



MacDonald Mines Exploration Ltd.

Financial Statements

For the Three Months Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

As per National Instrument 51-102 *Continuous Disclosure Obligations* Part 4.3 *Disclosure of Auditor Review*, the auditors of MacDonald Mines Exploration Ltd. have not performed a review of these interim financial statements.

MacDonald Mines Exploration Ltd.
Condensed Interim Statements of Financial Position

(Unaudited - Expressed in Canadian dollars)

	As at March 31, 2018	As at December 31, 2017
Assets		
Current assets		
Cash and cash equivalents (note 3)	\$ 950,239	\$ 1,174,271
Amounts receivable (note 4)	45,331	244,623
Prepaid deposits	100,000	111,445
Marketable securities (note 5)	3,874	3,604
	1,099,444	1,533,943
Non-current assets		
Equipment (note 6)	35,545	26,332
Total assets	\$ 1,134,989	\$ 1,560,275
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 7, 8 & 9)	\$ 1,386,796	\$ 1,603,994
Short-term debt (note 12)	57,293	56,668
	1,444,089	1,660,662
Shareholders' deficiency (note 10)		
Share capital	38,633,762	38,503,262
Shares to be issued	49,500	180,000
Contributed surplus	20,766,548	20,742,666
Warrant reserve	2,012,649	1,892,760
Warrants to be issued	45,475	165,364
Accumulated deficit	(61,817,034)	(61,584,439)
Total shareholders' deficiency	(309,100)	(100,387)
Total liabilities and shareholders' deficiency	\$ 1,134,989	\$ 1,560,275

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

Nature of operations and going concern (note 1)

Commitments and contingencies (note 14)

MacDonald Mines Exploration Ltd.
Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

	For the three months ended March 31,	
	2018	2017
Expenses		
Exploration expenditures (note 11)	\$ 126,185	\$ 1,144,264
Salaries, professional and consulting fees (note 12)	42,952	165,325
Shareholder communication	38,337	28,647
General and administrative	4,194	33,187
Depreciation (note 6)	4,089	6,341
Investment loss	-	3,744
Share-based compensation (note 10(b))	23,882	-
Deferred flow-through premium (note 8)	(12,513)	(17,758)
	(227,126)	(1,363,750)
Foreign exchange loss	(5,269)	-
(Loss) gain on marketable securities	270	(3,172)
Expenses before finance items and income taxes	(232,125)	(1,366,922)
Finance items		
Interest income	155	41
Interest expenses (note 12)	(625)	(625)
Net loss	\$ (232,595)	\$ (1,367,506)
Other comprehensive loss:		
Items that may be classified subsequently to loss:		
Changes in fair value of marketable securities	-	(11,431)
Other comprehensive loss	-	(11,431)
Total comprehensive loss	\$ (232,595)	\$ (1,378,937)
Basic (loss) earnings per share (note 13)	\$ (0.00)	\$ (0.02)
Diluted (loss) earnings per share (note 13)	\$ (0.00)	\$ (0.02)

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

MacDonald Mines Exploration Ltd.
Condensed Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

For the three months ended March 31,
2018 **2017**

	2018	2017
Operating activities		
Net (loss) income for the year	\$ (232,595)	\$ (1,367,506)
Adjustments to reconcile net loss to net cash used in operating activities:		
Shares and warrants issued for properties	-	944,250
Shares issued to settle debt	-	12,360
Depreciation	4,089	6,341
Investment loss on derivative warrant	-	3,744
(Loss) gain on marketable securities	(270)	3,172
Deferred premium on flow-through shares	(12,513)	(17,758)
Interest on short-term loan	625	625
Share-based compensation (note 10(b))	23,882	-
Changes in non-cash working capital		
(Increase) decrease in amounts receivable	199,292	(33,928)
(Increase) decrease in prepaid deposits	11,445	-
Increase (decrease) in accounts payable and accrued liabilities	(204,685)	(176,569)
Net cash used in operating activities	(210,730)	(625,269)
Investing activities		
Proceeds from sale of marketable securities	-	213,025
Acquisition of equipment	(13,302)	(38,691)
Net cash provided by investing activities	(13,302)	174,334
Financing activities		
Proceeds from private placement	-	684,420
Share issue costs	-	(80,593)
Net cash provided by financing activities	-	603,827
Net increase in cash and cash equivalents	(224,032)	152,892
Cash and cash equivalents, beginning of year	1,174,271	604,464
Cash and cash equivalents, end of year	\$ 950,239	\$ 757,356

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

MacDonald Mines Exploration Ltd.
Condensed Interim Statements of Changes in Shareholders' Deficiency
(Unaudited - Expressed in Canadian dollars)

	Number of Shares	Share Capital	Shares to be Issued	Contributed Surplus	Warrant Reserve	Warrants to be Issued	Other Comprehensive (Loss)	Accumulated Deficit	Total
Balance, January 1, 2018	83,300,083	\$ 38,503,262	\$ 180,000	\$ 20,742,666	\$ 1,892,760	\$ 165,364	\$ -	\$ (61,584,439)	\$ (100,387)
Net loss	-	-	-	-	-	-	-	(232,595)	(232,595)
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	(232,595)
Private placements	-	-	-	-	-	-	-	-	-
Fair value of warrants issued	-	-	-	-	-	-	-	-	-
Fair value of broker warrants issued	-	-	-	-	-	-	-	-	-
Fair value of warrants exercised	-	-	-	-	-	-	-	-	-
Premium on flow-through shares	-	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-
Fair value of shares/warrants issued for property acquisition	725,000	130,500	(130,500)	-	119,889	(119,889)	-	-	-
Fair value of shares issued to settlement debt	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	23,882	-	-	-	-	23,882
Balance, March 31, 2018	84,025,083	\$ 38,633,762	\$ 49,500	\$ 20,766,548	\$ 2,012,649	\$ 45,475	\$ -	\$ (61,817,034)	\$ (309,100)
Balance, January 1, 2017	37,639,737	\$ 35,383,153	\$ -	\$ 20,142,616	\$ 247,072	\$ -	\$ (11,001)	\$ (56,471,681)	\$ (709,841)
Net loss	-	-	-	-	-	-	-	(1,367,506)	(1,367,506)
Other comprehensive loss	-	-	-	-	-	-	(11,431)	-	(11,431)
Total comprehensive income	-	-	-	-	-	-	-	-	(1,378,937)
Private placement	10,498,857	684,420	-	-	-	-	-	-	684,420
Share issue costs	-	(80,593)	-	-	-	-	-	-	(80,593)
Fair value of warrants issued	-	(259,900)	-	-	259,900	-	-	-	-
Fair value of broker warrants issued	-	(106,725)	-	-	106,725	-	-	-	-
Fair value of shares/warrants issued for property acquisition	11,500,000	805,000	-	-	139,250	-	-	-	944,250
Fair value of shares issued to settlement debt	200,000	12,360	-	-	-	-	-	-	12,360
Premium on flow-through shares	-	-	-	-	-	-	-	-	-
Balance, March 31, 2017	59,838,594	\$ 36,437,715	\$ -	\$ 20,142,616	\$ 752,947	\$ -	\$ (22,432)	\$ (57,839,187)	\$ (528,341)

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

MacDonald Mines Exploration Ltd.
Notes to the Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited – Expressed in Canadian dollars)

1. Nature of operations and going concern

MacDonald Mines Exploration Ltd. (the “Company”) is a publicly traded company actively engaged in the acquisition, exploration and development of mineral properties. The Company's registered office is Suite 1001, 145 Wellington Street West, Toronto, Ontario, Canada, M5J 1H8. Since November 1, 2011, the Company is continued under the Canadian Business Corporations Act. Prior to November 1, 2011 the Company was continued under the Quebec Business Corporations Act (formerly, Part 1A of the Companies Act (Quebec)). The Company's Class A common shares are listed on the TSX Venture Exchange (“TSXV”) under the ticker symbol “BMK”. The Company's functional and presentation currency is Canadian Dollars.

The Company is currently in the exploration stage and has not commenced commercial operations. As at March 31, 2018, the Company had a working capital deficiency of \$344,654 (December 31, 2017 - \$126,719) which includes a flow-through provision of \$1,051,151 (December 31, 2017 - \$1,057,067), an accumulated deficit of \$61,817,034 (December 31, 2017 - \$61,584,439) and has not yet generated operating cash flows. As such, there is significant doubt regarding the Company's ability to continue as a going concern.

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. Accordingly, the 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 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 financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These 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 financial statements were approved by the Board of Directors on May 30, 2018.

(b) Basis of presentation

These 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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

We have reclassified certain amounts on the Statement of (Loss) Income to conform to the current year’s presentation.

(c) Significant accounting judgements and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period.

Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis.

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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 8 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 10(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.

New and Amended Standards Adopted by the Company

The following accounting standard was adopted by the Company as of January 1, 2018. The impact of the adoption of this standard and the new accounting policies are disclosed below:

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IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* ("IFRS 9"), replaces the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 on January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The Company has applied the changes in accounting policies retrospectively; however in accordance with the transitional provisions of IFRS 9, comparative figures have not been restated. The reclassifications and adjustments are recognized in the opening balance sheet as at January 1, 2018 as summarized below:

- The Company's equity investments are reclassified to fair value through profit and loss ("FVTPL") from available-for-sale ("AFS") under IAS 39 because these investments are short-term in nature and not part of a strategic business model. On adoption of IFRS 9, the Company recorded an adjustment of \$17,358 to increase opening deficit with a corresponding adjustment to reduce accumulated other comprehensive income. Net loss for the three months ended March 31, 2018 was reduce by \$270 with the reclassification.

The adoption of IFRS 9 did not result in changes in the carrying values of the Company's financial instruments on January 1, 2018.

3. Cash and cash equivalents

As at March 31, 2018 and December 31, 2017, cash and cash equivalents of \$950,239 and \$1,174,271, respectively, were held in cash deposits in Canadian banks.

4. Amounts receivable

Amounts receivable comprise the following:

	March 31, 2018	December 31, 2017
Subscription receivable	\$ -	\$ 199,000
Taxes recoverable	41,050	41,342
Other	4,281	4,281
	\$ 45,331	\$ 244,623

5. Marketable securities

The following is a summary of the Company's marketable securities:

	March 31, 2018	December 31, 2017
Equity securities	\$ 3,874	\$ 3,604
	\$ 3,874	\$ 3,604

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6. Equipment

The following tables summarize the Company's fixed asset carrying values as at March 31, 2018 and December 31, 2017, respectively:

March 31, 2018			
	Cost	Accumulated depreciation	Carrying value
Exploration equipment	\$ 83,739	\$ (81,864)	\$ 1,875
Vehicles	52,012	(18,342)	33,670
	\$ 135,751	(100,206)	\$ 35,545

December 31, 2017			
	Cost	Accumulated depreciation	Carrying value
Exploration equipment	\$ 83,739	\$ (81,600)	\$ 2,139
Vehicles	38,709	(14,516)	24,193
	\$ 122,448	\$ (96,116)	\$ 26,332

	March 31, 2018	December 31, 2017
Balance, January 1,	\$ 26,332	\$ 4,277
Additions	13,302	38,709
Depreciation	(4,089)	(16,654)
Balance, December 31,	\$ 35,545	\$ 26,332

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	March 31, 2018	December 31, 2017
Accounts payable	\$ 187,735	\$ 245,164
Accrued liabilities	1,199,061	1,358,830
	\$ 1,386,796	\$ 1,603,994

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8. Deferred premium on flow-through shares

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is subsequently reduced and recorded in the statements of comprehensive loss (income) on a pro-rata basis based on the corresponding eligible expenditures that have been incurred when it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities.

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

		2017 F/T		2016 F/T		Total
		Series		Series		
Balance, January 1, 2017	\$	-	\$	73,654	\$	73,654
Recognition of deferred premium		92,400		-		92,400
Decrease of deferred premium		-		(73,654)		(73,654)
Balance, December 31, 2017	\$	92,400	\$	-	\$	92,400
Decrease of deferred premium		(12,513)		-		(12,513)
Balance, March 31, 2018	\$	79,887		-	\$	79,887

9. Provision for flow-through shares

During the year ended December 31, 2015, the Company underwent an audit conducted by the Canada Revenue Agency ("CRA") for the calendar years 2010 to 2013. As a result of the audit, CRA has proposed an adjustment to the amount of qualifying expenditures that were renounced to subscribers aggregating approximately \$2,500,000. In addition, CRA has assessed additional Part XII.6 tax of \$255,043 to the Company in connection with the shortfall which was paid in January 2017.

Included in accounts payable and accrued liabilities as at March 31, 2018 is a provision of \$1,051,151 (December 31, 2017 - \$1,057,067) representing the maximum amount of tax and penalties related to the 2013 shortfall in flow-through eligible exploration expenditures. The Company does not intend to appeal the penalty and taxes imposed by CRA. The Company is evaluating the repayment terms.

10. Shareholders' deficiency

(a) *Common shares*

The Company's authorized capital stock includes an unlimited number of Class "A" common shares (issued 84,025,083 common shares (December 31, 2017 – 83,300,083)) having no par value.

On February 1, 2018, the Company issued 725,000 units pursuant to the Holdsworth Property (*See Note 11 – Mineral Properties*). Each unit comprised one common share and one share purchase warrant of the Company, with each share purchase warrant having an exercise price of \$0.30 and a 3-year term from the date of issue.

(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 and vesting period of any option is fixed by the Board of Directors on the date of grant, in accordance with applicable stock exchange or other regulatory requirements, if applicable. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares.

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During the three months ended March 31, 2018, the Company granted 300,000 stock options (Q1 2017 – nil) to an officer at a weighted average exercise price of \$0.075 (Q1 2017 - nil). These five-year options vested immediately upon grant. The fair value of the stock options granted during the year has been determined to be \$23,882 and has been included in the statement of loss and comprehensive loss for the three months ended March 31, 2018 (Q1 2017 - nil).

The fair value of the stock options was calculated using the Black-Scholes option pricing model and utilized the following weighted average assumptions: risk-free rate – 1,94%; volatility - 249%; expected life - 5 years; dividend yield - 0% and forfeiture rate - 0% and resulted in a weighted average fair value of \$0.079 per stock option.

(c) *Warrants*

During the three months ended March 31, 2018, the Company issued 725,000 warrants pursuant to the Holdsworth Property Agreement.

11. Mineral properties

The Company has ownership interests in the several exploration projects. The Holdsworth property is the main focus of exploration.

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

	Holdsworth		Charlevoix		Other		Total	
Balance, January 1, 2018	\$	2,994,174	\$	687,060	\$	9,824,922	\$	13,506,156
Exploration expenditures		97,459		563		28,163		126,185
Balance, March 31, 2018	\$	3,091,633	\$	687,623	\$	9,853,085	\$	13,632,341
Balance, January 1, 2017	\$	-	\$	-	\$	9,604,093	\$	9,604,093
Property acquisition costs		314,250		630,000		-		944,250
Exploration		186,317		13,697		-		200,014
Balance, March 31, 2017	\$	500,567	\$	643,697	\$	9,604,093	\$	10,748,357

Holdsworth Property

On December 7, 2016 (“the “Effective Date”), the Company entered into an Option and Joint Venture (“JV”) agreement (“the Option Agreement”) with Noble Mineral Exploration Inc. (“Noble”), to advance exploration on Noble’s Wawa-Holdsworth Gold and Silver Project (the “Holdsworth Project”), located 25 kilometres northeast of Wawa, Ontario. Subject to the terms and conditions of the Option Agreement, the Company will have the right to earn up to an undivided 75% interest in the Project, comprising of a first option to earn a 51% base interest and a second option to earn an additional 24% interest. The property covers 18 contiguous patented mining claims covering approximately 285 hectares.

To earn an initial 51% undivided interest (“the Base Interest”) in the Holdsworth Project, the Company issued 2,500,000 of its Class A Common Shares and 2,500,000 share purchase warrants to Noble and must incur a minimum of \$1,200,000 in expenditures in the 18-month period following the Effective Date. The share purchase warrants have an exercise price of \$0.15 and expire 3 years from the date of issue. The Company issued the common shares and share purchase warrants on January 12, 2017. To earn the additional 24% undivided interest, the Company shall incur a further \$1,000,000 of expenditures on or before the second anniversary of the date the 51% interest is exercised and the Base Interest is earned and make a payment of \$100,000 to Noble.

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On May 3, 2017, the Option Agreement was replaced with a purchase agreement whereby the Company agreed to acquire the Holdsworth Project from Noble (the "Purchase Agreement"). The purchase price comprised the following: (i) 5,500,000 units of the Company; (ii) the granting a 1.5% net smelter return royalty in favour of Noble and (iii) the payment of the equivalent of 5,000 ounces of gold once a mineral reserve or resource has been identified compliant with National Instrument 43-101 guidelines. Each unit shall comprise one common share and one share purchase warrant of the Company, with each share purchase warrant having an exercise price of \$0.30 and a 3-year term from the date of issue. The Purchase Agreement supersedes the Option Agreement. Payment of the 5,500,000 units shall be issued in tranches to ensure Noble's shareholdings in the Company does not exceed 9.9%.

As at March 31, 2018, the Company had issued 5,225,000 units to Noble under the Purchase Agreement.

Charlevoix - Silica Property

On November 18, 2016, (the "Effective Date") the Company entered into a purchase agreement with 9019-5504 Quebec Inc. to acquire a 100% interest in certain 6 mining claims located in the Province of Quebec known as the Charlevoix Silica Property. In consideration for the purchase of the mining claims, the Company issued 9,000,000 common shares on January 12, 2017 valued at \$0.07 per share.

McFaulds Lake and Area Properties

The Company has held property in this region of northern Ontario since 2004 and is subject to net smelter royalties ("NSR") on certain claims.

On August 5, 2016, the Company entered into an agreement with Noront Resources Ltd. ("Noront") to sell 75% interest of certain lands in the property through the issuance of 2,318,393 common shares of Noront at a deemed value of \$750,000. On the date of the transaction, the fair value of the shares received was \$799,846. The Company has a 25% carried interest in the property until such time as an Inferred Mineral Resource has been filed on the property by Noront in accordance with NI43-101, at which time ("the Notification Date") a Joint Venture shall automatically be deemed to be formed between Noront and the Company.

The Company shall have twenty business days following the Notification Date (the "Conversion Right Exercise Period") in which to make a one-time election to transfer its 25% carried interest in the Property to Noront in exchange for a 1% NSR on the property.

If the Company fails to exercise the Conversion Right within the Conversion Right Exercise Period, Noront shall have the option (the "Buy-Back Option"), exercisable for twenty days following the expiry of the Conversion Right Exercise Period, to elect to purchase the Company's 25% carried interest in the Property for a purchase price of \$3,000,000 (the "Buy-Back Purchase Price"), payable in cash or Noront shares at the option of Noront.

During the year ended December 31, 2016, the Company completed a Mineral Property Acquisition Agreement with KWG Resources Inc. ("KWG") to sell the mineral claims known as the Hornby Property. In consideration of the claims sold, KWG issued 4,000,000 of its common shares to the Company. On the date of the transaction, the fair value of the shares received was \$78,600. MacDonald Mines retains a 2% net smelter return ("NSR") on the Hornby Property. KWG can purchase one percent (1%) of the NSR, at any time prior to commencement of production from the claims, by making a cash payment of \$1,000,000 to the Company. KWG retains the first right of refusal to purchase the NSR on similar transaction terms should the Company, at its sole discretion, elect to sell the entire (or any part) of the 2% NSR to a bona-fide third party.

Bob Lake Property

To acquire the property, the Company paid \$75,000, issued 2,850,000 common shares valued at \$194,000 and 300,000 now expired share purchase warrants.

12. 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.

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

	March 31, 2018		March 31, 2017	
Short-term benefits ⁽¹⁾	\$	24,908	\$	43,475
Share-based payments ⁽²⁾		23,882		-
	\$	48,790	\$	43,475

⁽¹⁾ Includes salary and professional fees.

⁽²⁾ Represents the expense of stock options vested during the year.

As of March 31, 2018, the following related party balances were outstanding:

The Company has a short-term loan of \$50,000 (December 31, 2017 - \$50,000) owed to a company under common management. The loan bears interest at a rate of 5% per annum, is unsecured and payable upon demand. No amounts have been paid as at March 31, 2018. The Company has accrued interest of \$7,293 (Q1 2018 - \$3,125) related to the loan.

Included in accounts payable and accrued liabilities is an amount of \$65,998 (Q1 2017 - \$123,500) related to exploration, rent and general & administrative charges from a company under common management.

13. Earnings (Loss) per share (“EPS”)

March 31, 2018				
		Net Loss	Shares	Per Share
		(Numerator)	(Denominator)	Amount
Basic EPS	\$	(232,595)	84,109,447	\$ (0.00)
Effect of dilutive securities		-	153,382	-
Diluted EPS	\$	(232,595)	84,262,829	\$ (0.00)
March 31, 2017				
		Net Loss	Shares	Per Share
		(Numerator)	(Denominator)	Amount
Basic EPS	\$	(1,367,506)	58,913,864	\$ (0.02)
Effect of dilutive securities		-	-	-
Diluted EPS	\$	(1,367,506)	58,913,864	\$ (0.02)

14. Commitments and contingencies

Flow-through expenditure commitment

The Company completed 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 commitment as at March 31, 2018 was \$798,869 (December 31, 2017 - \$924,000).

15. Capital management

As of March 31, 2018, the Company had a working capital of deficit of \$344,64 (December 31, 2017 - \$126,719).

There were no changes in the Company's approach to capital management during the three months ended March 31, 2018.

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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 exclusively by the issuance of additional 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.

16. Financial instrument risk factors

The following disclosures are to enable users of the 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 March 31, 2018, the Company had a cash balance of \$950,239 (December 31, 2017 – 1,174,271) to settle current liabilities of \$1,444,089 (December 31, 2017 - \$11,660,662). 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.

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- 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.