Pancontinental Gold Corporation

Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pancontinental Gold Corporation

We have audited the accompanying consolidated financial statements of Pancontinental Gold Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations and comprehensive loss, changes in equity (deficit) 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.

Auditor's 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 auditor's 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 Pancontinental Gold Corporation and its subsidiaries as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the material uncertainties that may cast significant doubt about Pancontinental Gold Corporation's ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 20, 2018
Toronto, Ontario

Pancontinental Gold Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	**December 31, 2017**	December 31, 2016
Assets		
Current		
Cash	**$ 61,180**	$ 630,676
Royalty revenue receivable (Note 14)	**22,002**	48,500
Sales tax receivable	**7,734**	5,087
Prepaid expenses	**2,217**	21,721
	93,133	705,984
Investment in Tortuga Resources Inc. (Note 6)	**1**	1
	$ 93,134	$ 705,985
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 7 and 12)	**$ 297,722**	$ 181,618
Due to related parties (Note 12)	**165,000**	100,000
	462,722	281,618
Equity (Deficit)		
Capital stock (Note 8)	**17,201,243**	17,107,216
Contributed surplus	**3,481,833**	3,454,783
Warrants (Note 8)	**593,734**	503,224
Deficit	**(21,646,398)**	(20,640,856)
	(369,588)	424,367
	$ 93,134	$ 705,985

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

Approved by the Board of Directors	**"Thomas Layton Croft"** Director **(Signed)**	**"Donald Whalen"** Director **(Signed)**

Pancontinental Gold Corporation
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

Years Ended December 31,	**2017**	2016
Other Income		
Royalty revenue (Note 14)	**$ 21,777**	$ 50,000
Gain on debt settlement (Note 8)	**-**	38,520
	21,777	88,520
Expenses		
Corporate and administrative (Note 9)	**477,093**	358,934
Share-based payments (Note 8)	**27,050**	585,075
Foreign exchange (gain) loss	**(6,662)**	2,724
Exploration and evaluation (Note 10)	**529,838**	769,273
	1,027,319	1,716,006
Net loss and comprehensive loss	**$ (1,005,542)**	$ (1,627,486)
Basic and diluted loss per share (Note 13)	**$ (0.010)**	$ (0.018)
Weighted average number of common shares outstanding - Basic and diluted	**99,770,929**	88,241,188

See accompanying notes

Pancontinental Gold Corporation
Consolidated Statements of Changes in Equity (Deficit)
(Expressed in Canadian Dollars)

	Capital stock Number	Capital stock Amount	Contributed surplus	Warrants	Deficit	Total
	(Note 8)	(Note 8)	(Note 8)	(Note 8)		
Balance, December 31, 2015	**82,538,104**	**$ 16,397,241**	**$ 2,912,878**	**$ -**	**$ (19,013,370)**	**$ 296,749**
Units issued by private placement, net of share issuance cost	12,516,250	462,525	-	503,224	-	965,749
Shares issued for debt	856,000	4,280	-	-	-	4,280
Exercise of options	1,600,000	123,170	(43,170)	-	-	80,000
Shares issued for mineral property acquisition	2,000,000	120,000	-	-	-	120,000
Share-based payments	-	-	585,075	-	-	585,075
Net loss for the year	-	-	-	-	(1,627,486)	(1,627,486)
Balance, December 31, 2016	**99,510,354**	**17,107,216**	**3,454,783**	**503,224**	**(20,640,856)**	**424,367**
Units issued by private placement, net of share issuance cost	3,830,000	94,027	-	90,510	-	184,537
Share-based payments	-	-	27,050	-	-	27,050
Net loss for the year	-	-	-	-	(1,005,542)	(1,005,542)
Balance, December 31, 2017	**103,340,354**	**$ 17,201,243**	**$ 3,481,833**	**$ 593,734**	**$ (21,646,398)**	**$ (369,588)**

Pancontinental Gold Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years Ended December 31,	2017	2016
Cash (used in) provided by:		
Operating activities		
Net loss for the year	**$ (1,005,542)**	$ (1,627,486)
Adjustments to reconcile loss to net cash used in operating activities:		
Share-based payments	**27,050**	585,075
Shares issued for mineral property acquisition	**-**	120,000
Unrealized foreign exchange	**15,241**	(14,588)
Gain on debt settlement	**-**	(38,520)
	(963,251)	(975,519)
Net changes in non-cash working capital balances:		
Sales tax receivable	**(2,119)**	(193)
Royalty revenue receivable	**27,549**	(48,500)
Prepaid expenses	**14,237**	(18,749)
Accounts payable and accrued liabilities	**118,808**	115,475
Cash from continued operations	**(804,776)**	(927,486)
Cash from discontinued operations	**-**	4,501
	(804,776)	(922,985)
Financing activities		
Related party loan advances	**77,961**	-
Related party loan repayments	**(12,961)**	(5,000)
Units issued by private placement	**191,500**	1,001,300
Shares issued for stock options exercised	**-**	80,000
Share issuance costs	**(6,963)**	(35,551)
	249,537	1,040,749
Net change in cash	**(555,239)**	117,764
Cash, beginning of year	**630,676**	498,324
Effect of exchange rate changes on cash	**(14,257)**	14,588
Cash, end of year	**$ 61,180**	$ 630,676

Supplemental Disclosure		
Shares issued on settlement of debt (Note 8)	**$ -**	$ 4,280
Shares issued for mineral property acquisition (Note 8)	**$ -**	$ 120,000

See accompanying notes

1. NATURE OF OPERATIONS AND GOING CONCERN

Pancontinental Gold Corporation (the "Company" or "Pancontinental"), is an exploration stage company involved in the business of acquiring, exploring and developing mineral properties. The address of the Company's registered office is 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1.

Going Concern

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurances that future exploration activities will result in the discovery of economically recoverable mineral deposits. The success and continuation of the Company as a going concern is dependent upon the Company's ability to arrange financing, which in part, depends on prevailing market conditions, acquiring or discovering economically viable mineral properties or deposits, exploration success and securing title and beneficial interest in its properties.

As at December 31, 2017 the Company has an accumulated deficit of $21,646,398 (2016 - $20,640,856), working capital deficiency of $369,589 (2016 - working capital of $424,366), and has incurred losses for the year ended December 31, 2017 of $1,005,542 (2016 - $1,627,486).

Further funds will be required for the Company to continue as a going concern and fund its activities. The Company has not produced revenues from its exploration activities and does not have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.

These consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, due to uncertainties surrounding a number of factors, such as, but not limited to, the ability to raise additional funds, exploration results, prices of underlying commodities, investor sentiment and financial market conditions, it is not possible to predict if this assumption will prove to be accurate. These factors indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements for the year ended December 31, 2017 were approved and authorized for issue by the board of directors on April 20, 2018.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Palmetto Mining Corporation ("Palmetto"), a United States company incorporated on June 22, 2016, Panconoz Pty Ltd. ("Panconoz"); an Australian company that was wound-up and deregistered on September 14, 2016; and Maya Gold Corporation S.A. de C.V., an inactive Honduras company. All significant inter-company transactions and balances have been eliminated upon consolidation.

2. BASIS OF PREPARATION (Cont'd)

Basis of Measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through profit and loss and as available-for-sale.

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company. The functional currency of Palmetto is the Canadian dollar ("CAD"). The functional currency of Panconoz was the Australian dollar ("AUD").

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements.

(a) Mineral Properties

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(b) Foreign Currency Translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At each reporting date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the year end exchange rate. All foreign currency adjustments are expensed.

Financial statements of the subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollar, the presentation currency, as follows: all asset and liability accounts are translated at the year end exchange rate and all earnings and expense accounts and cash flow statement items are translated at prevailing exchange rates at the invoice date. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income (loss).

The parent company has monetary items that are receivable from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the parent company’s net investment in that foreign operation. Such exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss in foreign exchange gain/loss on disposal of the net investment in foreign operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Income Taxes

The Company follows the deferred tax method of accounting for income taxes. Deferred assets and liabilities are recognized for the future tax consequences attributable to the difference between consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates upon which realization of such benefits is probable. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be recognized.

(d) Financial Instruments

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value, with any resultant gain or loss recognized in the consolidated statements of operations. FVTPL assets consists of cash.

Financial instruments classified as being available-for-sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income (loss), except for impairment losses and, in the case of monetary items such as securities denominated in foreign currency, which are recorded in foreign exchange gains and losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Available-for-sale consists of investment in Tortuga Resources Inc.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method. Loans and receivables consist of a royalty revenue receivable.

Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest rate method. Other financial liabilities consists of accounts payable and accrued liabilities and loans due to related parties.

Transaction costs associated with FVTPL financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and financial liabilities are included in the initial carrying amount of the asset.

(e) Provisions

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Share-based Payments

The Company accounts for share-based payments using the fair value based method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche of options issued to employees and others providing similar services is determined by using the Black-Scholes option pricing model. The fair value of each tranche of options issued to non-employees is determined by the fair value of the goods or services received. If the fair value of the goods or services received cannot be reliably measured, then the Black-Scholes option pricing model is used. The fair value of stock options, adjusted for expected forfeitures, is recognized as share-based payments expense over each tranche's vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when the stock options are exercised. The fair value of stock options remains in contributed surplus on expiry of options. Any consideration paid on the exercise of stock options is credited to capital stock.

(g) Loss Per Share

The computation of loss per share and diluted loss per share amounts are based upon the weighted average number of outstanding common shares during the year. Dilution is calculated based on the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to purchase common shares at the weighted average market price in the period.

(h) Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. Unit proceeds are allocated to shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing.

If and when the warrants are exercised, the applicable relative fair value recognized in warrants are transferred to capital stock. Any consideration paid on the exercise of the warrants is credited to capital stock. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus.

In situations where warrants are issued as consideration for goods or services received and some or all of the goods or services received by the entity cannot be specifically identified, or reliably measured, they are measured at fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model.

(i) Royalty Revenue

Royalty revenue is recognized pursuant to the terms of the applicable royalty agreement and when collection is reasonably assured.

(j) Share Issue Costs

Share issue costs are recorded as a reduction of share capital.

(k) Interest

The Company classifies interest received and interest paid as an operating cash flow within the statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Joint Arrangements

Joint arrangements are classified as either joint operations or joint ventures. The determination of whether an arrangement is a joint operation or joint venture is based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. Joint arrangements that provide a company with the rights to the individual assets and obligations arising from the arrangement are classified as joint operations and joint arrangements that provide an entity with rights to the net assets of the arrangement are classified as joint ventures.

The interests in joint arrangements that are classified as joint operations are accounted for by the Company recording its share of the assets, liabilities, revenues, costs and cash flows.

The interests in joint arrangements that are classified as joint ventures are accounted for using the equity method and presented as an investment in the balance sheet.

(m) New Standards and Interpretations Issued But Not Yet Adopted

The following standards have been issued but are not yet effective:

IFRS 9 - *Financial Instruments*

IFRS 9, *Financial Instruments* (“IFRS 9”) was issued in final form in July 2014 by the IASB and will replace IAS 39, *Financial Instruments – Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early application is permitted.

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15, which will replace IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services.* The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year. Earlier application is permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) New Standards and Interpretations Issued But Not Yet Adopted (Cont'd)

IFRS 15 – *Revenue from Contracts with Customers* (Cont'd)

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple deliverable arrangements.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, although early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same time as IFRS 16.

The Company is currently evaluating the impact of the above standards on its financial performance, position and financial statement disclosures. Based on the current accounting treatment of assets, liabilities, revenue and expenses, no significant impact is expected.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in compliance with IFRS requires the Company’s management to make certain estimates and judgements that they consider reasonable and realistic. Despite regular reviews of these estimates and judgements, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and judgements which could impact the reported amount of the Company’s assets, liabilities, equity or earnings.

The most significant estimates relate to the measurement of share-based payments and warrant valuation, impairment of investments, measurement of deferred tax assets and liabilities and establishment of provisions. The determination of these estimates involve the use of judgements.

Judgement is used in the choice of policy related to exploration and evaluation and determination of the Company's functional currency and the functional currency of its subsidiaries.

(Expressed in Canadian Dollars)

5. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and acquisition of other mineral resource properties for the benefit of its shareholders.

As at December 31, 2017, the Company had working capital deficiency of $369,589 (2016 - working capital of $424,366).

There were no changes in the Company's management of its capital during the year ended December 31, 2017. The Company is not subject to any externally imposed capital requirements.

The Company considers its capital structure to consist of shareholder's equity. In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, comprised of common shares, warrants, and incentive stock options. The Company has not established quantitative targets for its capital structure and reviews its capital management methods and requirements on an ongoing basis and makes adjustments, accordingly, to sustain future development of its activities.

6. INVESTMENT IN TORTUGA RESOURCES INC.

In 2014, the Company acquired 666,667 common shares of Tortuga Resources Inc. for USD $200,000. Tortuga is a private company engaged in the acquisition, exploration and development of oil and gas properties in the United States. The price paid for the common shares represents the fair value at the time of acquisition. The fair value of the investment will be impacted by fluctuations in the United States dollar and investee corporate transactions and other factors that affect measurement of share value.

This financial instrument is classified as available-for-sale with fair value changes recorded through other comprehensive income. An impairment loss was recognized in 2015 resulting in a nominal value of $1 assigned to the common shares of Tortuga Resources Inc. as management lowered its outlook for recovering the investment.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Suppliers	**$ 122,119**	$ 169,221
Due to related parties (Note 12)	**175,603**	12,397
	$ 297,722	$ 181,618

(Expressed in Canadian Dollars)

8. CAPITAL STOCK

Authorized

Unlimited common shares, without par value
Unlimited preferred shares, without par value

Issued Common Shares

	Number	Amount
Balance, December 31, 2015	**82,538,104**	**$ 16,397,241**
Shares issued as debt settlement (i)	856,000	4,280
Shares issued by exercise of stock options (ii)	1,600,000	123,170
Shares issued for purchase of mineral property (iii)	2,000,000	120,000
Shares issued by private placement (iv)	12,516,250	1,001,300
Fair value attributed to warrants (iv)	-	(481,512)
Share issuance costs - broker warrants (iv)	-	(21,712)
Share issuance costs (iv)	-	(35,551)
Balance, December 31, 2016	**99,510,354**	**17,107,216**
Shares issued by private placement (v)	3,830,000	191,500
Fair value attributed to warrants (v)	-	(90,510)
Share issuance costs (v)	-	(6,963)
Balance, December 31, 2017	**103,340,354**	**$ 17,201,243**

(i) On January 13, 2016, the Company issued 856,000 shares at $0.005 per share in settlement of 2015 trade payables of $42,800, resulting in a gain on debt settlement of $38,520. The creditors were non-related parties.

(ii) On August 11, 2016, the Company issued 1,600,000 shares in connection to the exercise of stock options for net proceeds of $80,000. The fair value relating to these options exercised in the amount of $43,170 was transferred from contributed surplus to capital stock.

(iii) On August 17, 2016, the Company issued 2,000,000 shares at $0.06 per share in accordance with the closing of the asset purchase agreement to acquire a 100% interest in exploration-stage gold properties ("Jefferson Project" - Note 10).

(iv) On September 21, 2016, the Company issued 12,516,250 units at $0.08 per unit for gross proceeds of $1,001,300. Each unit was comprised of one common share and common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.12 for a period of 18 months, expiring on March 21, 2018. If at any time, after January 22, 2017, the closing price of the common shares of the Company, as traded on the TSX Venture Exchange, equals or exceeds $0.20 for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of the Company announcing the accelerated expiry. The fair value of the warrants was estimated at $481,512 using relative fair value method. In connection with the offering, the Company issued an aggregate of 210,000 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of $0.12 per share, expiring on March 21, 2018. The broker warrants contain the identical terms and conditions as the unit warrant, however the broker warrants are not subject to the accelerated expiry provision. The fair value of the broker warrants was estimated at $21,712 using the Black-Scholes pricing model. Cash share issuance cost incurred relating to this private placement were $35,551. The above broker warrants were measured based on the fair value of the equity investments granted in the absence of a reliable measurement of the services received.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK (Cont'd)

Issued Common Shares (Cont'd)

(v) On December 5, 2017, the Company issued 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit was comprised of one common share and common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.07 for a period of 24 months, expiring on December 5, 2019. If at any time, after April 6, 2018, the closing price of the common shares of the Company, as traded on the TSX Venture Exchange, equals or exceeds $0.15 for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of the Company announcing the accelerated expiry. The fair value of the warrants was estimated at $70,949 using relative fair value method.

On December 15, 2017, the Company issued 830,000 units at $0.05 per unit for gross proceeds of $41,500. Each unit was comprised of one common share and common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.07 for a period of 24 months, expiring on December 15, 2019. If at any time, after April 16, 2018, the closing price of the common shares of the Company, as traded on the TSX Venture Exchange, equals or exceeds $0.15 for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of the Company announcing the accelerated expiry. The fair value of the warrants was estimated at $19,561 using relative fair value method.

Cash share issuance cost incurred relating to these private placements was $6,963.

Stock Options

Under the terms of the Company's Stock Option Plan, the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period not to exceed 10 years. The term, exercise price and vesting conditions are determined by the Company's Board of Directors at the time of grant.

Stock option transactions and the number of stock options outstanding are as follows:

	Number		Weighted Average Exercise Price
Balance, December 31, 2015	**4,250,000**	**$**	**0.07**
Options granted (i)	5,500,000		0.12
Options exercised (ii)	(1,600,000)		0.05
Options expired/cancelled	(100,000)		0.10
Balance, December 31, 2016	**8,050,000**		**0.10**
Options granted (iii)	500,000		0.12
Options expired/cancelled	(300,000)		0.10
Balance, December 31, 2017	**8,250,000**	**$**	**0.10**

(Expressed in Canadian Dollars)

8. CAPITAL STOCK (Cont'd)

Stock Options (Cont'd)

In accordance with the terms of the Company's Stock Option Plan:

(i) On September 21, 2016, the Company granted 4,300,000 stock options to directors, officers and a consultant. These options vested immediately and were issued with an exercise price of $0.12 and have a five year term, expiring on September 21, 2021.

On November 1, 2016, the Company granted 1,200,000 stock options to an officer and consultants. These options vested immediately and were issued with an exercise price of $0.12 and have a five year terms, expiring on November 1, 2021.

(ii) On August 11, 2016, 1,600,000 stock options were exercised. These options were originally granted on June 11, 2014. The fair value relating to these options exercised in the amount of $43,170 was transferred from contributed surplus to capital stock. The share price on the date of exercise was $0.05.

(iii) On January 6, 2017, the Company granted 100,000 stock options to a consultant. These options vested immediately and were issued with an exercise price of $0.12 and have a five year term, expiring on January 6, 2022.

On March 16, 2017, the Company granted 400,000 stock options to an officer. These options vested immediately and were issued with an exercise price of $0.12 and have a five year term, expiring on March 16, 2022.

Fair value of the options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Dividend yield	**Nil%**	Nil%
Expected volatility (based on historical trends of the Company)	**226%**	223%
Risk free rate of return	**1.22%**	0.71%
Expected life	**5 years**	5 years
Share price	**$0.06**	$0.11

During the year ended December 31, 2017, the Company recognized share-based payment expense of $27,050 (2016 - $585,075). The offsetting credit was charged to contributed surplus.

The consultants options were measured based on the fair value of the equity investments granted in the absence of a reliable measurement of the services received.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK (Cont'd)

Stock Options (Cont'd)

The following is a summary of stock options outstanding at December 31, 2017:

Expiry Date	Number	Exercise Price	Exercisable	Average Remaining Contractual Life (years)
June 26, 2018	200,000	$ 0.10	200,000	0.48
November 18, 2018	150,000	0.10	150,000	0.88
June 11, 2019	1,900,000	0.05	1,900,000	1.44
September 21, 2021	4,300,000	0.12	4,300,000	3.72
November 1, 2021	1,200,000	0.12	1,200,000	3.83
January 6, 2022	100,000	0.12	100,000	4.01
March 16, 2022	400,000	0.12	400,000	4.20
	8,250,000	$ 0.10	8,250,000	3.11

Warrants

Warrant transactions and the number of warrants outstanding are as follows:

	Number	Weighted Average Exercise Price
Balance, December 31, 2015	**-**	**$ -**
Warrants issued	12,516,250	0.12
Broker warrants issued	210,000	0.12
Balance, December 31, 2016	**12,726,250**	**0.12**
Warrants issued	3,830,000	0.07
Balance, December 31, 2017	**16,556,250**	**$ 0.11**

The following summarizes information on the outstanding warrants:

Expiry date	Number	Exercise Price	Average Remaining Life (years)	Fair Value
March 21, 2018	12,726,250	$ 0.12	0.22	$ 503,224
December 5, 2019	3,000,000	0.07	1.93	70,949
December 15, 2019	830,000	0.07	1.95	19,561
	16,556,250	$ 0.11	0.62	$ 593,734

(Expressed in Canadian Dollars)

8. CAPITAL STOCK (Cont'd)

Warrants (Cont'd)

The relative fair value of warrants was estimated with inputs included in the Black-Scholes option-pricing model with the following weighted average assumptions:

	2017	2016
Dividend Yield	**Nil%**	Nil%
Expected volatility (based on historical trends)	**247%**	295%
Risk free rate of return	**1.54%**	0.57%
Expected life	**2 years**	1.5 years
Share price	**$0.04**	$0.11

9. CORPORATE AND ADMINISTRATIVE

	2017	2016
Consulting	**$ 6,406**	$ 17,372
Filing and transfer agent fees	**23,687**	25,690
Management fees (Note 12)	**236,625**	120,676
Insurance	**24,322**	14,331
Office and general	**9,081**	5,808
Professional fees	**78,462**	115,369
Rent (Note 12)	**10,674**	8,773
Salaries and benefits	**30,854**	8,875
Shareholder relations and promotion	**34,872**	21,483
Travel	**22,110**	20,557
	$ 477,093	$ 358,934

10. EXPLORATION AND EVALUATION

	2017	2016
Acquisition costs	**$ -**	$ 220,000
Property cost	**187,463**	299,917
Assaying	**49,970**	23,022
Consulting/Contracting	**71,758**	86,425
Drilling	**119,813**	72,292
Equipment and supplies	**25,345**	18,004
Reports	**593**	6,495
Site costs	**11,517**	7,655
Travel/Transportation	**16,825**	14,860
Wages and benefits	**46,554**	20,603
	$ 529,838	$ 769,273

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION (Cont'd)

On August 17, 2016 the Company closed an asset purchase agreement (the "APA") entered into on May 20, 2016 with Firebird Resources Inc. ("Firebird"), Pageland Minerals Inc. ("Pageland") and Appalachian Resources LLC ("Appalachian"), to acquire a 100% interest in exploration-stage gold properties ("Jefferson Project") located in South Carolina, United States, along with exploration and property information for consideration payable - (1) to Firebird and Pageland, in the aggregate: cash totaling $100,000 (paid); and, 1,000,000 common shares (issued - Note 8) in the share capital of the Company - and, (2) to Appalachian, 1,000,000 common shares (issued - Note 8) in the share capital of the Company. As part of acquiring the underlying property leases the Company paid approximately USD $178,000 to settle lease arrears related to 13 property leases that existed at closing. A 14th property lease could not be confirmed with the landowner (lessee), and was relinquished in exchange for the Company securing from the landowner the right of first refusal to purchase, lease or explore/mine the property under certain conditions.

The Jefferson Project consists of 13 property leases. The leases range in expiration from 2019 to 2032. Aggregate lease payment for 2017 amounted to USD $128,825 (paid). Lease payments for 2018 range between USD $900 - USD $35,000 per lease, totaling USD $81,825. The Company is current with is it's lease payments and can relinquish a property lease at any time.

A production royalty of 3.5% (the "Royalty") is payable to the landowner that owns the property from which minerals are produced. Advance royalty payments ("ARP") start in 2018 for certain property leases. The annual aggregate ARPs for 2018 amount to USD $70,400. ARPs are non-refundable and will be credited towards the Royalty payable from production.

11. MANAGEMENT COMPENSATION

The compensation of key management (directors and officers) of the Company is included in the summary table below. Key management are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

		Short-term compensation	Share-based payments	Total
2017	**$**	**177,368**	**19,650**	**197,018**
2016	$	102,000	423,212	525,212

12. RELATED PARTY TRANSACTIONS AND BALANCES

		2017		2016
Management fees (i)	**$**	**236,625**	$	120,676
Rent (ii)		**4,674**		800
Share-based payments (v)		**19,650**		462,697
	$	**260,949**	$	584,173

(i) Management fees were paid or became payable to a Company officer and to companies controlled by or associated with officers of the Company.

(ii) Rent was paid or became payable to a company controlled by a Company officer.

(iii) Share-based payments represents the fair value of 400,000 (2016 - 4,300,000) stock options granted to directors/officers.

12. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

During the year, the Company received cash loans of $77,961 (2016 - $Nil) from directors/officers or entities controlled by or associated with directors/officers. The Company repaid $12,961 (2016 - $5,000) of the cash loans during the year. The loans due to related parties of $165,000 (2016 - $100,000) consist of cash loans provided by Company directors/officers or entities controlled by or associated with directors/officers. These loans are non-interest bearing, unsecured and due on demand.

Company directors and officers subscribed for $67,000 (1,340,000 units) of the $150,000 (3,000,000 units) private placement closed on December 5, 2017 (Note 8).

Company directors and officers subscribed for $37,000 (462,500 units) of the $1,001,300 (12,516,250 units) private placement closed on September 21, 2016 (Note 8).

On August 11, 2016, directors and officers of the Company exercised 1,400,000 stock options for proceeds of $70,000 (Note 8).

Included in accounts payable and accrued liabilities is $175,603 (2016 - $12,397) payable to directors/officers or companies controlled by or associated with directors/officers of the Company.

13. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding. As a result of the net losses for the years ended December 31, 2017 and 2016, the exercise of options and warrants has been excluded from the calculation of diluted loss per share given their anti dilutive nature.

14. GROSS OVERRIDING ROYALTY ("GOR")

On February 8, 2007, the Company formed a joint venture (the "Joint Venture") with Crossland Strategic Metals Limited ("Crossland") and subsequently earned a 50% interest in a number of Australian properties prospective for rare earth elements ("REE") and uranium. On November 26, 2015 (the "Effective Date") the Company completed the sale of its entire interest in the Joint Venture to Essential Mining Resources Pty Ltd. ("EMR") and retained a gross overriding royalty of one percent (1%) on sales of production from 100% of the properties ("JV Properties") held by the Joint Venture at the Effective Date. In 2017 a merger between Crossland and EMR ("Crossland") was completed.

On each anniversary of the Effective Date, Crossland is obligated to pay to the Company an advance royalty of AUD $29,621 (2016 - AUD - $50,000), which may be adjusted for future reductions in the size of the JV Properties. The 2017 royalty revenue receivable of $22,002 (AUD $22,451) (2016 - $48,500 (AUD $50,000)) reflects the reduction of the size of the JV Properties for 2017 and 2016. The advance royalty payments received by the Company are non-refundable and will be deducted from the 1% GOR payable to the Company upon the JV Properties being placed into production.

(Expressed in Canadian Dollars)

15. INCOME TAXES

Provision for Income Taxes

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 26.50% (2016 - 26.50%) were the following:

	2017	2016
Net (loss) income for the year before income taxes	**$ (1,005,542)**	$ (1,627,486)
Expected tax recovery at statutory rates	**(266,469)**	(431,284)
Increase (decrease) resulting from:		
Non-deductible expenses and other permanent differences	**18,761**	137,960
Adjustment to non-capital and net-capital losses	**12,102**	56,451
Effects of difference in foreign exchange and other	**(4,228)**	56,195
Effect of higher tax rates in foreign jurisdiction	**(83,946)**	(21,507)
Change in deferred tax assets not recognized	**323,780**	202,185
Deferred income tax expense (income)	**$ -**	$ -

Deferred Income Taxes

The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are as follows:

	2017	2016
Non-capital losses	**$ 1,037,064**	$ 914,015
Net-capital losses	**672,109**	671,377
Share issuance costs	**10,761**	17,399
Mineral properties	**1,847,648**	1,641,011
Investment in Tortuga Resources Inc.	**29,251**	29,251
Deferred tax assets not recognized	**(3,596,833)**	(3,273,053)
	$ -	$ -

(Expressed in Canadian Dollars)

15. INCOME TAXES (Cont'd)

Tax Carry-Forwards

The Company has $5,060,357 in Canadian Federal foreign resource tax pools which may be deducted in the calculation of taxable income in future years. These pools can be carried forward indefinitely. The Company also has available $4,987,788 of capital losses that can be carried forward indefinitely to use against future taxable capital gains. In addition, the Company has Canadian and United States non-capital losses, which may be deducted in the calculation of taxable income in future years that will expire, if not utilized, as follows:

Year of Origin	Year of Expiry	Canada	United States	Total
2017	2037	$ 252,910	$ 141,726	$ 394,636
2016	2036	271,663	87,578	359,241
2015	2035	306,983	-	306,983
2014	2034	57,686	-	57,686
2013	2033	484,230	-	484,230
2012	2032	339,605	-	339,605
2011	2031	429,001	-	429,001
2010	2030	398,478	-	398,478
2009	2029	327,862	-	327,862
2008	2028	284,689	-	284,689
2007	2027	292,677	-	292,677
2007	2026	130,197	-	130,197
		$ 3,575,981	**$ 229,304**	**$ 3,805,285**

The potential tax benefit relating to these tax carry-forward balances have not been reflected in these consolidated financial statements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The carrying value of the royalty revenue receivable, accounts payable and accrued liabilities and loans from related parties approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

IFRS 7 requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
- Level 3 – inputs for assets and liabilities not based upon observable market data

As at December 31, 2017 and 2016 cash was carried at Level 1 fair value.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Risk Management

The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The main risks the Company's financial instruments are exposed to, are discussed below.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consists of cash and the royalty revenue receivable. The Company mitigates the risk relating to it's cash by maintaining a majority of its cash is on deposit with Canadian and United States banks. Allowances on the royalty revenue receivable are recognized as necessary for potential credit losses. The royalty revenue receivable as at December 31, 2017 was received by the Company subsequent to year-end.

(b) 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 manages liquidity risk through the management of its capital structure as described in note 5 to the consolidated financial statements. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for further equity funding arise, there is a risk that the Company may not be able to sell new common shares at an acceptable price.

Accounts payable and accrued liabilities are generally due within 30 days and loans from related parties are due on demand.

(c) Foreign currency risk

The Company operates in Canada and the United States thus exposing the Company to market risks from fluctuations in foreign exchange rates. The Company has potential future financial commitments denominated in US dollars (Note 10). The Company periodically monitors foreign exchange rates and has not entered into any financial arrangements to hedge or protect the Company from unfavourable changes in foreign exchange rates. As at December 31, 2017 and 2016, the Company did not have significant exposure to foreign currency risk.

17. SUBSEQUENT EVENTS

(a) On January 5, 2018, the Company entered into an option agreement with 2522962 Ontario Inc. (the "Optionor"), pursuant to which the Company obtained the right (the "Option") to acquire a 100% interest in the Montcalm West Nickel-Copper-Cobalt Project ("Montcalm Project") located in Porcupine Mining Division, approximately 65 kilometres northwest of Timmins, Ontario. In order to exercise the Option the Company shall:

i) Pay the Optionor an aggregate of $140,000 as follows:

(a) $35,000 on or before June 28, 2018 ($14,000 paid);
(b) $35,000 on or before January 22, 2019;
(c) $35,000 on or before January 22, 2020; and
(d) $35,000 on or before January 22, 2021.

17. SUBSEQUENT EVENT (Cont'd)

(a) (Cont'd)

ii) Issue the Optionor an aggregate of 1,200,000 common shares of the Company as follows:

(a) 300,000 common shares on or before January 29, 2018 (issued);
(b) 300,000 common shares on or before January 22, 2019;
(c) 300,000 common shares on or before January 22, 2020; and
(d) 300,000 common shares on or before January 22, 2021.

The Montcalm Project is subject to a 2.5% net smelter return ("NSR") royalty. The Company reserves the right to purchase 1% of the NSR royalty (such that the remaining NSR royalty shall be reduced to 1.5%) for $1,000,000.

(b) On January 10, 2018, the Company granted 1,200,000 options to a director and a consultant. These options vested immediately and were issued with an exercise price of $0.05 and have a five year term, expiring on January 10, 2023.

(c) Subsequent to December 31, 2017, the Company received cash loans of CAD $5,200 and USD $6,000 from Company officers. These loans are non-interest bearing, unsecured and due on demand.

(d) On April 4, 2018, the Company closed a private placement consisting of 20,010,000 units for gross proceeds of $1,000,500 and 16,266,500 flow-through shares for gross proceeds of $975,990. Each $0.05 unit was comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of $0.08 for a period of eighteen (18) months, expiring on October 4, 2019. The warrant expiry date can be accelerated in the event the common shares trade on a stock exchange at a volume weighted average trading price $0.15, or greater, per common share for a period of 20 consecutive trading days following the expiry of the statutory trading restriction on August 5, 2018. The Company paid cash commissions of $4,620.