Financial Statements of

VIKING GOLD EXPLORATION INC.

For the Years Ended December 31, 2017, 2016 and 2015

VIKING GOLD EXPLORATION INC.

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UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Viking Gold Exploration Inc.:

We have audited the accompanying financial statements of Viking Gold Exploration Inc., which comprise the statements of financial position as at December 31, 2017, 2016 and 2015, and the statements of income (loss) and comprehensive income (loss), statements of cash flows and statements of changes in equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Viking Gold Exploration Inc. as at March 31, 2017, 2016 and 2015, 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 financial statements which indicates that Viking Gold Exploration Inc. had a working capital deficiency and cumulative deficit as at December 31, 2017. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the ability of Viking Gold Exploration Inc. to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
July 18, 2018

VIKING GOLD EXPLORATION INC.

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017, 2016 and 2015
(Expressed in Canadian dollars)

	Notes	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014 (note 17)
ASSETS					
Non-current assets					
Equipment	4	$ 890	$ 1,190	$ 1,490	$ 1,916
Total non-current assets		890	1,190	1,490	1,916
Current assets					
Investments	5	32,000	12,000	-	-
Amounts receivable and prepaid expenses	6	6,046	3,359	5,769	9,551
Cash		3,390	36,926	1,396	4,805
Total current assets		41,436	52,285	7,165	14,356
Total Assets		$ 42,326	$ 53,475	$ 8,655	$ 16,272
EQUITY (DEFICIENCY) AND LIABILITIES					
Equity (Deficiency)					
Share capital	7b	$ 9,009,002	$ 9,009,002	$ 9,009,002	$ 9,009,002
Equity-settled employee benefit reserve		8,751	18,751	375,670	557,045
Deficit		(10,029,837)	(10,093,597)	(10,473,921)	(10,481,558)
Total deficiency		(1,012,084)	(1,065,844)	(1,089,249)	(915,511)
Current liabilities					
Provision for indemnification of flow-through subscribers	9	415,000	415,000	415,000	415,000
Convertible debentures	11b, 16	107,500	107,500	107,500	107,500
Interest payable on convertible debentures	11b, 16	42,039	28,039	16,664	5,315
Trade and other payables	10, 11b	489,871	568,780	558,740	403,968
Total current liabilities		1,054,410	1,119,319	1,097,904	931,783
Total Deficiency and Liabilities		$ 42,326	$ 53,475	$ 8,655	$ 16,272

Nature and continuance of operations (Note 1)
Commitments and contingencies (Notes 9, 12 and 16)

The Board of Directors approved these financial statements on July 18, 2018
They are signed on the Company's behalf by:

/s/Mark Edwards
Director

/s/Marc Carter
Director

VIKING GOLD EXPLORATION INC.

STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Expressed in Canadian dollars)

	Notes	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Expenses				
Management fees	11a	$ 24,000	$ 42,350	$ 96,000
Professional and regulatory fees	11a	20,294	31,300	26,704
Office and administration	11a	202	6,823	36,753
Interest expense		14,000	11,375	11,349
Depreciation	4	300	300	426
Claims management (recovery)		-	(1,553)	900
Exploration and evaluation expenditures		-	-	1,606
Total expenses		58,796	90,595	173,738
Operating loss		(58,796)	(90,595)	(173,738)
Other income				
Gain on settlements of debt	10	92,556	-	-
Gain on disposition of exploration and evaluation assets	3	20,000	114,000	-
Total other income		112,556	114,000	-
Net income (loss) and comprehensive income (loss), attributable to common shareholders		$ 53,760	$ 23,405	$ (173,738)
Basic and diluted net income (loss) per common share		$ 0.001	$ 0.000	$ (0.002)
Weighted-average number of common shares				
Basic and diluted	7e	79,778,229	79,778,229	79,778,229

See accompanying notes to the financial statements.

VIKING GOLD EXPLORATION INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Expressed in Canadian dollars)

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating activities			
Net income (loss)	$ 53,760	$ 23,405	$ (173,738)
Adjusted for			
Depreciation	300	300	426
Other income	(112,556)	(12,000)	-
	(58,496)	11,705	(173,312)
Changes in non-cash working capital items			
(Increase) decrease in amounts receivable and prepaid expenses	(2,687)	2,410	3,782
Increase in interest payable on convertible debentures	14,000	11,375	11,349
Increase in trade and other payables	13,647	10,040	154,772
Net cash used in operating activities	(33,536)	35,530	(3,409)
Net increase (decrease) in cash	(33,536)	35,530	(3,409)
Cash			
Beginning of year	36,926	1,396	4,805
End of year	$ 3,390	$ 36,926	$ 1,396

See accompanying notes to the financial statements.

VIKING GOLD EXPLORATION INC.

STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Expressed in Canadian dollars)

	Notes	# of Issued and outstanding common shares	Share capital	Equity-settled employee benefit reserve	Deficit	Total deficiency
Twelve months ended December 31, 2017:						
Balance – December 31, 2016		79,778,229	$ 9,009,002	$ 18,751	$ (10,093,597)	$ (1,065,844)
Comprehensive income for year		-	-	-	53,760	53,760
Options expired	7d	-	-	(10,000)	10,000	-
Net change for year		-	-	(10,000)	63,760	53,760
Balance – December 31, 2017		79,778,229	$ 9,009,002	$ 8,751	$ (10,029,837)	$ (1,012,084)
Twelve months ended December 31, 2016:						
Balance – December 31, 2015		79,778,229	$ 9,009,002	$ 375,670	$ (10,473,921)	$ (1,089,249)
Comprehensive loss for year		-	-	-	23,405	23,405
Options expired	7d	-	-	(356,919)	356,919	-
Net change for year		-	-	(356,919)	380,324	23,405
Balance – December 31, 2016		79,778,229	$ 9,009,002	$ 18,751	$ (10,093,597)	$ (1,065,844)
Twelve months ended December 31, 2015:						
Balance – December 31, 2014		79,778,229	$ 9,009,002	$ 557,045	$ (10,481,558)	$ (915,511)
Comprehensive loss for year		-	-	-	(173,738)	(173,738)
Options expired	7d	-	-	(181,375)	181,375	-
Net change for year		-	-	(181,375)	7,637	(173,738)
Balance – December 31, 2015		79,778,229	$ 9,009,002	$ 375,670	$ (10,473,921)	$ (1,089,249)

See accompanying notes to the financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Viking Gold Exploration Inc. (the “Company”) is a Canadian mineral exploration company with interests in projects located in Quebec. The Company’s shares are publicly traded on the TSX Venture Exchange (“TSX-V”) under the trading symbol “VGC”. The Company currently has no subsidiaries.

The Company’s exploration projects are described in Note 3. There has been no determination whether the Company’s properties contain mineral reserves that are economically recoverable. Since its reorganization in 2004, the Company has not earned significant revenue and is considered to be an exploration stage entity.

During the year ended December 31, 2017, the Company had a net income of $53,760 (2016 – $23,405, 2015 – net loss of $173,738) and an accumulated deficit of $10,029,837 as at December 31, 2017 (2016 – $10,093,597, 2015 - $10,473,921), and it has not generated positive cash flow from operations. As at December 31, 2017, the Company also had a working capital deficiency of $1,012,974 (2016 – $1,067,034, 2015 - $1,090,739).

Continuing operations of the Company are dependent on its ability to generate future cash flows, obtain additional financing and secure debt settlements with creditors. Management believes that sufficient working capital will be obtained from external financing to meet the Company’s current and future liabilities and commitments as they become due, though there is a significant risk that additional financing may not be available on a timely basis or on terms acceptable to the Company.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its exploration and evaluation properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed above, there is a material uncertainty that may cast significant doubt regarding the ultimate applicability of the Company’s going concern assumption.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, negotiation of contracts, currency fluctuations and political uncertainty.

The address of the Company’s registered office is #2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") effective for the Company's current years ended December 31, 2017, 2016 and 2015 as issued and outstanding as of the date of the Board of Director's approval. The accounting policies have been applied consistently to all periods presented in these financial statements.

b) Basis of Measurement

These financial statements are prepared on the historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements are prepared using the accrual basis of accounting except for cash flow information. The Company uses the Canadian dollar for both its functional and presentation currencies.

c) Use of Judgements, Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The estimates and underlying assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. Accounting estimates are reviewed on an ongoing basis and revisions are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant items in these financial statements that involve the use of estimates include the following items:

Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Commitments, contingencies and provisions
See Notes 9 and 12.

d) Financial Instruments
Financial instruments consist of financial assets and liabilities and are initially measured at fair value. The accounting policies for financial instruments are described below and the composition of the year-end financial instruments and related risks are disclosed in Note 14.

Financial Assets
The Company classifies each financial asset into one of four categories depending on the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value Through Profit or Loss ("FVTPL")
Assets in this category are derivatives or other assets held for trading (i.e. acquired or incurred principally for the purpose of selling or repurchasing in the near term) or designated as FVTPL upon initial recognition. After initial recognition, such assets are measured at fair value with changes therein being recognized in profit or loss. The Company has no derivative financial instruments. The Company's investments are classified as FVTPL.

(ii) Available For Sale ("AFS")
Assets in this category are non-derivative financial assets that are either designated as available for sale or do not fit into one of the other categories. After initial recognition, AFS assets are measured at fair value with changes therein (excluding those attributable to impairment) being recognized directly in other comprehensive income (loss). The Company has no AFS assets.

(iii) Loans and Receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. For loans and receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss. The Company has cash and amounts receivables, which are classified as loans and receivables.

(iv) Held to Maturity
Assets in this category are financial assets with known payments and a fixed maturity date. In addition, the Company has the positive intention and ability to hold the financial asset to maturity, other than those initially designated as held for trading, available for sale, or loans and receivables as explained above. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. The Company has no held-to-maturity financial assets.

Financial Liabilities
The Company classifies each financial liability into one of two categories depending on the purpose for which the liability was incurred.

(i) Financial Liabilities at FVTPL
Liabilities in this category are derivatives or liabilities classified as held for trading or designated as FVTPL upon initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company has no held-for-trading financial liabilities.

(ii) Other Financial Liabilities
Liabilities in this category are non-derivative financial liabilities that are not classified as held for trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. The Company has trade and other payables, convertible debentures and interest payable on convertible debentures, which are classified as other financial liabilities. The Company's liability for flow-through share premium is considered to be a deferred credit and not a financial liability.

Transaction Costs
For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate, i.e. amortized through profit or loss over the term of the related instrument.

Fair Value Hierarchy
The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly (e.g. broker quotes); and
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

Financial assets and liabilities are recognized in the Statement of Financial Position when the Company has become party to the contractual provision of the instruments.

e) Exploration and evaluation

Exploration and evaluation ("E&E") expenditures include the direct costs of mineral exploration rights, licenses, technical services and studies, environmental studies, exploration drilling and testing, production scale manufacturing tests, directly attributable overhead and administrative expenses including remuneration of operating personnel and supervisory management, and all costs relating to the acquisition of mineral properties determined to be the acquisition of assets and liabilities for accounting purposes. E&E expenditures are expensed as incurred to the date that costs incurred are determined to be economically recoverable, the assessment of which would require the completion of a feasibility study that demonstrates a positive commercial outcome, and for the Company to decide to move forward with development of the property into a commercial operation such that it is probable that the future economic benefits will flow to the Company.

f) Equipment
Items of equipment are recorded at cost less accumulated depreciation and impairment losses. The Company recognizes, in the carrying amount of an item of equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are charged to profit or loss as incurred. Depreciation of equipment is provided on a declining-balance basis over the estimated useful life at a rate of 20%.

g) Impairment

The carrying amounts of the Company's non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is charged to profit or loss whenever the carrying amount of an asset (or its cash-generating unit) exceeds its recoverable amount. An asset's recoverable amount is the greater of its fair value less costs to sell and its value-in-use (calculated as the present value of expected future cash flows). Impairment losses, other than for goodwill, may be reversed if there has been a change in the estimates used to determine the recoverable amount.

h) Decommissioning, Restoration and Similar Obligations

Obligations to perform, or fund, site decommissioning, restoration or other rehabilitative work arise when a disturbance to a mineral property is caused by exploration, development or production. The costs associated with these obligations are capitalized to the asset's carrying value and accrued as liabilities as incurred, using a current pre-tax risk-free interest rate and based on management's assumptions and best estimates. Capitalized costs are charged to profit or loss over the economic life of the related asset using the unit-of-production method of amortization. The related liability is adjusted each period for changes in the current pre-tax risk-free interest rate, and the amount and timing of the underlying cash flows needed to settle the obligation. The increase in provisions for decommissioning, restoration and similar obligations due to the passage of time, is charged to profit or loss as a finance cost. The Company is not aware of any existing material decommissioning, restoration or similar obligations as at December 31, 2017, 2016 and 2015, as the disturbance to mineral properties through exploration to date is minimal.

i) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. The Company does not invest in any asset-backed deposits or investments. The Company has no banking arrangements for overdrafts or borrowings.

j) Income Taxes

Income tax expense (recovery) included in profit or loss is the sum of current and deferred tax as explained below.

Current Tax

Current tax is the expected income tax payable (recoverable) on the taxable income (loss) for the period, using tax rates enacted, or substantively enacted, as at the reporting date. Current tax expense (recovery) included in profit or loss reflects the current tax for the reporting period, plus adjustments to the current tax of prior periods, less current tax recorded directly in other comprehensive income (loss) or equity.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax losses and tax credits can be utilized. Deferred tax is calculated on a non-discounted basis, using tax rates enacted, or substantively enacted, as at the reporting date. The carrying amounts of individual deferred tax assets are reviewed at the reporting date but are only recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The deferred tax (recovery) expense included in profit or loss reflects the net change in deferred tax assets and liabilities, less deferred tax recorded directly in other comprehensive income (loss) or equity, less adjustments for flow-through premiums as further explained in Note 2l.

In assessing the probability that a potential deferred tax asset will be recovered, management makes estimates as to the Company's future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken by the Company will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

k) Share Capital and Common Share Purchase Warrants

The Company's common shares are classified as equity and may be issued on either a flow-through or non-flow-through basis. Certain unique aspects of flow-through shares are discussed in greater detail in Note 2l.

The Company periodically issues 'units' to investors consisting of common shares and common share purchase warrants in private placements. Each whole warrant issued entitles the holder to acquire a common share of the Company at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Company's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. "bifurcation") of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

Transaction costs directly attributable to the issuance of units (such as legal, finders' and regulatory fees) are recognized as a decrease in share capital net of related income tax effects. Other warrants (e.g. broker warrants issued in a private placement) are also included in transaction costs at their estimated issue date fair value as determined using the Black-Scholes option-pricing model. An offsetting credit is recorded in equity as a reduction of deficit.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, a related income tax charge is, if material, deducted from share capital.

The Company makes full and relevant disclosure of outstanding investor and other warrants in its financial statements, so that readers can assess the impact of potential future warrant exercises on the Company's cash flows and outstanding shares.

l) Flow-through Shares

The Company finances its exploration activities through the issuance of flow-through common shares. These shares transfer the tax deductibility of resource expenditures to investors. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the accounting policy described below.

At the time of issuing flow-through shares, the Company allocates the proceeds of issuance to share capital and the sale of tax benefits. The allocation to tax benefits is recorded as a liability and is based on the estimated premium, if any, an investor pays for the common shares over the value of the shares issued based on the quoted price.

As qualifying exploration expenditures are made in each reporting period, the Company expenses these costs in the statement of income (loss). If the Company intends to formally renounce these expenditures to investors under an existing flow-through agreement (whether using the "General Rule" or "Look-back Rule" as permitted under Canadian income tax regulations), it earmarks them as "effectively renounced" as at the end of the reporting period, and records a related deferred tax expense/liability net of a proportionate amount of any related share issue premium. At the end of each reporting period, the Company discloses its outstanding flow-through expenditure commitment (see Notes 9 and 12a).

m) Share-based Payments

The Company's accounting policies for share-based payments are outlined below.

Employees

The term "employees" as used in these financial statements includes all officers, directors and others, including persons providing services that are similar to those provided by employees, e.g. certain consultants.

Equity-settled Transactions

An equity-settled transaction occurs when the Company enters into an agreement to acquire goods or services in exchange for its shares or other equity instruments. Such transactions are recorded at the fair value of the goods or services received. When shares or other securities are issued to compensate key employees, the fair value is determined using the market value of the securities issued. When employees purchase shares or other securities on the same terms as non-employee investors, such transactions are not treated as share-based payments. Instead, see Notes 2k and 2l.

Common share purchase options ("options") are granted to key employees as performance incentives. The fair value of options granted is determined using the Black-Scholes option-pricing model. This amount is recognized as a compensation expense in profit or loss at time of vesting with offsetting credits recorded to an equity-settled employee benefit reserve. When options are exercised, a transfer is made from the reserve to share capital and added to the proceeds of issuance. When options expire or are forfeited, a transfer is made from the reserve to deficit. Accordingly, the balance of the reserve at each reporting date reflects the Company's unexpired/unexercised vested options.

The Company's stock option plan is described in Note 7d. The Company's accounting policies for share-based payments made to acquire mineral property interests or to compensate brokers are discussed in Notes 2e and 2k.

Cash-settled Transactions

A cash-settled transaction occurs when the Company enters into an agreement in which it incurs a liability linked to the Company's share price. Such transactions are recorded at the grant date but are subsequently re-measured to fair value in each period, until the liability is settled. The Company has not entered into any cash-settled transactions.

n) Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted income (loss) per share is calculated in a similar manner, but with adjustments to give full effect to all dilutive potential common shares that were outstanding during the period. Anti-dilutive effects of potential conversions of securities are ignored for this calculation. Out-of-the-money warrants and options are considered to be anti-dilutive.

o) New IFRS Accounting Standards

During the years ended December 31, 2017, 2016 and 2015, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 7, IFRS 11, IAS 1, IAS 7, IAS 12, IAS 24, IAS 32, IAS 36, IAS 38 and IAS 39 These new standards and changes did not have any material impact on the Company's financial statements.

In 2015, the Company changed its accounting policy regarding exploration and evaluation expenditures. This accounting policy change was accounted for retrospectively. See Note 17 for details.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. 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.

IFRS 15 - Revenue from Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

(Expressed in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS

a) During the year ended December 31, 2016, the Company sold its 60% interest in Viking Yellowknife JV for $70,000 and a conditional 250,000 shares of the purchasing company if the property was ever taken public, resulting in a gain of $70,000. The Company retains a 0.6% net smelter royalty ("NSR"), which the purchaser can buy back for $1,000,000.

During the year ended December 31, 2017, the Company received the conditional 250,000 shares of the purchasing company, resulting in a gain of $20,000 based on the quoted market price of the shares on the date they were received.

b) Verneuil and Larose

On December 27, 2014, the Company re-evaluated its investment and future commitments related to LaRose property. As a result of this re-evaluation, the Company decided to return its claims to the original prospector.

During the year ended December 31, 2016, the Company sold its Verneuil Central and Verneuil West interests for $32,000 and 100,000 shares of Cartier Resources Inc. valued at $12,000, based on the quoted market price of the shares on the date of the sale agreement, resulting in a gain of $44,000. The Company retains a 0.5% NSR on the Verneuil West interests, one-half (0.25%) of which the purchaser can buy back for $250,000. The Company also retains a 0.35% NSR on the Verneuil Central interests, one-half (0.175%) of which the purchaser can buy back for $175,000.

4. EQUIPMENT

A continuity schedule of the Company's equipment for the years ended December 31, 2015, 2016 and 2017 follows.

Year ended December 31, 2015	Total
Cost	
As at January 1, 2015	$ 4,741
Additions for year	-
As at December 31, 2015	4,741
Accumulated Depreciation	
As at January 1, 2015	2,825
Depreciation for year	426
As at December 31, 2015	3,251
Net Book Value	
As at December 31, 2015	$ 1,490

Year ended December 31, 2016	Office equipment
Cost	
As at January 1, 2016	$ 4,741
Additions for year	-
As at December 31, 2016	$ 4,741
Accumulated Depreciation	
As at January 1, 2016	3,251
Depreciation for year	300
As at December 31, 2016	3,551
Net Book Value	
As at December 31, 2016	$ 1,190

(Expressed in Canadian dollars)

Year ended December 31, 2017	Total
Cost	
As at January 1, 2017	$ 4,741
Additions for year	-
As at December 31, 2017	4,741
Accumulated Depreciation	
As at January 1, 2017	3,551
Depreciation for year	300
As at December 31, 2017	3,851
Net Book Value	
As at December 31, 2017	$ 890

5. INVESTMENTS

	2017	2016	2015
Investment in Troy Energy Corp. 2017 – 250,000 common shares, recorded at a quoted fair value of $0.08 per share	$ 20,000	$ -	$ -
Investment in Cartier Resources Inc 2017 – 100,000 (2016 – 100,000) common shares, recorded at a quoted fair value of $0.12 per share	$ 12,000	$ 12,000	$ -
	$ 32,000	$ 12,000	$ -

6. AMOUNTS RECEIVABLE

	2017	2016	2015
Amounts receivable			
Sales tax refundable (HST/QST)	$ 6,046	$ 3,359	$ 5,769
Total amounts receivable	$ 6,046	$ 3,359	$ 5,769

7. SHARE CAPITAL

a) Authorized Share Capital
The Company's authorized share capital consists of an unlimited number of voting common shares without nominal or par value.

b) Issued Share Capital
As at December 31, 2017, the Company's fully paid issued and outstanding share capital is 79,778,229 (2016 and 2015 – 79,778,229) common shares with a total stated value of $9,009,002 (2016 and 2015 - $9,009,002).

A continuity of the Company's issued and outstanding common shares is disclosed in the Statements of Changes in Equity.

c) Common Share Purchase Warrants
A continuity schedule of the Company's outstanding common share purchase warrants for the years ended December 31, 2015, 2016 and 2017 follows:

(Expressed in Canadian dollars)

Expiry date(s)	Term (yrs.)	Exercise price	January 1, 2015	Issued 2015	Exercised 2015	Expired 2015	December 31, 2015, 2016 and 2017
July 5, 2015	2	$0.10	996,930	-	-	(996,930)	-
Total warrants			996,930	-	-	(996,930)	-
Weighted-average exercise price			$0.10	-	-	$(0.10)	$0.00

Other Warrants Issued
The preceding table does not take into account the 1,075,000 warrants that would be issued on the conversion of debentures described in Note 16.

d) Common Share Purchase Options
Under the Company's stock option plan, common share purchase options may be granted to employees for up to 10% of the issued and outstanding common shares. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than $0.10 per share. The maximum exercise period for a granted option is 5 years.

All of the Company's outstanding options have a 5-year term and vested at their respective grant dates.

A continuity schedule of the Company's outstanding and exercisable common share purchase options for the years ended December 31, 2015, 2016 and 2017 is as follows:

2015:

Expiry date	Exercise price	January 1, 2015	Granted 2015	Exercised 2015	Expired 2015	December 31, 2015
February 4, 2015	$0.11	250,000	-	-	(250,000)	-
October 6, 2015	$0.125	625,000	-	-	(625,000)	-
November 15, 2015	$0.17	700,000	-	-	(700,000)	-
May 17, 2016	$0.24	250,000	-	-	-	250,000
September 12, 2016	$0.17	1,000,000	-	-	-	1,000,000
December 8, 2016	$0.20	1,000,000	-	-	-	1,000,000
February 9, 2017	$0.175	150,000	-	-	-	150,000
May 1, 2018	$0.10	525,000	-	-	-	525,000
Total options		4,500,000	-	-	(1,575,000)	2,925,000
Weighted-average exercise price		$ 0.163	$ -	$ -	$ 0.142	$ 0.174

(Expressed in Canadian dollars)

2016:

Expiry date	Exercise price	January 1, 2016	Granted 2016	Exercised 2016	Expired 2016	December 31, 2016
May 17, 2016	$0.24	250,000	-	-	(250,000)	-
September 12, 2016	$0.17	1,000,000	-	-	(1,000,000)	-
December 8, 2016	$0.20	1,000,000	-	-	(1,000,000)	-
February 9, 2017	$0.175	150,000	-	-	-	150,000
May 1, 2018	$0.10	525,000	-	-	-	525,000
Total options		2,925,000	-	-	(2,250,000)	675,000
Weighted-average exercise price		$ 0.174	$ -	$ -	$ 0.191	$ 0.117

2017:

Expiry date	Exercise price	January 1, 2017	Granted 2017	Exercised 2017	Expired 2017	December 31, 2017
February 9, 2017	$0.175	150,000	-	-	(150,000)	-
May 1, 2018	$0.10	525,000	-	-	-	525,000
Total options		675,000	-	-	(150,000)	525,000
Weighted-average exercise price		$ 0.117	$ -	$ -	$ 0.175	$ 0.10

Options Granted and Share-based Compensation Expense

No options were granted in 2015, 2016 or 2017. Annual share-based compensation for 2015, 2016 and 2017 was $nil.

Options Outstanding/Exercisable
The 525,000 (2016 – 675,000, 2015 – 2,925,000) options outstanding and exercisable as at December 31, 2017 have a weighted-average remaining contractual life of 0.3 years (2016 – 1.6 years, 2015 – 1.1 years) and represent approximately 0.7% (2016 – 0.8%, 2015 – 3.7%) of the Company's outstanding common shares. The options expired unexercised subsequent to December 31, 2017.

e) Diluted Income (Loss) Per Share
Income (loss) per share is calculated using the basic and diluted weighted-average number of common shares outstanding during the year ended December 31, 2017, which was 79,778,229 (2016 and 2015 – 79,778,229). The determination of the weighted-average number of shares outstanding for the calculation of diluted income (loss) per share does not include the potential effect of 525,000 (2016 – 675,000, 2015 – 2,925,000) outstanding options and 1,075,000 common shares and 1,075,000 warrants that would be issued on the conversion of the debentures (Note 16), as they are anti-dilutive.

(Expressed in Canadian dollars)

8. INCOME TAXES

The Company recognizes deferred tax assets in respect of deductible temporary differences, which includes unused tax losses and other tax deductions/credits but only to the extent that it is probable that future taxable income will be available against which they can be utilized. The Company does not presently satisfy this recoverability test; accordingly, no deferred tax asset has been recorded.

There are no current taxes payable or recoverable for 2017, 2016 or 2015. The deferred tax recovery (expense) for the years ended December 31, 2017, 2016 and 2015 consists of the following amounts:

a) Deferred Tax Provision

	2017	2016	2015
Statutory income tax rate	26.8%	26.8%	26.8%
Income (loss) before income taxes	$ 53,760	$ 23,405	$ (173,738)
Expected deferred tax expense (recovery) for year	$ 14,000	$ 6,000	$ (46,000)
Adjustments			
Change in unrecognized deductible temporary differences	(14,000)	(6,000)	46,000
Deferred tax expense (recovery) for year	-	-	-

b) Unrecognized Deferred Tax Asset

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	2016	2015
Non capital loss carry-forwards	$ 983,000	$ 1,016,000	$ 910,000
Capital loss carry-forwards	100,000	100,000	100,000
Share issue costs	-	-	15,000
Other tax pools	382,000	382,000	382,000
Exploration and evaluation assets	3,180,000	3,200,000	3,314,000
Total unrecognized deferred tax asset	$ 4,645,000	$ 4,698,000	$ 4,721,000

The non-capital losses of $983,000 as at December 31, 2017 expire as follows: 2026 – $21,000; 2027 – $85,000; 2028 – $66,000; 2029 – $77,000; 2030 - $55,000; 2031 – $143,000; 2032 – $35,000; 2033 – $124,000; 2034 - $64,000; 2035 - $207,000; and 2036 - $106,000.

The capital losses may only be utilized for tax purposes against capital gains. The exploration and evaluation expenditures of $3,180,000 do not expire under current legislation.

9. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

(Expressed in Canadian dollars)

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company has made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% CEE "super-allowance";
- Of the $552,828 shortfall, $73,329 applies to Ontario subscribers and $479,499 applies to Quebec subscribers; and
- Subscribers will be assessed two year's interest on reassessed amounts.

As at December 31, 2015, 2016 and 2017, the Company has also accrued in trade and other payables (see Note 10), the estimated Federal Part XII.6 tax and similar Quebec tax for 2013 and prior years.

As at December 31, 2012, the Company had a $69,000 flow-through share premium liability which was transferred to the deferred tax provision effective December 31, 2013, in recognition of the Company's indemnification accrual.

Additional contingent liabilities with respect to the Company's flow-through share commitments for 2011 and prior years are discussed in Note 12a.

10 TRADE AND OTHER PAYABLES

	2017	2016	2015
Trade payables	$ 32,662	$ 57,833	$ 64,147
Accrued expenses	63,600	53,600	26,000
Accrued Part XII.6 tax and related amounts (Note 9)	100,627	100,627	100,627
Due to related parties (Note 11b)	292,982	356,720	367,966
	$ 489,871	$ 568,780	$ 558,740

During the year ended December 31, 2017, the Company settled several debts with creditors for a net gain of $92,556.

11. RELATED PARTY TRANSACTIONS

The Company considers its related parties to consist of: i) the Company's key management personnel (namely officers and directors) and those companies subject to their control or significant influence; and ii) advisory committee members and consultants providing services to the Company on a basis similar to employees.

a) Summary of Related Party Transactions
Details of the Company's transactions with related parties for the years ended December 31, 2017, 2016 and 2015, are as follows:

(Expressed in Canadian dollars)

	2017	2016	2015
Statements of Loss and Comprehensive Loss			
Management fees – officers' companies	$ 24,000	$ 24,350	$ 43,500
Office and administration			
Rent – officers' and directors' companies	-	4,500	9,000
Professional and regulatory fees – fees from officer's law firm	-	3,100	-
Director fees	-	18,000	52,500
Total expense	$ 24,000	$ 49,950	$ 105,000

The Company's officers receive fees through their companies pursuant to fee-for-service arrangements in lieu of salaries. The Company's Board of Directors approves these fees and the share-based compensation.

b) Related Party Balances

As at December 31, 2017, amounts payable to related parties of $292,982 (2016 – $356,720, 2015 – $367,966) represents fees owed/accrued to officers and their companies/law firm and also to advisory committee members. These liabilities are unsecured, non-interest bearing and due within 30 days.

As at December 31, 2017, 2016 and 2015, related parties were also invested in the convertible debenture (see Note 16).

12. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares
The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them, if the Company fails to meet it expenditure commitments.

The Company's original December 31, 2012 flow-through share commitment is discussed in Note 9.

b) Environmental Contingencies
The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

13. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis 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 during 2017, 2016 or 2015. The Company is not subject to externally imposed capital requirements.

14. FINANCIAL RISK FACTORS

a) Financial Instruments

The Company’s financial instruments include cash, trade and other payables, convertible debentures and interest payable on convertible debentures. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. In addition, the Company’s financial instruments that are carried at fair value consist of FVTPL investments, classified as “level 1” within the fair value hierarchy.

b) Financial Risks

Risk exposures and the impact on the Company’s financial instruments are summarized below.

Credit Risk

The Company’s financial assets are exposed to some credit risk. The Company has no significant concentration of credit risk arising from operations. The Company does not use derivatives to manage credit risk.

Liquidity Risk

The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company has a substantial deficiency of financial liabilities over financial assets of $1,044,974; accordingly, liquidity risk is assessed as critical.

As at December 31, 2017, the Company's trade and other payables have contractual maturities of less than 30 days and are subject to normal trade terms. The Company’s provision for indemnification of flow-through subscribers is recorded as a current liability though there is uncertainty regarding the actual amount and timing of the realization of this liability. The Company may potentially reduce its liquidity risk through additional private placements and debt settlements with creditors.

Market Risk

The Company’s market risk has three components – interest rate risk, foreign currency risk and price risk.

(i) Interest rate risk

The Company has cash balances and fixed rate debentures. The Company's current policy is to periodically invest temporary cash surpluses in guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

(ii) Foreign currency risk
The Company's functional currency is the Canadian dollar and all purchases are transacted in Canadian dollars. The Company has no foreign operations and thus has no foreign exchange risk derived from either currency conversions or from holding foreign currencies. The Company does not speculate in the foreign currency market nor does it have any need to acquire foreign currency hedges.

(iii) Price risk
The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action. The Company is exposed to price risk with respect to its investments. Unfavourable market conditions could result in dispositions of investments at less than favourable prices.

c) Sensitivity Analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

For the year ended December 31, 2017, a 10% change in the closing prices of its portfolio investments would result in an estimated change in net income (loss) of $3,200 (2016 - $1,200; 2015 - $nil) based on the fair value of the investments held at December 31, 2017.

15. SEGMENTED INFORMATION

The Company’s operations comprise a single operating segment engaged in the acquisition, exploration and development of mineral properties in Canada.

16. CONVERTIBLE DEBENTURES

On July 7, 2014, the Company completed a private placement of $107,500 10% unsecured convertible debentures (the “Debentures”) that matured on June 30, 2015. A related party invested $10,000 in the placement. The Debentures bear interest at the rate of 10% per annum which interest will be paid on maturity.

The Debentures (plus any unpaid and accrued interest) are convertible, at the option of the holder, into units (each a “Unit”) at a conversion price (the “Conversion Price”) of $0.01 per Unit over the term of the Debenture, subject to the TSX-V minimum pricing requirement of $0.05 for the first 12 months and $0.10 thereafter until maturity. In the event of a share consolidation by the Company, the Conversion Price will be adjusted proportionately, though it will still be subject to the same $0.05 and $0.10 TSX-V minimum pricing requirements on a post-consolidation basis.

Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at the Conversion Price for a period of 36 months from the date of issuance of the warrant.

Interest expense on the Debentures for the year ended December 31, 2017 was $14,000 (2016 – $11,375, 2015 - $11,349).

Assuming that $107,500 of the Debentures are subsequently converted by the holders at a $0.10 conversion price, and there is no share consolidation, this would result in the issuance of 1,075,000 Units, representing the equivalent of 1,075,000 common shares and 1,075,000 warrants (or a combined potential 2,150,000 common shares if all the warrants were subsequently exercised). No value has been assigned to the equity conversion option as the conversion rate substantively exceeds the market value of the equity and the limited time to maturity result in the value of the conversion option not being significant.

(Expressed in Canadian dollars)

On June 30, 2015, the debenture holders agreed to extend the maturity of the debentures, under the same terms and conditions, to December 31, 2015. No further extensions have been given and therefore, the full balance of the convertible debentures has been presented as a current liability.

17. CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2015 the Company changed its accounting policy for mineral exploration properties to recognize these costs in the statements of income (loss) and comprehensive income (loss) in the period incurred, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources. Management judges that the change in accounting policy will result in clearer, more relevant and reliable financial information.

The previous accounting policy was that exploration and evaluation expenditures were capitalized in respect of each identifiable area of interest, once the legal right to explore had been acquired, until the technical feasibility and commercial viability of extracting a mineral resource was demonstrated.

The impact of this change on the previously reported financial statements for the year ended December 31, 2014 are as follows:

Statement of Financial Position

As at December 31, 2014	As previously reported	Adjustment	Restated
Exploration and evaluation assets	1,563,508	(1,563,508)	-
Deficit	8,918,050	1,563,508	10,481,558

Statement of Loss Comprehensive Loss

Year Ended December 31, 2014	As previously reported	Adjustment	Restated
Exploration and evaluation expenditures	-	1,909	1,909
Impairment of exploration and evaluation assets	143,634	(143,634)	-
Net loss and comprehensive loss	393,138	(141,725)	251,413

Statement of Cash Flows

Year Ended December 31, 2014	As previously reported	Adjustment	Restated
Net loss	(393,138)	141,725	(251,413)
Other expense (income)	160,332	(143,634)	16,698
Net cash used in operating activities	(107,465)	(1,909)	(109,374)
Additions to exploration and evaluation assets	(1,909)	1,909	-
Net cash used in investing activities	(1,963)	1,909	(54)

18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

a) Disposal of Exploration and Evaluation Assets

In January 2018, the Company sold three interests in the North West Territories to Goldmining Inc. for 60,000 shares of Goldmining Inc. with a fair value of $79,000 based on the quoted market price of the shares on the date of the agreement. These shares were subsequently sold in June 2018 for net proceeds of $63,450.

b) Loan agreements

On March 5, 2018, the Company entered into a loan agreement for proceeds of $33,425. The loan bears interest at 10% and is due September 2, 2018.

On July 17, 2018, the Company entered into an additional loan agreement for proceeds of $40,850. The loan bears interest at 10% and is due November 14, 2018.

The loan agreements include a bonus payment of $10,000 to the lender if the Company's common shares are reinstated for trading. The interest rate on both loans increases to 20% if repayments are not made by the due dates.