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# **MACDONALD MINES EXPLORATION LTD.**

## **Condensed Interim Financial Statements**

**For the nine months ended September 30, 2017 and September 30, 2016**

*(Expressed in Canadian Dollars)*  
*(Unaudited)*

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**Responsibility for these Unaudited Condensed Interim Financial Statements:**

The accompanying unaudited condensed interim financial statements of MacDonald Mines Exploration Ltd. (the "Company") are the responsibility of the Board of Directors ("Board") and have been prepared by management, on behalf of the Board.

In management's opinion, these unaudited condensed interim financial statements are in full compliance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. Management has established internal controls over the financial reporting process which are designed to provide reasonable, but not absolute, assurance that relevant and reliable financial information is prepared.

The auditors of the Company have not performed a review of these unaudited condensed interim financial statements.

**MacDonald Mines Exploration Ltd.**  
**Condensed Interim Statements of Financial Position**  
*(Unaudited - Expressed in Canadian Dollars)*

	September 30 2017	December 31 2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 3)	\$ 782,711	\$ 604,464
Accounts receivable and prepayments	27,901	13,810
Exploration contract advance	100,000	-
Marketable securities (note 4)	4,427	481,123
	<b>915,039</b>	1,099,397
<b>Non-Current Assets</b>		
Equipment (note 6)	29,770	4,277
	<b>\$ 944,809</b>	<b>\$ 1,103,674</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 7 & 12)	\$ 1,366,470	\$ 1,687,361
Deferred premium on flow through shares (note 13)	-	73,654
Short-term debt (note 7)	54,375	52,500
	<b>1,420,845</b>	1,813,515
<b>Equity</b>		
Capital stock (note 8)	37,825,718	35,383,153
Reserves (notes 9 & 10)	21,978,508	20,378,687
Deficit	(60,280,262)	(56,471,681)
	<b>(476,036)</b>	<b>(709,841)</b>
	<b>\$ 944,809</b>	<b>\$ 1,103,674</b>

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

**Nature of Business and Going Concern (Note 1)**

**Commitments (Note 14)**

# MacDonald Mines Exploration Ltd.

## Condensed Interim Statements of Operations and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenses</b>				
Property acquisition costs (note 5)	136,570	-	2,096,560	-
Exploration and evaluation (note 5)	222,847	-	628,554	-
Professional fees	47,507	6,829	189,606	12,488
Consulting fees	40,500	-	149,500	-
General and administrative	39,292	5,684	118,023	20,930
Shareholder communication	10,162	2,787	60,770	5,792
Depreciation (note 6)	3,438	1,069	13,217	3,207
Investment loss	-	-	3,744	-
Deferred premium on flow through shares (note 13)	(28,254)	-	(73,654)	-
Stock based compensation	-	-	600,050	-
Provision for severance	-	-	-	60,000
<b>Total expenses</b>	<b>472,062</b>	<b>16,369</b>	<b>3,786,370</b>	<b>102,417</b>
<b>Net income (loss) from operations</b>	<b>(472,062)</b>	<b>(16,369)</b>	<b>(3,786,370)</b>	<b>(102,417)</b>
<b>Other Income</b>				
Sale of properties	-	750,000	-	828,603
Loss on sale of marketable securities	-	-	(22,211)	-
	-	750,000	(22,211)	828,603
<b>Net income (loss) for the period</b>	<b>(472,062)</b>	<b>733,631</b>	<b>(3,808,581)</b>	<b>726,186</b>
<b>Other Comprehensive Loss</b>				
Unrealized (loss) gain on marketable securities	(2,766)	(152,751)	(5,532)	(145,165)
<b>Total comprehensive income (loss) for the period</b>	<b>(474,828)</b>	<b>580,880</b>	<b>\$ (3,814,113)</b>	<b>\$ 581,021</b>
<b>Basic and diluted loss per share</b> (note 11)	<b>\$ (0.01)</b>	<b>\$ 0.00</b>	<b>\$ (0.05)</b>	<b>\$ 0.00</b>

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

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

<b>For the nine months ended September 30,</b>	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Net income (loss) for the period	\$ (3,808,581)	\$ 726,186
Items not requiring an outlay of cash:		
Shares and warrants issued for properties	2,096,560	-
Shares issued for CEE indemnity	46,245	-
Investment loss on derivative warrant	3,744	3,846
Interest on short term loan	1,875	1,875
Depreciation	13,217	3,207
Loss on sale of marketable securities	22,211	-
Deferred premium on flow-through shares	(73,654)	-
Stock based compensation	600,050	-
Sale of property	-	(750,000)
Shares for services	27,500	-
Change in accounts receivable and prepayments	(14,091)	(3,671)
Change in accounts payable and accrued liabilities	(320,891)	(2,356)
Exploration advances	(100,000)	-
	<b>(1,505,815)</b>	<b>(20,913)</b>
<b>Financing Activities</b>		
Private Placement	1,184,420	-
Cost of issue	(77,887)	-
Exercise of warrants	171,029	-
	<b>1,277,562</b>	<b>-</b>
<b>Investing Activities</b>		
Proceeds from sale of marketable securities	445,210	-
Purchase of equipment	(38,710)	-
	<b>406,500</b>	<b>-</b>
<b>Decrease in cash and cash equivalents</b>	<b>\$ 178,247</b>	<b>\$ (20,913)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>604,464</b>	<b>31,019</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 782,711</b>	<b>\$ 10,106</b>

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

**MacDonald Mines Exploration Ltd.**  
**Condensed Interim Statements of Changes in Shareholders' Deficit**  
*( Unaudited - Expressed in Canadian Dollars )*

	-----Reserves-----							
	Number of Shares	Capital Stock	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income	Deficit	Total	
Balance, December 31, 2015	30,274,388	35,261,001	20,142,616	-	(11,001)	(56,906,637)	(1,514,021)	
Net loss and comprehensive loss	-	-	-	-	7,586	(7,445)	141	
Balance, June 30, 2016	30,274,388	35,261,001	20,142,616	-	(3,415)	(56,914,082)	(1,513,880)	
Private placements	7,365,429	515,580	-	-	-	-	515,580	
Premium on flow-through shares	-	(73,654)	-	-	-	-	(73,654)	
Cost of issue	-	(118,574)	-	45,872	-	-	(72,702)	
Issuance of warrants	-	(201,200)	-	201,200	-	-	-	
Net loss and comprehensive loss for the period	-	-	-	-	(7,586)	442,401	434,815	
<b>Balance, December 31, 2016</b>	<b>37,639,817</b>	<b>\$35,383,153</b>	<b>\$20,142,616</b>	<b>\$247,072</b>	<b>\$(11,001)</b>	<b>\$(56,471,681)</b>	<b>\$(709,841)</b>	
Private placements (note 8)	15,498,857	1,184,420	-	-	-	-	1,184,420	
Cost of issue (note 8)	-	(77,887)	-	-	-	-	(77,887)	
Fair value of warrants issued	-	(259,900)	-	259,900	-	-	-	
Cost of issue for broker warrants	-	(106,725)	-	106,725	-	-	-	
Shares issued for CEE indemnity	538,845	46,245	-	-	-	-	46,245	
Shares issued for properties	16,000,000	1,407,000	-	-	-	-	1,407,000	
Fair value of warrants issued for property	-	-	-	689,560	-	-	689,560	
Share based compensation	-	-	600,050	-	-	-	600,050	
Exercise of warrants	1,757,564	221,912	-	(50,882)	-	-	171,030	
Shares issued for services	275,000	27,500	-	-	-	-	27,500	
Net loss and comprehensive loss for the period	-	-	-	-	(5,532)	(3,808,581)	(3,814,113)	
<b>Balance, September 30, 2017</b>	<b>71,710,083</b>	<b>\$37,825,718</b>	<b>\$20,742,666</b>	<b>\$1,252,375</b>	<b>\$(16,533)</b>	<b>\$(60,280,262)</b>	<b>\$(476,036)</b>	

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

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**For the nine months ended September 30, 2017 and 2016**  
*( Unaudited - Expressed in Canadian Dollars )*

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**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 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 ("TSX V") under the ticker symbol "BMK". The Company's functional and presentation currency is Canadian Dollars.

The accompanying condensed interim 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. As at September 30, 2017, the Company had a working capital deficit of \$ 505,806 and a shareholder's equity accumulated deficit of \$ 60,280,262. These conditions cast significant doubt about 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. These condensed interim 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 financial statements.

**2. Significant Accounting Policies**

**(a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance and comply with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting principles consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore, the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

**(b) Basis of presentation**

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2016. These condensed interim 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 condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**For the nine months ending September 30, 2017 and 2016**  
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**2. Significant Accounting Policies - continued**

**(c) Significant accounting judgements and estimates**

The preparation of these condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim 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 and Estimates and underlying assumptions are reviewed on an ongoing basis. 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 condensed interim financial statements relate to the following:

**(d) Going concern**

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

**3. Cash and Cash Equivalents**

As of September 30, 2017 the Company held \$ 782,711 (December 31, 2016: \$604,464) in cash and cash equivalents and estimates that its fair value approximates the carrying value.

**4. Marketable Securities**

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

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	<b>September 30</b>	<b>December 31</b>
	<b>2017</b>	<b>2016</b>
Equity securities	<b>4,427</b>	477,379
Share purchase warrants	-	3,744
	<b>4,427</b>	481,123

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**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
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**5. Mineral Properties and Exploration Costs**

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 in its mineral properties.

	<b>Holdsworth Property</b>	<b>Charlevoix Property</b>	<b>Other Properties</b>	<b>Total Properties</b>
	\$	\$	\$	\$
Balance - December 31, 2015	-	-	33,724,467	33,724,467
Disposal	-	-	(24,120,374)	(24,120,374)
Balance - December 31, 2016	-	-	9,604,093	9,604,093
Property Acquisition Costs	1,466,560	630,000	-	2,096,560
Exploration expenditures	614,857	13,697	-	628,554
Balance - September 30, 2017	2,081,417	643,697	9,604,093	12,329,207

**McFaulds Lake and Area Properties, James Bay Lowlands, Ontario, Canada**

The Company has a 25% carried interest on 73 contiguous claims covering 17,690 hectares (known as "the Butler Property") and a 25% carried interest on 70 contiguous claims covering 15,830 hectares (known as "the Sanderson Property"). The carried interest can be converted into a 1% NSR (conversion right) if a N143-101 resource is issued on the properties. Noront can elect to buy back the Company's 25% interest for \$3 million dollars payable in cash or shares ("Buy-back Right"). If neither the Conversion right nor the Buy-back Right are exercised, a Joint Venture arrangement will be formed to develop the properties. In addition, the Company has a 100% interest in 40 claims covering approximately 962 hectares, otherwise known as the Semple Baltic properties.

**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 Project"), located 25 kilometres northeast of Wawa, Ontario. The Company entered into Option Agreement 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 Wawa Holdsworth Gold and Silver Project, the Company issued 2,500,000 of its Class A Common Shares, and 2,500,000 of its Warrants to Noble, with a commitment to incur a minimum of \$1,200,000 in expenditures in the 18 month period following the Effective Date. To earn the additional 24% undivided interest, the Company will incur a further \$1,000,000 of expenditures on or before the second anniversary of the date the First Option is exercised and the Base Interest is earned, and make a payment of \$100,000 to Noble.



**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
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*( Unaudited - Expressed in Canadian Dollars )*

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**5. Mineral Properties and Exploration Costs - continued**

The Agreement was subsequently amended to enable the Company to own 100% of the Property, which agreement supersedes the previous option agreement, thereby eliminating any remaining terms from the original option agreement. To acquire the remaining 25% interest in the Property, the Company is required as follows:

(a) Issue a total of 5,500,000 Units of the Company with each unit comprising of one common share and one share purchase warrant, exercisable at \$0.30 per share for a period of three years from date of issuance. In connection with the closing on June 12, 2017, the Company issued 3,800,000 units with the remaining 1,700,000 units to be issued over time to the extent that Noble's shareholdings of the Company do not exceed 9.99% of the issued and outstanding shares of the Company. On August 4, 2017, the Company issued an additional 70,000 units in relation to the outstanding 1,700,000 referred to above.

(b) Grant Noble a 1.5% net smelter return royalty (the "NSR") on the Holdsworth Property (and any other properties acquired within a 2 mile radius of the Property). The Company will have the right to re purchase one half of the NSR for \$500,000 at any time.

(c) Make a quarterly gold payment to Noble equal to 10% of the amount which is obtained by: (i) multiplying the production of gold from the Oxide Sands by the average gold price received during the quarter; and (ii) subtracting the sum of all deductions and any capital and operating costs being amortized over the life of the project, up to a maximum aggregate payment of 5,000 ounces of gold.

In addition during the period ended September 30, 2017, the Company staked an additional 14 claims covering 2,966 hectares known as "the Holdsworth West property.

**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.

**Bob Lake Property, Saskatchewan, Canada**

The Company owns a 100% interest in 2 dispositions totalling 6,823 hectares in the Province of Saskatchewan.

**6. Equipment**

	<b>Cost Accumulated</b>		<b>Net Book Value</b>	
	<b>Amortization</b>		<b>September 30</b>	<b>December 31</b>
			<b>2017</b>	<b>2016</b>
Exploration equipment	\$ 83,739	\$ 81,066	\$ 2,673	\$ 4,277
Vehicle	38,710	11,613	27,097	-
	<b>\$ 122,449</b>	<b>\$ 92,679</b>	<b>\$ 29,770</b>	<b>\$ 4,277</b>

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
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*( Unaudited - Expressed in Canadian Dollars)*

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**7. Related Party Transactions and Balances**

Related parties as defined by IAS 24 Related Party Disclosures include the members of the Board of Directors, key management personnel and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. .

The following are the related party transactions for the nine months ended September 30, 2017 and 2016:

- (a) The Company incurred \$126,000 (2016: \$9,000) in salaries and administrative accounting fees to a director and a senior officer.
- (b) The Company was charged \$13,500 (2016: \$Nil) in rent and other administrative services by a TSX V listed company which is managed by common directors and senior officers of the Company.

As of September 30, 2017 the outstanding related party balances were:

- (a) Included in accounts payable and accrued liabilities is \$60,500 (2016: \$47,000) related to rent payable to a company related by common management.
- (b) The Company is indebted to a company related by common management in an amount of \$50,000 in a form of a short term loan. The loan is interest bearing at a rate of 5%, unsecured and due on demand. No amounts have been paid back as at September 30, 2017.
- (c) The Company reached legal settlements with its former CEO and CFO, whereby a combined severance of \$72,000 was awarded. As at September 30, 2017, the amount paid relating to the severance settlements aggregate \$18,600 with the balance remaining at \$53,400. This amount is included in accounts payable and accrued liabilities. The Company expensed these claims during the year ended December 31, 2016.

**8. Capital Stock**

Capital stock consists of an unlimited number of Class "A" common shares without par value. Issued shares are fully paid. All warrants and compensation options were valued using the Black Scholes pricing model.

**Capital Stock Activity**

**Year ended December 31, 2016**

On December 30, 2016, the Company closed the first tranche of its non-brokered financing for total gross proceeds of \$515,580 through the issuance of 7,365,429 flow through units at a price of \$0.07 per unit. Each flow through unit consists of one flow through share and one common share purchase warrant

Each whole warrant is exercisable for one share at a price of \$0.10 per share for a period of three years from the date of issue. In connection with the offering, the Company paid \$46,402 cash commission and issued 662,889 non-transferable compensation options entitling the holder to acquire one common share for a price of \$0.10 per share with an expiry date of five years from date of issuance.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**For the nine months ended September 30, 2017 and 2016**  
*( Unaudited - Expressed in Canadian Dollars )*

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**Capital Stock Activity - continued**

**Year ending December 31, 2017**

On January 27, 2017 the Company closed the second tranche of its non brokered financing for total gross proceeds of \$303,000 through the issuance of 5,050,000 units at a price of \$0.06 per share. Each unit consists of one share and one common share purchase warrant. Each whole warrant is exercisable for one share at a price of \$0.10 per share for a period of three years from the date of issue. In connection with this tranche of offering, the Company paid \$13,500 cash commission and issued 450,000 non transferable compensation options entitling the holder to acquire one common share for a price of \$0.06 per share with an expiry date of five years from date of issuance.

On March 6 and 7, 2017, the Company closed the final tranche of its private placement offering, pursuant to which it issued a total of 2,842,858 flow through units at a price of \$0.07 per unit and 2,605,999 non flow through units at a price of \$0.07 per unit for gross proceeds of \$381,420. Each flow through unit and each non flow through unit consists of one common share and one non flow through warrant. Each warrant is exercisable to acquire one common share at a price of \$0.10 per share for a period of 36 months from issuance. In connection with the offering, the Company paid finders fees equal to 9% of the gross proceeds raised by the Company to investors introduced to the Company by such finders, or approximately \$31,178 and has issued compensation options equal to 9% of the units sold to investors introduced to the Company by such finders, or 445,398 compensation options. Each compensation option is exercisable to acquire one non flow through unit at a price of \$0.07 per unit for a period of five years from date of issuance.

On August 2, 2017, the Company closed a non-brokered private placement wherein the Company issued 5,000,000 common shares at a subscription price of \$0.10 per share for gross proceeds of \$500,000.

**Shares for Debt**

The Company has settled or agree to settle certain of its flow through mining expenditure obligations relating to its obligation to indemnify certain subscribers in respect of tax and penalties payable in connection with the reassessment of such purchasers' tax returns,

On February 14, 2017 and July 28, 2017, the Company issued 200,000 common shares and 338,845 common shares respectively to settle \$46,245 of aggregate debt owed to subscribers with respect to CEE indemnity shortfall.

**Exercise of warrants.**

During the nine months ended September 30, 2017, a total of 1,757,654 share purchase warrants were exercised for gross proceeds of \$171,029.

**Shares issued for properties**

**Charlevoix Silica Property**

On November 18, 2016, the Company entered into an agreement to acquire 6 claims known as the "Charlevoix Silica Property" located approximately 42 kilometres north of Baie Saint Paul, on the north shore of the Saint Lawrence River, in the Province of Quebec. The consideration for the acquisition is the issuance of 9,000,000 common shares of the Company and the grant of a 2% net sales returns ("NSR") royalty to the property vendor, 9019 5504 Quebec Inc. 100% of the NSR may be bought back for \$1,000,000. On January 12, 2017, the Company issued the 9,000,000 common shares and the transaction was completed.

**Holdsworth Property**

On January 12, 2017, June 8, 2017 and August 4, 2017, the Company issued 2,500,000, 3,800,000 and 700,000 units respectively, with each unit comprising of one common share and one share purchase warrants in connection with the purchase of the Holdsworth Property as referred to note 5 above.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**For the nine months ending September 30, 2017 and 2016**  
*( Unaudited - Expressed in Canadian Dollars )*

**9. Warrants**

The following is a continuity schedule for each series of warrants outstanding as of September 30, 2017:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Outstanding at December 31, 2016</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired/ Cancelled</b>	<b>Outstanding at September 30, 2017</b>	<b>Fair Values(\$)</b>
December 30,2019	0.10	-	7,365,429	(100,000)	-	7,265,429	198,467
December 30,2021	0.10	-	662,889	(157,564)	-	505,325	34,969
January 12, 2010 (iii)	0.15	-	2,500,000	-	-	2,500,000	139,250
January 21, 2020 (i)	0.10	-	5,050,000	(1,500,000)	-	3,550,000	88,152
January 21,2022 (ii)	0.06	-	450,000	-	-	450,000	31,365
March 7, 2020 (i)	0.10	-	5,448,857	-	-	5,448,857	134,500
March 7, 2022 (ii)	0.07	-	445,398	-	-	445,398	75,360
June 8, 2020 (iii)	0.30	-	3,800,000	-	-	3,800,000	483,742
August 4, 2020 (iv)	0.30	-	700,000	-	-	700,000	66,570
			<b>- 26,422,573</b>	<b>(1,757,564)</b>		<b>- 24,665,009</b>	<b>\$1,252,375</b>

(i) The relative fair value of the 5,050,000 warrants and 5,448,857 warrants issued in connection with the private placement on January 21, 2017 and March 7, 2017 has been estimated at 125,400 and \$134,500 respectively using the Black Scholes model for pricing options under the following weighted average assumptions: risk free interest rate 0.38%; dividend yield - 0%; expected stock volatility 221%; and an expected life of 3 years.

(ii) The relative fair value of the 450,000 compensation warrants and 445,398 compensation warrants issued in connection with the private placement on January 21, 2017 and March 7, 2017 has been estimated at 31,365 and \$71,360 respectively using the Black Scholes model for pricing options under the following weighted average assumptions: risk free interest rate 0.38%; dividend yield - 0%; expected stock volatility 245%; and an expected life of 5 years.

(iii) The relative fair value of the 2,500,000 and 3,800,000 warrants issued in connection with the acquisition of the Holdsworth property on January 12, 2017 and June 8, 2017 has been estimated at \$139,250 and \$483,742 respectively using the Black Scholes model for pricing options under the following weighted average assumptions: risk free interest rate 0.38% - 0.70% ; dividend yield - 0%; expected stock volatility 214 - 245%; and an expected life of 3 years.

(iv) The relative fair value of the 700,000 warrants issued in connection with the acquisition of the Holdsworth property on January 12, 2017 and June 8, 2017 has been estimated at \$66,570 using the Black Scholes model for pricing options under the following weighted average assumptions: risk free interest rate 0.38% - 0.70% ; dividend yield - 0%; expected stock volatility 251.62%; and an expected life of 3 years.

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**10. Stock Purchase Option Incentive Plan**

The Company has a stock purchase option incentive plan (the “Plan”) under which the directors may grant stock options to qualified directors, officers, consultants and affiliates. The maximum aggregate number of Class A Common Shares under option at any time cannot exceed 10% of the total issued number of shares. The exercise price of stock options is the greater of \$0.10 and the closing price of the Company's shares on the trading day preceding the date of the option grant.

The following is a continuity schedule for each series of stock options outstanding at September 30, 2017:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Outstanding at December 31, 2016</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ Cancelled</b>	<b>Outstanding at September 30, 2017</b>	<b>Fair Value(\$)</b>
March 19, 2017	1.20	33,000	-	-	(33,000)	-	-
April 3, 2017	1.70	255,000	-	-	(255,000)	-	-
February 20, 2018	1.00	314,000	-	-	-	314,000	159,200
July 9, 2018	1.00	54,000	-	-	-	54,000	10,206
May 22, 2022	-	-	3,466,500	-	-	3,466,500	600,050
		<b>656,000</b>	<b>3,466,500</b>	-	<b>(288,000)</b>	<b>3,834,500</b>	<b>\$769,456</b>

The relative fair value of the 3,466,500 options issued on May 22, 2017 has been estimated at \$600,050 using the Black Scholes model for pricing options under the following weighted average assumptions: risk free interest rate 0.60%; dividend yield - 0%; expected stock volatility 228%; and an expected life of 5 years.

**11. Loss Per Share**

The following table sets out the computation for basic and diluted loss per share:

<b>For the nine months ended September 30,</b>	<b>2017</b>	<b>2016</b>
Numerator: Net income (loss) attributable to common shareholders - basic and diluted	\$ (3,808,581)	\$ 726,186
Denominator: Weighted average number of common shares outstanding - basic and diluted	<b>64,484,163</b>	30,274,308
<b>Basic and diluted income (loss) per share</b>	\$ <b>(0.05)</b>	\$ 0.02

Stock options and warrants totaling 29,999,509 (2016: 656,000) were excluded from the computation of basic and diluted loss per share as the potential effect was anti-dilutive.

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**12. Flow Through Provision**

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 made an adjustment to the amount of qualifying expenditures that were renounced to the Subscribers aggregating approximately \$2,500,000. In addition, CRA has assessed additional Part XII.6 tax of approximately \$255,043 to the Company in connection with the shortfall which has been paid.

Included in accounts payable and accrued liabilities as at September 30, 2017 is a provision of \$1,057,067 (December 31, 2016: \$1,400,000) representing the maximum amount of tax and penalties related to the 2013 shortfall in flow through eligible exploration expenditures.

**13. 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 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. Total premium liability of \$73,654 was recognized in respect of the December 30, 2016 flow through financing. As of September 30, 2017, the remaining deferred premium was \$Nil (December 31, 2016: \$73,654).

**14. Commitments**

As of January 1, 2017, the Company is committed to a sublease of office space with a company related by common management for a monthly rental of approximately \$1,500 per month in addition to other incidentals. The sublease agreement is for a term of seven (7) years from January 1, 2017 to December 31, 2023.

As described in Note 8, due to flow-through share private placements, the Company is required to spend and renounce \$515,580 on Canadian Exploration Expenditures before December 31, 2017 and \$199,000 before December 31, 2018. Of these amounts \$543,082 has been spent as at September 30, 2017.

**15. Capital Management**

The Company's capital is composed of share capital, reserves and deficit. The Company manages its capital within the following objectives:

(a) to ensure that there is sufficient financial flexibility to achieve the ongoing business objectives including ensuring that there is sufficient funds available, in order to support the acquisition, exploration and development of mineral properties; and

(b) to maximize shareholder return through enhancing shareholder value.

The Company's current properties are all at the exploration stage of development. The Company is dependent on external financing to fund its capital requirements. In order to carry out planned exploration and pay administrative costs, the Company will raise additional amounts as needed.

The Board does not establish quantitative return on capital criteria for management, rather it relies on the expertise of the Company's management to sustain future development. Management periodically reviews its capital management approach and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management for the nine months ended September 30, 2017. The Company is not subject to externally imposed capital requirements.

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**16. Financial Risk Management**

The Company's financial risk exposures and the impact on the Company's financial instruments are as follows:

**(a) Credit risk:**

The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. The Company has no significant concentration of credit risk arising from financial instruments.

**(b) Liquidity risk:**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company has a working capital deficiency of \$505,806 (December 31, 2016: \$714,118). The Company had a cash balance of \$782,711 (December 31, 2016: \$604,464) to settle current financial liabilities of \$1,420,845 (December 31, 2016: \$1,813,515). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except short term debt.

**(c) Market risk:**

Market risk is made up of interest rate risk, price risk and equity price risk.

**Interest rate risk:** The Company has cash balances and non interest bearing debt, except short term loans. The Company's current policy is to invest excess cash and cash equivalents in short term money market investments issued by highly rated entities. The Company monitors the investments it makes and is satisfied with the credit ratings.

**Price Risk:** The Company is indirectly exposed to this risk through the price of precious metals. The Company monitors commodity prices to determine the appropriate course of action to be taken with respect to its mineral properties.

**Equity Price Risk:** This is defined as the potential adverse impact on the Company's earnings due to movements in individual equity movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action.

**(d) Sensitivity Analysis:**

Based on management's knowledge and experience of the financial markets, the Company believes that it is "reasonably possible" for the Company's marketable securities to move plus or minus 50%. If this were to happen, comprehensive income (loss) would be affected by approximately \$ 2,214 .

**(e) Fair Value:**

The carrying amount of accounts receivable and prepayments, accounts payable and accrued liabilities and short term debt approximates their fair value because of the short term maturities of these items.

