Audited Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Honey Badger Exploration Inc.

We have audited the accompanying consolidated financial statements of Honey Badger Exploration Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' deficiency 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, these consolidated financial statements present fairly, in all material respects, the financial position of Honey Badger Exploration Inc. 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 describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Honey Badger Exploration Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 26, 2018

Honey Badger Exploration Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2017		As at December 31, 2016
Assets				
Current assets				
Cash and cash equivalents (note 4)	**$**	**332,356**	$	51,263
Amounts receivable		**67,399**		41,757
Prepaid expenses		**1,350**		1,000
	$	**401,105**	$	94,020
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 5)	**$**	**219,223**	$	319,089
Deferred flow-through premium (note 6)		**33,188**		48,200
Flow-through provision (note 7)		**265,031**		430,294
		517,442		797,583
Shareholders' deficiency (note 8)				
Share capital		**6,824,073**		5,591,833
Contributed surplus		**1,622,584**		1,479,986
Warrant reserve		**786,990**		417,793
Accumulated deficit		**(9,349,984)**		(8,193,175)
Total shareholders' deficiency		**(116,337)**		(703,563)
Total liabilities and shareholders' deficiency	**$**	**401,105**	$	94,020

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 13)
Subsequent event (note 16)

Approved by the Board of Directors and authorized for issue on April 26, 2018

/s/ Tara Gilfillan — /s/ Quentin Yarie

Tara Gilfillan — Quentin Yarie

Honey Badger Exploration Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	For the years ended December 31, 2017	2016
Expenses		
Exploration expenditures (note 10)	$ **933,896**	$ 345,744
Payroll and professional fees (note 9)	**136,098**	150,544
General and administrative	**(17,997)**	166,808
Share-based compensation	**142,598**	-
Part XII.6 tax (note 7)	**11,398**	1,605
Deferred flow-through premiums (note 6)	**(49,200)**	(80,865)
Contingent provisions (note 7)	**-**	328,294
	(1,156,793)	(912,130)
(Loss) gain on foreign exchange	**(346)**	833
Realized loss from marketable securities	**-**	(8,135)
Expenses before finance items	**(1,157,139)**	(919,432)
Finance items		
Interest income	**330**	-
Interest expenses	**-**	(149)
Net loss	$ **(1,156,809)**	$ (919,581)
Other comprehensive income (loss):		
Items that may be classified subsequently to loss:		
Changes in fair value of marketable securities	**-**	5,474
Other comprehensive income (loss)	**-**	5,474
Total comprehensive loss	**(1,156,809)**	(914,107)
Basic loss per share (note 12)	$ **(0.04)**	$ (0.05)
Diluted loss per share (note 12)	$ **(0.04)**	$ (0.05)

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

Honey Badger Exploration Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the years ended December 31, 2017	2016
Operating activities		
Net loss	$ (1,156,809)	$ (919,581)
Adjustments to reconcile net loss to net cash used in operating activities:		
Property acquired through issuance of shares (note 10)	560,000	120,000
Deferred flow-through premiums (note 6)	(49,200)	(80,865)
Share-based compensation (note 8(b))	142,598	-
Realized loss on disposal of marketable securities	-	8,135
Changes in non-cash working capital		
Increase in amounts receivable	(25,642)	(26,115)
(Increase) decrease in prepaid expenses	(350)	19,040
Increase (decrease) in accounts payable and accrued liabilities	(99,866)	192,589
Increase (decrease) in flow-through provision	(202)	95,279
Net cash used in operating activities	(629,471)	(591,518)
Investing activities		
Proceeds from sale of marketable securities	-	81,729
Net cash provided by investing activities	-	81,729
Financing activities		
Proceeds from private placement	974,880	344,000
Share issue costs	(64,316)	(64,604)
Net cash provided by financing activities	910,564	279,396
Net (decrease) increase in cash and cash equivalents	281,093	(230,393)
Cash and cash equivalents, beginning of year	51,263	281,656
Cash and cash equivalents, end of year	$ 332,356	$ 51,263
Supplemental cash-flow disclosures:		
Flow-through premium liablity	$ 34,188	$ 48,200
Fair value of broker units	37,304	20,026
Fair value of warrants	331,893	256,734
Shares issued for flow-through provision	165,061	-
Cash paid for interest	9,677	-
Cash paid for income taxes	-	-

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

Honey Badger Exploration Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Number of Shares (#)		Share Capital		Contributed Surplus		Warrant Reserve		Accumulated Other Comprehensive (Loss)		Accumulated Deficit		Total
Balance, January 1, 2017	20,957,770	$	**5,591,833**	$	**1,479,986**	$	**417,793**	$	-	$	**(8,193,175)**	$	**(703,563)**
Net loss	-		-		-		-		-		**(1,156,809)**		**(1,156,809)**
Other comprehensive income (loss)	-		-		-		-		-		-		-
Total comprehensive loss													**(1,156,809)**
Private placement	16,723,414		**974,880**		-		-		-		-		**974,880**
Fair value of warrants issued	-		**(331,893)**		-		**331,893**		-		-		-
Fair value of broker units issued	-		**(37,304)**		-		**37,304**		-		-		-
Fair value of flow-through premium recognized	-		**(34,188)**		-		-		-		-		**(34,188)**
Share issue costs	-		**(64,316)**		-		-		-		-		**(64,316)**
Share-based compensation	-		-		**142,598**		-		-		-		**142,598**
Fair value of shares issued for property acquisitior	8,000,000		**560,000**		-		-		-		-		**560,000**
Fair value of shares issued for debt settlement	2,934,421		**165,061**		-		-		-		-		**165,061**
Balance, December 31, 2017	48,615,605	$	**6,824,073**	$	**1,622,584**	$	**786,990**	$	-	$	**(9,349,984)**	$	**(116,337)**
Balance, January 1, 2016	18,266,104	$	5,517,397	$	1,363,734	$	257,285		(5,474)		(7,273,594)		(140,652)
Net loss	-		-		-		-		-		(919,581)		(919,581)
Other comprehensive income	-		-		-		-		5,474		-		5,474
Total comprehensive loss													(914,107)
Private placement	1,891,666		344,000		-		-		-		-		344,000
Fair value of warrants issued	-		(256,734)		-		256,734		-		-		-
Fair value of broker warrants issued	-		(20,026)		-		20,026		-		-		-
Fair value of flow-through premium recognized	-		(48,200)		-		-		-		-		(48,200)
Fair value of expired warrants	-		-		116,252		(116,252)		-		-		-
Share issue costs	-		(64,604)		-		-		-		-		(64,604)
Fair value of shares issued for property acquisitior	800,000		120,000		-		-		-		-		120,000
													-
Balance, December 31, 2016	20,957,770	$	5,591,833	$	1,479,986	$	417,793	$	-	$	(8,193,175)	$	(703,563)

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

1. Nature of operations and going concern

Honey Badger Exploration Inc. (the "Company") was founded in 1992 for the purpose of the acquisition, exploration, and development of mining properties. The Company's head office and the primary location of its registered records is 145 Wellington Street West, Suite 1001, Toronto, Ontario M5J 1H8. The Company owns a wholly owned subsidiary 606596 Alberta Ltd.

As at December 31, 2017, the Company had a working capital deficit of $116,337 (2016 - $703,563) and an accumulated deficit of $9,349,984 (2016 - $8,193,175). These conditions cast significant doubt about the Company's ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations.

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's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Theses consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprise IFRSs, International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"s) and the former Standing Interpretations Committee ("SIC"s).

The consolidated financial statements were approved by the Board of Directors on April 26, 2018.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary 606596 Alberta Ltd., which is not active and has no assets in the current or prior year. All intercompany balances and transactions have been eliminated.

(d) Foreign currencies

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

(e) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.
- Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment.
- Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.
- Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income / (loss) and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each financial position reporting date. Financial assets are impaired when there is objective evidence that the cash flows related to a financial asset or group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Company's accounting policy for each category is as follows:

- Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.
- Other financial liabilities - This category includes other non-derivative accounts payables and accrued liabilities, which are recognized at amortized cost.

Financial instruments recorded at fair value in the statement of financial position are classified according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are 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 assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments consist of the following:

Financial assets:

- Cash and cash equivalents classified as fair value through profit or loss
- Amounts receivables classified as loans and receivables

Financial liabilities:

- Accounts payable and accrued liabilities classified as other financial liabilities
- Flow-through provision classified as other financial liabilities

The fair value of the Company's amounts receivable, accounts payable and accrued liabilities and flow-through provision approximate the carrying value, which is the amount recorded on the statements of financial position. The Company's other financial instruments, cash and cash equivalents under the fair value hierarchy, are based on level 1 prices in active markets for identical assets or liabilities.

(f) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

(g) Mineral properties and exploration expenditures

The Company expenses all costs relating to the acquisition of, exploration for and development of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to acquisition costs, geological, geophysical studies, exploratory drilling and sampling.

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.

(h) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive loss depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(i) Share-based payment transactions

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

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

In situations where equity instruments are granted to non-employees and same or all goods and services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

(j) Asset retirement obligation

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, provides guidance relating to asset retirement obligations. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and charged to expenses as an exploration cost, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2017 and 2016, the Company had no asset retirement obligations.

(k) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(l) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is deferred and recognized as other income as the expenditure incurs, and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(m) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are value bade on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants, are allocated to common share and warrants on a relative fair value basis whereby the common shares are values based on the quoted market price of the common shares at the time the units are issued, and the share purchase warrants are valued using the Black-Scholes option pricing model.

(n) Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2017 reporting period. Management believes the following standards will not have a significant impact on the Company's financial statements:

IFRS 9 Financial Instruments ("IFRS 9") was initially issued by the IASB in November 2009 and issued in its completed version in July 2014, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off- statement of financial position operating leases. Instead, there is a single, on- statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgement, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management’s best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the financial statements.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

Going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the financial statements.

Deferred taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management’s assessment of the Company’s ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Deferred Flow-Through Premium Estimates

Recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability. The fair values of the flow-through premiums are disclosed in Note 7 of the financial statements.

Share-based compensation

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 8(b) of the financial statements.

Deferred Compensation

From time to time the Company accrues compensation, included in accounts payable and accrued liabilities, which represents future compensation for management services and involves significant management judgments. The Company reviews the deferred compensation balance annually to ensure the balance appropriately represents the Company's estimate of what will be paid in cash or settled through share-based payments in future periods. Any reduction is recorded as a forgiveness of deferred compensation costs.

4. Cash and cash equivalents

As at December 31, 2017 and 2016, cash and cash equivalents were held as follows:

		2017		2016
Cash deposits	$	**273,366**	$	23,835
Term deposits		**10,000**		27,428
Undeposited subscriptions		**48,990**		-
	$	**332,356**	$	51,263

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

		2017		2016
Accounts payable	$	**149,164**	$	304,089
Accrued liabilities		**70,059**		15,000
	$	**219,223**	$	319,089

6. Deferred flow-through premium

The following table sets out the changes to the deferred premium balances:

		Total
Balance - December 31, 2015	**$**	**80,865**
Recognition of deferred premium		48,200
Decrease of deferred premium		(80,865)
Balance - December 31, 2016	**$**	**48,200**
Recognition of deferred premium		34,188
Decrease of deferred premium		(49,200)
Balance - December 31, 2017	**$**	**33,188**

7. Flow-through provision

During the year ended December 31, 2014:

- The Company recorded a contingent provision of $100,973 for the subscriber liability related to the 2011 F/T series, which was calculated using a 35% combined rate applied against the estimated CEE shortfall.

During the year ended December 31, 2015:

- The Company increased the contingent provision to a total of $335,015 consisting of $102,000 for the subscriber liability related to the 2011 F/T series, which was calculated using a 35% combined rate applied against the estimated CEE shortfall, and $132,042 for the Part XII.6 taxes.

During the year ended December 31, 2016:

- Based on the results of a CRA audit for the years ended December 31, 2011 and 2012 it was determined there was a shortfall of $1,022,839 in qualified CEEs for the 2011 F/T Series. As a result:
    - The 2011 contingent provision for the obligation to 2011 FT series subscribers was increased by $155,021 to $357,994, which was calculated using a 35% combined rate applied against the estimated CEE shortfall.
    - The provision for Part XII.6 taxes was increased by $100,973. Upon receiving an invoice from the CRA for a total of $233,015 in Part XII.6 taxes and penalties, this amount was reclassified to accounts payable.
- The Company determined there was a shortfall of $206,571 in qualified CEEs for the 2014 F/T Series. As a result, a contingent provision for the obligation to 2014 FT series subscribers was recognized of $72,300, which was calculated using a 35% combined rate applied against the estimated CEE shortfall. All Part XII.6 taxes related to the 2014 F/T series and the associated shortfall were expensed during the year ended December 31, 2015 and have been paid to the CRA.

- During the year ended December 31, 2017, the Company made a cash payment $202 (2016 – nil) pursuant to the indemnity under the flow-through financings.

- On November 15, 2017, the Company completed a share-for-debt transaction whereby the Company agreed to settle certain of its flow-through obligations totalling $165,061 through the issuance of common shares.

The following table sets out the changes to the provision for the obligation to flow-through subscribers:

Balance – December 31, 2015	**$ 335,015**
Recognition of F/T Provision	72,300
Increase of F/T Provision	255,994
Reclassification to accounts payable	(233,015)
Balance – December 31, 2016	**$ 430,294**
Reclassification to accounts payable	(202)
Shares issued to settle obligations	(165,061)
Balance – December 31, 2017	**$ 265,031**

8. Shareholders' deficiency

(a) *Common shares*

The Company's authorized capital stock includes an unlimited number of common shares (issued 48,615,605 common shares) having no par value.

On July 12, 2017, the Company completed a 5:1 consolidation of its common shares. All amounts have been adjusted to reflect the consolidation.

During the year ended December 31, 2017, the Company issued 27,657,835 common shares (2016 – 2,691,666) as follows:

December financing

On December 13, 2017, the Company completed a non-brokered private placement financing for gross proceeds of $303,250 through the sale of 4,033,334 flow-through units (the "December 2017 FT Units") and 1,088,889 units (the "December 2017 Units"). Each December 2017 FT Unit was priced at $0.06 per FT Unit and consisted of one "flow-through" common share and one half of one non-flow-through share purchase warrant, with each such full warrant exercisable to acquire one common share in the capital of the Company (each a "Common Share") for a period of three years following the issuance thereof at a price of $0.10 per Common Share. Each December 2017 Unit was priced at $0.05625 per December 2017 Unit and consisted of one Common Share and one share purchase warrant, with each warrant exercisable to acquire one Common Share for a period of three years following the issuance thereof at a price of $0.075 per Common Share.

The Company issued 72,000 non-transferable compensation units (the "December Compensation Units"), with each such unit exercisable at a price of $0.05625 for a period of three years following the issuance thereof to acquire one Common Share and one non-flow-through warrant. Each non-flow-through warrant is exercisable to acquire one Common Share at a price of $0.075 for a period of three years following the issuance thereof.

October financing

On October 31, 2017, the Company completed a non-brokered private placement financing for gross proceeds of $285,942 through the sale of 2,433,333 flow-through units (the "October 2017 FT Units") and 2,487,858 units (the "October 2017 Units"). Each October 2017 FT Unit was priced at $0.06 per FT Unit and consisted of one "flow-through" common share and one half of one non-flow-through share purchase warrant, with each such full warrant exercisable to acquire one common share in the capital of the Company (each a "Common Share") for a period of three years following the issuance thereof at a price of $0.10 per Common Share. Each October 2017 Unit was priced at $0.05625 per October 2017 Unit and consisted of one Common Share and one share purchase warrant, with each warrant exercisable to acquire one Common Share for a period of three years following the issuance thereof at a price of $0.075 per Common Share.

The Company issued 108,000 non-transferable compensation units (the "October Compensation Units"), with each such unit exercisable at a price of $0.05625 for a period of three years following the issuance thereof to acquire one Common Share and one non-flow-through warrant. Each non-flow-through warrant is exercisable to acquire one Common Share at a price of $0.075 for a period of three years following the issuance thereof.

August 2017 financing

On August 23, 2017, the Company completed a non-brokered private placement financing for gross proceeds of $385,688 through the sale of 2,650,000 flow-through units (the "August 2017 FT Units") and 4,030,000 units (the "August 2017 Units"). Each August 2017 FT Unit was priced at $0.06 per FT Unit and consisted of one "flow-through" common share and one half of one non-flow-through share purchase warrant, with each such full warrant exercisable to acquire one common share in the capital of the Company (each a "Common Share") for a period of three years following the issuance thereof at a price of $0.10 per Common Share. Each August 2017 Unit was priced at $0.05625 per August 2017 Unit and consisted of one Common Share and one share purchase warrant, with each warrant exercisable to acquire one Common Share for a period of three years following the issuance thereof at a price of $0.075 per Common Share.

The Company issued 534,400 non-transferable compensation units (the "August Compensation Units"), with each such unit exercisable at a price of $0.05625 for a period of three years following the issuance thereof to acquire one Common Share and one non-flow-through warrant. Each non-flow-through warrant is exercisable to acquire one Common Share at a price of $0.075 for a period of three years following the issuance thereof.

May 2016 financing

On May 12, 2016, the Company issued 750,000 flow-through units ("FT Units") at a price of $0.20 per FT Unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.35 for a period of three years. In connection with the financing, the Company also paid cash compensation of $12,000 and issued 60,000 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.50 for a period of three years.

April 2016 financing

On April 26, 2016, the Company issued 455,000 flow-through units ("FT Units") at a price of $0.20 per FT Unit and 686,666 common share units ("Common Units") at a price of $0.15 per Common Unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.35 for a period of three years. Each Common Unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.25 for a period of three years. In connection with the financing, the Company incurred share issue costs of $5,544, paid cash compensation of $22,500 and issued 91,333 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.50 for a period of three years.

Common shares issued for property

On August 9, 2017, the Company completed the acquisition of certain barite-zinc properties located in Quebec by issuing 8,000,000 common shares at a fair value of $560,000, or $0.07 per common share.

On September 16, 2016, in connection with the Wemindji claims property purchase agreement, the Company issued 800,000 common shares at a fair value at $120,000 or $0.15 per common share.

Common shares issued for debt settlement

On November 15, 2017, the Company completed a share-for-debt transaction whereby the Company agreed to settle certain of its obligations totalling $165,061 through the issuance of 2,934,421 common shares at a fair value of $0.05625 per common share.

(b) *Stock Options*

The Company has a stock option plan (the "Plan") pursuant to which the Company's Board of Directors may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The Board, in accordance with applicable Exchange or other regulatory requirements, if any, will determined the vesting period. There is no minimum vesting period unless the optionee is engaged in Investor Relation activities, The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares. The fair value of the share-based compensation is recognized as contributed surplus upon vesting.

During the year ended December 31, 2017, the Company granted 2,815,000 stock options (2016 – nil) to directors, employees and officers at a weighted average exercise price of $0.065 (2016 - $Nil). These three-year options vested immediately upon grant. The fair value of the stock options granted during the year has been determined to be $142,598 and has been included in the statement of loss and comprehensive loss for the year ended December 31, 2017.

The fair value of the stock options was calculate using the Black-Scholes option pricing model and utilized the following weighted average assumptions: risk-free rate - 1.47%; volatility - 172.2%; expected life - 3 years; dividend yield - 0% and forfeiture rate - 0%, and resulted in a weighted average fair value of $0.051 per stock option.

Stock options to purchase common shares of the Company that have been granted in accordance with the Plan are as follows:

	2017		2016	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Stock options outstanding, beginning of year	**-**	**-**	780,000	$0.50
Granted	**2,815,000**	**$0.065**	-	-
Exercised	**-**	**-**	-	-
Cancelled	**-**	**-**	(780,000)	$0.50
Stock options outstanding, end of year	**2,815,000**	**$0.065**	-	-
Exercisable stock options, end of year	**2,815,000**	**$0.065**	-	-

Options to purchase common shares outstanding at December 31, 2017, exercise prices and weighted average lives to maturity are as follows:

Exercise price	**Options outstanding**	**Options exercisable**	**Weighted average life *(years)***
$0.065	2,500,000	2,500,000	2.78
$0.065	315,000	315,000	2.88
$0.065	2,815,000	2,815,000	2.79

(c) *Warrants*

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance as an equity reserve until expiration or exercise.

Warrants have been granted pursuant to equity financings as follows:

	2017		2016	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Warrants outstanding, beginning of year	**3,804,960**	**$0.29**	3,249,360	$0.58
Granted	**12,879,481**	**$0.08**	2,043,000	$0.33
Exercised	**-**	**-**	-	-
Cancelled	**-**	**-**	(1,487,400)	$0.96
Warrants outstanding, end of year	**16,684,441**	**$0.13**	3,804,960	$0.29

Warrants granted were valued using a Black Scholes model with the following assumptions

	2017	2016
Stock price	$0.061	$0.03
Exercise price	$0.084	$.07
Expected life	3	3
Volatility	171.61%	211%
Dividend yield	0%	0%
Risk free rate	1.47%	0.50%
Fair value	$0.051	$0.027

Warrants to purchase common shares outstanding at December 31, 2017, exercise prices and weighted average lives to maturity are as follows:

Grant Date	Expiry Date	Exercise Price	Number Outstanding	Remaining Contractual Life (years)
December 12, 2014	December 12, 2019	$0.250	1,289,960	1.95
December 24, 2015	December 24, 2018	$0.275	400,000	0.98
December 24, 2015	December 24, 2018	$0.275	72,000	0.98
April 26, 2016	April 26, 2019	$0.350	455,000	1.32
April 26, 2016	April 26, 2019	$0.250	686,667	1.32
April 26, 2016	April 26, 2019	$0.500	91,333	1.32
May 12, 2016	May 12, 2019	$0.350	750,000	1.36
May 12, 2016	May 12, 2019	$0.500	60,000	1.36
August 23, 2017	August 23, 2020	$0.100	1,325,000	2.15
August 23, 2017	August 23, 2020	$0.075	4,030,000	2.15
August 23, 2017	August 23, 2020	$0.056	534,400	2.15
October 24, 2017	October 24, 2020	$0.100	1,216,667	2.82
October 24, 2017	October 24, 2020	$0.075	2,595,858	2.82
December 13, 2017	December 13, 2020	$0.100	2,016,667	2.95
December 13, 2017	December 13, 2020	$0.075	1,160,889	2.95
		$0.069	16,684,411	2.31

(d) Outstanding warrants and stock options

The following table sets out the maximum shares that would be outstanding if all the purchase share warrants and stock options, at December 31, 2017 and 2016, respectively, were exercised:

	2017	2016
Common shares outstanding	**48,615,605**	20,957,768
Stock options	**2,815,000**	-
Warrants	**16,684,441**	3,804,960
	68,115,046	24,762,728

9. Related party disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors and the executive management team. The executive management team comprises the President and Chief Executive Office, Chief Financial Officer and Vice-President Exploration.

Compensation for key management personnel of the Company was as follows:

		2017		2016
Short-term benefits[1]	$	**62,625**	$	76,400
Share-based payments[2]		**111,140**		-
	$	**173,765**	$	76,400

(1) Includes salary and professional fees.
(2) Represents the expense of stock options during the year.

As at December 31, 2017, the following related party balances were outstanding:

a) a balance of $38,092 (2016 - $11,801) owing to related parties was included in accounts payable and accrued liabilities.

As at December 31, 2016, the following related party balances were outstanding:

a) A corporate under common management control owed $18,650 to the Company for the reimbursement of join severance expenditures, which was included in accounts receivable.
b) The Company owed $11,801 to a corporation under common management control, which has been included in accounts payable and accrued liabilities.

10. Mineral properties

Exploration and Evaluation Expenditures

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its various properties:

		Barite-Zinc Property		**LG Diamond & Wemindji Property**		**Other Properties**		**Total**
Balance, January 1, 2017	$	-	$	507,468	$	2,412,954	$	2,920,422
Acquisition Costs		560,000		-		-		560,000
Exploration expenditures		348		9,744		363,804		373,896
Total exploration expenditures		560,348		9,744		363,804		933,896
Balance, December 31, 2017	**$**	**560,348**	**$**	**517,212**	**$**	**2,776,758**	**$**	**3,854,318**
Balance, January 1, 2016	$	-	$	162,349	$	2,412,329	$	2,574,678
Claim Acquisition Costs		-		130,000		-		130,000
Exploration expenditures		-		215,119		625		215,744
Total exploration expenditures		-		345,119		625		345,744
Balance, December 31, 2016	**$**	**-**	**$**	**507,468**	**$**	**2,412,954**	**$**	**2,920,422**

During the year ended December 31, 2017:

The Company incurred exploration and evaluation expenditures of $348 and acquisition costs of $560,000 (2016 – nil) on the Barite-Zinc property, $9,744 (2016 - $345,119) on the LG Diamond and Wemindji properties and $363,804 (2016 - $625) on other properties.

Barite-Zinc Property, Quebec

On August 8, 2017, the Company acquired certain claims located in southeastern Quebec (the “Barite-Zinc Property”) by issuing 8,000,000 common shares valued at $500,000 and granted a 2% net smelter return royalty (“NSR”) to the property vendor. The Company may re-purchase the NSR for $1,000,000.

LG Diamond Property, Quebec

During the year ended December 31, 2015, the Company entered into an agreement to acquire the LG Diamond Project located in the James Bay Region of Quebec. As consideration, the Company issued 10,000,000 common shares at a value of $0.01 each and granted a 2% NSR. One half, or 1% of the NSR can be bought back for $1,000,000 and the remaining 1% for $2,000,000.

Wemindji Property, Quebec

During the year ended December 31, 2016, the Company entered into an agreement to acquire the Wemindji Property, which consists of certain claims located in the James Bay region of Québec. The acquisition costs consisted of the payment of $10,000 cash (paid) and the issuance of 4,000,000 common shares (issued) of the Company with a fair value of $120,000. The Company is also required to grant of a 2% NSR to the property vendors. The NSR may be bought back from the vendors for $2,000,000.

Other Properties

Beaver Silver Property, Ontario

On December 18, 2017, the Company signed a non-binding letter of intent (the "LOI") to earn a 100% interest in the Beaver Silver Property, located in Thunder Bay, Ontario. The LOI provides that, subject to completion of a definitive option agreement and satisfaction of certain other terms and conditions including the receipt of all necessary corporate, shareholder, regulatory and stock exchange approvals, the vendor will grant the Company an option to acquire the Beaver Silver Property by making payments in cash, issuing securities of the Company and incurring exploration expenditures. Upon signing the LOI, the Company made a cash payment of $50,000 to the vendor.

Blue Thunder, Quebec

On October 5, 2017, the Company entered into an option agreement whereby it can earn up to a 10% interest in certain mining claims located in Quebec, by spending $150,000 over a 24-month period, with a minimum of $75,000 being spent in the first 12-months. The Company has met the requirement and earned a 10% interest in the mineral claims as at December 31, 2017.

Bear Limonite Creek property

The Bear Limonite Creek property in British Columbia consisted of 2 claims with early stage copper and gold exploration targets. The Company decided in 2015 that it would not pursue any further activities on the property and the claims were allowed to lapse during the year ended December 31, 2016.

Sagar Property, Quebec

On February 28, 2014, the Company entered into a purchase and sale agreement with Energizer Resources Inc. ("Energizer"), a company related by common management. On July 31, 2014 (the "Effective Date") the purchase and sale agreement was replaced by an option agreement (the "Option Agreement") entered into between the Company and Energizer pursuant to which the Company was granted an earn-in option to acquire up to a 100% interest in the Sagar Property in consideration of cash payments, share issuances and work commitment expenditures. This option agreement was further revised on May 8, 2015. As of December 31, 2015, the Company had not satisfied the terms of the option agreement. The Company no longer has an interest in this project.

11. Income taxes

The reconciliation of income tax provision completed at statutory rates to the reported income tax provision is as follows:

		2017		2016
Net loss	$	(1,156,809)	$	(919,581)
Income tax recovery at statutory tax rates		(306,000)		(239,000)
Permanent difference		25,000		65,000
Impact of flow through shares		68,000		52,000
Share issue cost		(17,000)		(23,000)
Change in unrecognized deductible temporary differences		270,000		143,000
Other		(40,000)		2,000
Income tax provision	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017		2016	
Mineral properties	$ 2,937,000	no expiry	$ 2,260,000	no expiry
Investment tax credit	37,000	2032	37,000	2031
Property and equipment	1,000	no expiry	1,000	no expiry
Share issue costs	128,000	2038 to 2041	112,000	2037- 2040
Allowable capital losses	242,000	no expiry	242,000	no expiry
Non-capital losses available for future periods	3,301,000	2026 to 2037	3,123,000	2026 - 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. Earnings (Loss) per share ("EPS")

	2017		
	Earnings/(Loss) (Numerator)	**Shares (Denominator)**	**Per Share Amount**
Basic EPS	$ **(1,156,809)**	28,068,174	$ (0.04)
Effect of dilutive securities	-	-	-
Diluted EPS	$ **(1,156,809)**	28,068,174	$ (0.04)

	2016		
	Earnings/(Loss) (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS	$ (919,581)	19,753,487	$ (0.05)
Effect of dilutive securities	-	-	-
Diluted EPS	$ (919,581)	19,753,487	$ (0.05)

13. Commitments and contingencies

Flow-Through Expenditure Commitments

The Company competed flow-through share financings that involve a commitment to incur Canadian Exploration Expenditures ("CEEs") prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. The flow-through commitments as at December 31, 2017 is $531,003 (2016: $241,000).

14. Capital management

As of December 31, 2017, the Company had a working capital deficit of $116,337.

There were no changes in the Company's approach to capital management during the year ended December 31, 2017.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due. The Company's operations to date have been funded by issuing equity.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk.

The Company's mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and makes adjustments in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company capital structure may involve the issue of new shares, issue of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements other than flow-through spending.

15. Financial instrument risk factors

The following disclosures are to enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting year:

a) Credit risk

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's amounts receivable related to sales taxes have negligible counterparty default risk. The Company's amounts receivable related to companies related by common management are subject to counterparty default risk.

b) Liquidity risk

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at December 31, 2017, the Company had a cash balance of $332,356 (2016 - $51,263) to settle current liabilities of $517,442 (2016 - $797,583). As a result, the Company is exposed to liquidity risk.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

c) Market risks

The Company's market risk arises from changes in interest rates and commodity prices that could have an impact on profit or loss. This includes:

- Interest rate risk, is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.

- Commodity price risks, particularly with respect to diamonds, is the sensitivity of the fair value of or of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets.

- Currency risk, is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.

16. Subsequent event

On February 20, 2018, the Company granted 850,000 stock options to a director and an officer of the Company with each stock option having an exercise price of $0.055 per common share and expires 3 years from date of grant.