h) Deferred Share Units

The Company has adopted a Deferred Share Unit Plan ("**DSU Plan**") which awards DSUs to participants of the DSU Plan. Awards are initially charged to profit or loss using the market value of the Company's common shares that best represents the period for which the awards were earned, with the corresponding liability recorded as deferred share units.

At each reporting date, the liability is revalued using the market value of the Company's common shares, with the corresponding increase or decrease recorded to profit or loss as a revaluation of deferred share units.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Deferred Share Units (continued)

Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company's common shares on the date of separation.

i) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is recognized over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the consolidated statement of loss and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payments reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

j) Warrants

Proceeds received on issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Flow-through shares

The Company has financed a portion of its exploration expenditures through the issuance of flow-through shares. Canadian income tax law permits the Company to transfer the tax deductibility of qualifying resource expenditures financed by such shares to the flow-through shareholders.

On issuance, the Company allocates the flow-through share proceeds into i) share capital, ii) warrants, and iii) a flow-through share premium, if any, using the residual value method. If investors pay a premium for the flow-through feature, it is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes a deferred income tax recovery in income for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. At the end of a period, the flow-through share premium liability consists of the portion of the premium on flow-through shares that corresponds to the portion of qualifying exploration expenditures that have not yet been incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a prescribed period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill, and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

m) Foreign currency translation

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Foreign currency translation (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each consolidated statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

n) Basic and diluted loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The calculation of diluted loss per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted loss per share and is only recognized when the effect is dilutive. When the effects of issuance of potential shares under options and warrants would be anti-dilutive, basic and diluted loss per share are the same.

o) Financial instruments

Financial assets, financial liabilities and non-financial derivative contracts are initially recognized at fair value on the consolidated statement of financial position when the Company becomes a party to their contractual provisions. Measurement in subsequent periods depends on the financial instrument's classification.

Financial assets

Financial assets at fair value through profit or loss ("**FVTPL**")

Financial assets are classified as FVTPL when the financial asset is held-for-trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading when it is purchased with the intention of selling or repurchasing in the near term, part of an identified portfolio of financial instruments that the Company manages and has a recent actual pattern of short-term profit-taking, or is a derivative that is not designated an effective hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. Transaction costs are expensed in the period in which the costs are incurred. The Company's cash and cash equivalents are classified as FVTPL.

Held-to-maturity ("**HTM**") investments

HTM investments are recognized on a trade date basis and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the consolidated statement of loss and comprehensive loss over the life of the financial instrument on an effective yield basis.

Available-for-sale ("**AFS**") financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial asset categories and are subsequently measured at fair value. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

Management assesses the carrying value of AFS financial assets at each reporting date and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments are reclassified from comprehensive income and recognized in profit or loss. The Company's investments are classified as AFS.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired. The Company's accounts receivable and deposits are classified as loans and receivables.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Other financial liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable is classified as other financial liabilities.

Financial liabilities at fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the Company's contractual right to the asset's cash flows expires or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

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

Impairment of financial assets

At each reporting date the Company assesses whether a financial asset is impaired. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

For all other financial assets, objective evidence of impairment could include:

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

4. NEW ACCOUNTING STANDARDS

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these consolidated financial statements.

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The new standard is effective for annual periods beginning on January 1, 2019, with earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

4. NEW ACCOUNTING STANDARDS (continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for the Company's annual period beginning on January 1, 2018.

The Company has yet to determine if the implementation of amendments to IFRS 2 will result in a significant impact on its consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

4. NEW ACCOUNTING STANDARDS (continued)

IFRS 9 Financial Instruments (continued)

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The final version of this new standard is effective for the Company's annual period beginning on January 1, 2018.

The Company has yet to determine if the implementation of IFRS 9 will result in a significant impact on its consolidated financial statements.

5. INVESTMENTS

During the year ended December 31, 2017, the Company sold shares of a mineral exploration company listed on the Canadian Securities Exchange for proceeds of $257,028. The Company recorded a realized gain of $257,028 from the sale of these shares.

As at December 31, 2017, the Company owned shares of one mineral exploration company (2016: two) listed publicly on the Canadian Securities Exchange that were classified as available-for-sale ("**AFS**") and carried at fair market value based on quoted market prices. A summary of the changes in AFS investments is presented below:

	$
Balance, December 31, 2015	99,908
Unrealized gain on AFS investments	64,458
Balance, December 31, 2016	164,366
Unrealized gain on AFS investments	212,676
Sale of AFS investments	(257,028)
Balance, December 31, 2017	120,014

6. PLANT AND EQUIPMENT

As at December 31, 2017, the Company's plant and equipment consisted of the following:

	Computer and survey equipment	Camp Equipment	Furniture and fixtures	Plant	Trailers	Vehicles	Total
	$	$	$	$	$	$	$
Cost							
Balance, December 31, 2015	138,894	348,605	40,278	734,656	22,409	100,613	1,385,455
Additions	-	-	-	-	-	-	-
Balance, December 31, 2016	138,894	348,605	40,278	734,656	22,409	100,613	1,385,455
Additions	8,457	3,499	-	-	-	-	11,956
Balance, December 31, 2017	147,351	352,104	40,278	734,656	22,409	100,613	1,397,411
Accumulated Depreciation							
Balance, December 31, 2015	108,353	284,324	28,246	357,882	19,376	76,333	874,514
Depreciation for the year	8,448	17,665	2,237	53,554	692	6,521	89,117
Balance, December 31, 2016	116,801	301,989	30,483	411,436	20,068	82,854	963,631
Depreciation for the year	7,164	13,252	1,821	45,942	534	4,769	73,482
Balance, December 31, 2017	123,965	315,241	32,304	457,378	20,602	87,623	1,037,113
Carrying Amount							
Balance, December 31, 2015	30,541	64,281	12,032	376,774	3,033	24,280	510,941
Balance, December 31, 2016	22,093	46,616	9,795	323,220	2,341	17,759	421,824
Balance, December 31, 2017	23,386	36,863	7,974	277,278	1,807	12,990	360,298

7. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation assets is presented below:

	McIlvenna Bay	Other Saskatchewan Properties	Total
	$	$	$
Balance, December 31, 2016	19,303,641	6,400,967	25,704,608
Acquisition Costs			
License fees	-	7,495	7,495
Exploration Costs			
Administration	314,414	88,058	402,472
Analysis	11,654	10,618	22,272
Camp costs	37,518	50	37,568
Consulting	113,207	2,967	116,174
Drilling	251,693	-	251,693
Equipment and communications	31,087	-	31,087
Fuel	71,810	-	71,810
Geophysics	50,698	-	50,698
Salaries and benefits	32,300	-	32,300
Transportation and travel	38,466	3,150	41,616
Total Exploration Costs	952,847	104,843	1,057,690
Balance, December 31, 2017	20,256,488	6,513,305	26,769,793

	McIlvenna Bay	Other Saskatchewan Properties	Total
	$	$	$
Balance, December 31, 2015	18,988,841	6,287,552	25,276,393
Exploration Costs			
Administration	96,863	100,067	196,930
Analysis	-	10,166	10,166
Camp costs	6,962	-	6,962
Consulting	170,112	531	170,643
Equipment and communications	13,045	42	13,087
Fuel	2,673	-	2,673
Salaries and benefits	2,968	2,018	4,986
Transportation and travel	22,177	591	22,768
Total Exploration Costs	314,800	113,415	428,215
Balance, December 31, 2016	19,303,641	6,400,967	25,704,608

7. EXPLORATION AND EVALUATION ASSETS (continued)

a) McIlvenna Bay, Saskatchewan

The Company owns a 100% interest in the McIlvenna Bay mineral property located in Saskatchewan ("**McIlvenna Bay**").

Certain claims that make up McIlvenna Bay are subject to a Net Tonnage Royalty of $0.75 per tonne of ore extracted, with a right of first refusal in favour of the Company if an offer to purchase the Net Tonnage Royalty is made.

Cameco Corporation and BHP Billiton Limited collectively hold a 1% net smelter return ("**NSR**") royalty interest in McIlvenna Bay, which can be purchased at any time for $1,000,000.

In December 2017 the Company entered into a technical services agreement (the "**Agreement**") with Glencore Canada Corporation ("**Glencore**"). The Agreement contemplates Glencore contributing its professional and technical services, assistance, guidance and advice in connection with the objective of completing a Feasibility Study on McIlvenna Bay. In consideration, the Company has given Glencore an exclusive off-take contract to purchase or toll process all of the concentrates and/or other mineral products produced from McIlvenna Bay at prevailing market rates.

b) Other Saskatchewan Properties

The Company holds interests ranging from 65% to 100% in five mining claim groups in its Saskatchewan property portfolio, exclusive of McIlvenna Bay ("**Other Saskatchewan Properties**").

The Company has committed, through previous mineral property ownership agreements associated with its Other Saskatchewan Properties, to pay various NSR and net profits interest ("**NPI**") royalties. The NSR royalties range from 2% to 2.5%, with buyout provisions for up to one-half of some of these NSR royalties, and the NPI royalties range from 6% to 10%.

In October 2014, the Company completed an agreement (the "**Back-in Agreement**") with Teck Resources Limited ("**Teck**") whereby certain back-in rights held by Teck on the Company's Bigstone, Balsam and Hanson properties were extinguished in exchange for 1,000,000 common shares of the Company, 1,000,000 share purchase warrants, and certain future sale participation rights. The warrants expired unexercised on October 14, 2016.

In the event the Company sells or options any of the Bigstone, Balsam and Hanson Properties prior to September 30, 2018, the Company will pay Teck in-kind an amount equal to 10% of the proceeds.

c) Manitoba Property

The Company holds a 100% interest in one Manitoba property consisting of one claim, which has a carrying value of $Nil at December 31, 2017.

8. FLOW-THROUGH SHARE PREMIUM LIABILITY

A summary of the changes in the Company's flow-through share premium liability was as follows:

	$
Balance, December 31, 2015 and 2016	-
Flow-through share premium liability on the issuance of flow-through common shares	757,920
Balance, December 31, 2017	757,920

9. DEFERRED SHARE UNITS

The Company has a deferred share unit plan ("**DSU Plan**") which awards DSUs to participants of the DSU Plan. Each DSU entitles the holder a right to receive the cash equivalent of one common share. Awards are initially charged to profit or loss using the market value of the Company's shares that best represents the period for which the awards were earned, with the corresponding liability recorded as deferred share units. At each period end, the liability is revalued using the market value of the Company's common shares, with the corresponding increase or decrease recorded to profit or loss as a revaluation of deferred share units.

Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company's common shares on the date of the separation.

Effective December 1, 2014, the Company entered into an agreement with its Executive Chairman whereby the Executive Chairman is compensated for his services with DSUs on a monthly basis, to a maximum of $8,000 per month. Effective January 1, 2016, the Chairman agreed to reduce his monthly DSU allocation by approximately 50%. For the year ended December 31, 2017, the Executive Chairman earned 151,092 DSUs (2016: 317,361) for a total value of $48,000 (2016: $48,000) which is recorded as salaries and benefits. At December 31, 2017, an amount of $417,611 (December 31, 2016: $265,112) was owed to the Executive Chairman with the liability included in deferred share units on the consolidated statement of financial position. The number of outstanding DSUs owed to the Executive Chairman at December 31, 2017 was 1,006,291 (December 31, 2016: 855,199). In January 2018, the Board passed a resolution to increase the Executive Chairman's compensation back to a maximum of $8,000 per month, effective commencing January 1, 2018.

Effective January 1, 2015, the Company commenced compensating each of its independent directors with DSUs in an amount of $4,000 per quarter. Effective October 1, 2015, the Company's Board passed a resolution to suspend both the DSU arrangement and fees with its independent directors. In January 2018, the Board passed a resolution to reinstate each independent director's compensation to $4,000 per quarter, effective with the quarter commencing October 1, 2017.

For the year ended December 31, 2017, the independent directors earned a total of 35,010 DSUs for a total value of $12,000 which is recorded as directors' fees. The total number of outstanding DSUs owed to independent directors at December 31, 2017 was 228,097 (December 31, 2016: 193,087). At December 31, 2017 an amount of $94,664 (December 31, 2016: $59,860) was owed to the independent directors with the liability included in deferred share units on the consolidated statement of financial position.

For the year ended December 31, 2017, the Company recognized an unrealized loss of $127,303 (2016: $218,496) on the revaluation of DSUs.

10. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value
An unlimited number of preference shares without par value

b) Share issuance details

Year ended December 31, 2017

i) On December 21 and 29, 2017, the Company completed two tranches of a non-brokered private placement totaling 10,105,600 common shares on a flow-through basis at a price of $0.49 per share for gross proceeds of $4,951,744.

   In connection with the private placement, share issue costs totaled $116,787 including finders' fees of $90,528, of which $52,925 was included in accounts payable and accrued liabilities at December 31, 2017.

ii) During the year ended December 31, 2017, the Company issued 2,941,176 common shares pursuant to the exercise of 2,941,176 share purchase warrants with a weighted average exercise price of $0.25 per share for proceeds of $735,294.

Year ended December 31, 2016

i) On June 30, 2016, the Company completed a non-brokered private placement of 5,882,353 units at a price of $0.17 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of $0.25 per share, with an expiry of December 30, 2017. Share issue costs totaled $6,488, including finder's fees totaling $95.

ii) During the year ended December 31, 2016, the Company issued 225,000 common shares pursuant to the exercise of 225,000 stock options with a weighted average exercise price of $0.20 for proceeds of $45,000.

c) Stock options

The Company has a Rolling Stock Option Plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines.

10. SHARE CAPITAL (continued)

c) Stock options (continued)

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price
		$
Balance, December 31, 2015	7,825,000	0.65
Granted	2,760,000	0.11
Exercised	(225,000)	0.20
Expired	(2,575,000)	1.08
Forfeited	(670,000)	0.77
Balance, December 31, 2016	7,115,000	0.29
Granted	1,685,000	0.40
Expired	(900,000)	0.77
Balance, December 31, 2017	7,900,000	0.26

The following stock options were outstanding as at December 31, 2017:

Outstanding	Exercisable	Exercise Price	Expiry Date	Weighted average remaining life (in years)
		$		
930,000 *	930,000	0.59	January 24, 2018	0.07
1,625,000	1,625,000	0.20	January 24, 2019	1.07
100,000	100,000	0.17	May 28, 2019	1.41
800,000	800,000	0.20	January 20, 2020	2.05
2,760,000	1,840,000	0.11	March 8, 2021	3.19
1,685,000	561,667	0.40	March 9, 2022	4.19
7,900,000	5,856,667			2.46

* Subsequent to December 31, 2017, 905,000 stock options with an exercise price of $0.59 were exercised for proceeds of $533,950 and 25,000 stock options expired unexercised.

The following stock options were outstanding as at December 31, 2016:

Outstanding	Exercisable	Exercise Price	Expiry Date	Weighted average remaining life (in years)
		$		
700,000	700,000	0.80	January 24, 2017	0.07
200,000	200,000	0.67	April 19, 2017	0.30
930,000	930,000	0.59	January 24, 2018	1.07
1,625,000	1,625,000	0.20	January 24, 2019	2.07
100,000	100,000	0.17	May 28, 2019	2.41
800,000	533,333	0.20	January 20, 2020	3.05
2,760,000	920,000	0.11	March 8, 2021	4.19
7,115,000	5,008,333			2.63

10. SHARE CAPITAL (continued)

d) Share-based payments

The share-based payments expense for the stock options that vested during the year ended December 31, 2017 was $373,831 (2016: $162,413). Of this amount, $293,047 (2016: $124,923) was recorded as share-based payments expense in the consolidated statement of loss and comprehensive loss and $80,784 (2016: $37,490) was capitalized to exploration and evaluation assets. The fair value of the stock options that were granted during the year ended December 31, 2017 and 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.97%	0.60%
Expected stock price volatility	84%	76%
Expected dividend yield	0.0%	0.0%
Expected option life in years	5.0	5.0

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

e) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		$
Balance, December 31, 2015	1,000,000	0.24
Issued pursuant to private placement	2,941,176	0.25
Expired	(1,000,000)	0.24
Balance, December 31, 2016	2,941,176	0.25
Exercised	(2,941,176)	0.25
Balance, December 31, 2017	-	-

11. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the years ended December 31 consisted of the following:

	2017	2016
	$	$
Accounts receivable	5,355	14,113
Prepaid expenses and deposits	(8,028)	4,470
Accounts payable and accrued liabilities	30,427	(95,311)
	27,754	(76,728)

During the years ended December 31, 2017 and 2016, share-based payments expense of $80,784 and $37,490, respectively, were capitalized to exploration and evaluation assets.

11. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

As at December 31, 2017, accounts payable and accrued liabilities included $2,783 (December 31, 2016: $450) of exploration and evaluation asset expenditures.

As at December 31, 2017, accounts payable and accrued liabilities included an amount of $52,925 that were recorded as share issue costs.

12. FINANCIAL INSTRUMENTS

The Company examines the various financial instruments to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk (including interest rate, currency and other price risk). The risk related to financial instruments is managed by senior management of the Company under policies and directions approved by the Board. Relevant policies include the Treasury Management Policy and the approval allowing a portion of the Company's cash to be held in US dollars at the discretion of the Chief Executive Officer and the Chief Financial Officer. The Board monitors these policies on a quarterly basis. The Company's Board has not approved the use of derivative financial products.

a) Fair value of financial instruments

The fair value hierarchy established by IFRS 13 *Fair Value Measurement* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's accounts receivable, deposits and accounts payable are equivalent to their carrying values due to their short-term nature. AFS financial instruments are comprised of investments, which are valued using Level 1 measurements.

b) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The credit risk associated with cash and cash equivalents is minimized as these financial instruments are held with major Canadian commercial banks. In respect of accounts receivable, the Company is not exposed to significant credit risk as the majority consists of amounts due from Canadian governmental agencies.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share the funding of its exploration properties to minimize shareholder risk.

12. FINANCIAL INSTRUMENTS (continued)

d) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash and cash equivalents. A 1% change in short-term rates would not have a material impact on net loss or comprehensive loss.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company holds substantially all of its cash resources in Canadian dollars with an insignificant amount held in US dollars, making currency risk minimal.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financing instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk in terms of its investment and the deferred share units.

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company’s strategy remains unchanged from the year ended December 31, 2016.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's treasury management policy is to invest its cash in highly rated liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

14. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences result from the following items for the years ended December 31:

	2017	2016
	$	$
Loss before income taxes	(939,939)	(1,033,770)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(253,784)	(279,118)
Increase (decrease) due to:		
Non-deductible expenses and other permanent differences	80,031	33,876
Losses for which no tax benefit is recorded	173,753	245,242
Net income tax recovery	-	-

The components of unrecognized deferred tax assets are as follows:

	December 31, 2017	December 31, 2016
	$	$
Share issue costs	40,855	24,319
Exploration and evaluation assets	1,328,343	1,328,343
Plant and equipment	353,252	333,412
Capital losses and other	831,715	809,854
Non-capital losses	3,356,139	3,161,017
Unrecognized deferred tax assets	5,910,304	5,656,945

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

14. INCOME TAXES (continued)

As at December 31, 2017, the Company had exploration and evaluation expenditures of approximately $31,151,000 (2016: $30,216,000), which are available to carry-forward indefinitely, and non-capital losses of approximately $12,431,000 (2016: $11,709,000) that expire as follows:

	$
2025	281,000
2026	487,000
2027	2,033,000
2028	319,000
2029	350,000
2030	1,222,000
2031	1,597,000
2032	1,570,000
2033	1,396,000
2034	476,000
2035	1,374,000
2036	631,000
2037	695,000
	12,431,000

15. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel at the Company are the Directors and Officers of the Company.

The remuneration of key management personnel for the year ended December 31 was as follows:

		2017	2016
		$	$
Short-term benefits	1	619,390	426,211
Share-based payments expense	2	350,227	157,988
Directors' fees	3	12,000	-
Total		981,617	584,199

[1] Short-term benefits consisted of salaries, health benefits and DSUs for key management personnel, some of which have been capitalized to exploration and evaluation assets.

[2] Share-based payments were non-cash items that consisted of the fair value of stock options that had been granted to key management personnel, some of which have been capitalized to exploration and evaluation assets.

[3] Directors' fees consisted exclusively of DSUs, which is more fully described in Note 9.

On June 21, 2016, the related company described in notes a), b) and c) below was acquired by another company and as such ceased to be related effective June 22, 2016.

15. RELATED PARTY TRANSACTIONS (continued)

a) During the year ended December 31, 2017, the Company charged SnipGold Corp. ("**SnipGold**"), a company that had two directors and two officers in common $Nil (2016: $9,000) for administration expenses including office rent and office operating costs, the amount of which was netted against office and administration expenses in the consolidated statement of loss and comprehensive loss.

b) During the year ended December 31, 2017, the Company was charged $Nil (2016: $17,508) for office manager services by SnipGold, the amount of which was included in professional fees in the consolidated statement of loss and comprehensive loss.

c) During the year ended December 31, 2017, the Company charged SnipGold $Nil (2016: $22,200) for CFO services, the amount of which was netted against salaries and benefits in the consolidated statement of loss and comprehensive loss.

d) During the year ended December 31, 2017, the Company was charged $13,668 (2016: $14,176) by the Executive Chairman for office rent, the amount of which was included in office and administration expenses in the consolidated statement of loss and comprehensive loss. At December 31, 2017, accounts payable and accrued liabilities included an amount of $8,363 (December 31, 2016: $5,399) for this expense.

e) At December 31, 2017, the Company owed a total of 1,234,388 DSUs (2016: 1,048,286) fair valued at $512,275 (2016: $324,972) to key management personnel, which is included in the consolidated statement of financial position.

16. OBLIGATIONS

a) As a result of the issuance of flow-through shares on December 21 and 29, 2017, the Company has a commitment to incur $4,951,744 in qualifying Canadian exploration expenditures on or before December 31, 2018. As at December 31, 2017, the entire commitment was remaining.

b) The Company has an estimated future minimum lease payment of approximately $42,000 relating to an office lease agreement that expires June 30, 2018.

17. EVENTS AFTER THE REPORTING DATE

In addition to subsequent events disclosed elsewhere in these consolidated financial statements, the following event occurred after December 31, 2017:

On January 31, 2018, the Company granted 1,865,000 stock options to directors, officers, employees and consultants of the Company. The stock options are exercisable at a price of $0.57 per share with an expiry of January 31, 2023.