NORSEMONT CAPITAL INC.

Annual Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Norsemont Capital Inc.:

We have audited the accompanying consolidated financial statements of Norsemont Capital Inc., which comprise the consolidated statement of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Norsemont Capital Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Norsemont Capital Inc.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONALACCOUNTANTS

Vancouver, Canada
March 20, 2018

NORSEMONT CAPITAL INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2017	December 31, 2016
	$	$
Assets		
Current:		
Cash and cash equivalents	201,705	414,628
Interest receivable	1,038	1,103
Goods and services tax recoverable	2,007	16,666
Prepaid expenses and deposits (Note 7)	9,525	2,000
	214,275	434,397
Equipment (Note 4)	1,134	774
	215,409	435,171
Liabilities		
Current:		
Accounts payable (Note 7)	2,753	2,035
Accrued liabilities	9,036	8,560
	11,789	10,595
Shareholders' equity		
Share capital (Note 6)	4,633,526	4,619,526
Stock option reserve (Note 6)	230,635	220,319
Deficit	(4,660,541)	(4,415,269)
	203,620	424,576
	215,409	435,171

Nature of Operations (Note 1)

The consolidated financial statements were approved by the Board of Directors on March 20, 2018 and were signed on its behalf by:

"Sheri Rempel"
Director

"Al Larmour"
Director

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

NORSEMONT CAPITAL INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Years Ended December 31, 2017	2016
	$	$
Administrative Expenses:		
Consulting fees	130,208	120,000
Depreciation (Note 4)	320	305
Office, rent and administration (Note 7)	38,941	79,725
Professional fees (Note 7)	32,983	24,526
Regulatory fees	29,063	11,155
Share-based payments (Note 6)	10,316	43,252
Transfer agent	5,537	5,621
	247,368	284,584
Loss before other interest income and impairment of exploration and evaluation asset	(247,368)	(284,584)
Other items:		
Interest income	2,096	215
Impairment of exploration and evaluation asset (Note 5)	-	(3,360)
	2,096	(3,145)
Comprehensive loss for the year	(245,272)	(287,729)
Loss per common share – basic and diluted	(0.02)	(0.03)
Weighted average number of common shares outstanding – basic and diluted	11,234,189	10,191,888

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

NORSEMONT CAPITAL INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

		Share capital				
	Note	Common shares	Amount	Stock option reserve	Deficit	Shareholders' equity
		#	$	$	$	$
Balance, December 31, 2015		**9,750,662**	**4,324,026**	**177,067**	**(4,127,540)**	**373,553**
Net and comprehensive loss for the year		-	-	-	(287,729)	(287,729)
Private placement	6	1,477,500	295,500	-	-	295,500
Share-based payments	6	-	-	43,252	-	43,252
Balance, December 31, 2016		**11,228,162**	**4,619,526**	**220,319**	**(4,415,269)**	**424,576**
Net and comprehensive loss for the year		-	-	-	(245,272)	(245,272)
Share-based payments	6	-	-	10,316	-	10,316
Warrants exercised	6	200,000	14,000	-	-	14,000
Balance, December 31, 2017		**11,428,162**	**4,633,526**	**230,635**	**(4,660,541)**	**203,620**

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

NORSEMONT CAPITAL INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended December 31, 2017	2016
	$	$
Operating activities:		
Loss for the year	(245,272)	(287,729)
Adjustments for non-cash items:		
Depreciation	320	305
Share-based payments	10,316	43,252
Impairment of exploration and evaluation asset	-	3,360
Changes in non-cash working capital items:		
Interest receivable	65	2,313
Goods and services tax recoverable	14,659	(10,491)
Prepaid expenses and deposits	(7,525)	-
Accounts payable	718	(2,205)
Accrued liabilities	476	560
Cash used in operations	(226,243)	(250,635)
Financing activities:		
Shares issued for cash	-	295,500
Warrants exercised	14,000	-
Cash generated from financing activities	14,000	295,500
Investing activities:		
Equipment	(680)	-
Exploration and evaluation asset – maintenance costs	-	(3,360)
Cash used in investing activities	(680)	(3,360)
Increase (decrease) in cash and cash equivalents	(212,923)	41,505
Cash and cash equivalents, beginning of year	414,628	373,123
Cash and cash equivalents, end of year	201,705	414,628
Cash and cash equivalents are comprised of the following:		
Cash	13,705	101,628
Guaranteed Investment Certificates	188,000	313,000
Cash and cash equivalents, end of year	201,705	414,628

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

1. Nature of Operations

The Company was incorporated on July 26, 2000 under the Canada Business Corporations Act and continued into BC under the British Columbia Corporations Act on January 30, 2016 as Norsemont Capital Inc. The Company is engaged in the acquisition, exploration and development of mineral properties in Canada. The Company's common shares are traded on the Canadian Securities Exchange ("Exchange") under the symbol "NOM".

The head office, principal address and records office of the Company are located at Suite 610 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's registered office address is Suite 700 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2017, the Company is not able to finance day to day activities through operations. As at December 31, 2017, the Company had working capital of $202,486 (December 31, 2016 - $423,802) and an accumulated deficit of $4,660,541 (December 31, 2016 - $4,415,269). The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations over the next twelve months. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. Basis of Presentation and Significant Accounting Policies

(a) Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on an historical cost basis, except for certain financial instruments which are classified as fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Rosswoll Industries Inc., incorporated in British Columbia. All significant intercompany balances and transactions were eliminated on consolidation.

(b) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. All financial instruments must be recognized, initially, at fair value on the consolidated statement of financial position. Subsequent measurement of the financial instruments is based on their respective classification.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

2. Basis of Presentation and Significant Accounting Policies (continued)

(b) Financial instruments (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income with the exception of impairment losses. Non-derivative financial liabilities are measured at amortized cost.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired. The Company has made the following classification of its financial instruments:

Financial assets or liabilities	Measurement category
Cash	Held for trading
Interest receivable	Loans and receivables
Accounts payable	Other liabilities

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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 that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

Cash is measured using Level 1 inputs.

(c) Mineral property interests

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. Proceeds received from a partial sale or option of a mineral property interest are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period in which the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

2. Basis of Presentation and Significant Accounting Policies (continued)

(c) Mineral property interests (continued)

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value, taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

(d) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets

Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the CGU level, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed above.

(e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from reserves.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

2. Basis of Presentation and Significant Accounting Policies (continued)

(f) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Company. The fair value of the options is measured on the grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest. Options granted to employees and others providing similar services are measured on the grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. When options are cancelled or expired, the initial recorded value is reversed and charged to deficit.

(g) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using pretax rates that reflect the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end for the unwinding of the discount rate, for changes to the current market-based discount rate and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interest.

(h) Income taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

2. Basis of Presentation and Significant Accounting Policies (continued)

(i) Loss per share

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Company.

(j) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss and components of other comprehensive income are presented in the consolidated statements of comprehensive loss and the consolidated statements of changes in equity.

(k) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

(l) Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) Fair value measurement of stock-based payments

The Company measures equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them.

2. Basis of Presentation and Significant Accounting Policies (continued)

(l) Significant accounting estimates and judgments (continued)

(ii) Measurement of deferred tax assets and liabilities

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Judgments

(i) Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2017 and 2016. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

3. Future and Recently Adopted Accounting Standards

The Company is assessing the impact of this new standard but does not expect it to have a significant effect on the financial statements. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

Future accounting standards

(a) IFRS 9, Financial Instruments

The IASB issued a new standard, IFRS 9, "*Financial Instruments*" ("IFRS 9"), which will replace IAS 39, "*Financial Instruments: Recognition and Measurement*" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has been set for January 1, 2018. The adoption of IFRS 9 is not expected to have a material impact on the consolidated financial statements as the classification and measurement of the Company's consolidated financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian Dollars)

4. Equipment

	Computer Hardware	Office Equipment	Total
	$	$	$
Costs:			
Balance, December 31, 2015 and 2016	5,775	490	6,265
Additions	680	-	680
Balance, December 31, 2017	6,455	490	6,945
Depreciation:			
Balance, December 31, 2015	4,877	309	5,186
Charge for the year	269	36	305
Balance, December 31, 2016	5,146	345	5,491
Charge for the year	291	29	320
Balance, December 31, 2017	5,437	374	5,811
Carrying amounts:			
December 31, 2017	1,018	116	1,134
December 31, 2016	629	145	774

5. Exploration and Evaluation Assets

On May 10, 2002, the Company acquired a 100% interest in the AMI claims by staking and purchase through the issuance of 300,000 common shares of the Company valued at $75,000 and a cash payment of $77,030. The property is subject to a 1% NSR royalty. During the year ended December 31, 2017, the Company allowed the claims to lapse.

During the year ended December 31, 2017, the Company recognized an impairment of $nil (2016 - $3,360) on the property.

6. Share Capital and Reserves

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued share capital

As at December 31, 2017, there were 11,428,162 issued and fully paid common shares (December 31, 2016 – 11,228,162).

During the year ended December 31, 2017, 200,000 warrants were exercised for gross proceeds of $14,000.

During the year ended December 31, 2016, the Company closed a non-brokered private placement, issuing 1,477,500 units at a price of $0.20 per unit for gross proceeds of $295,500. Each unit consisted of one common share of the Company and one-half (1/2) common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.30 per share expiring two years from the date of issuance. The residual method was used to assign a fair value of $nil to the warrants.

(Expressed in Canadian Dollars)

6. Share Capital and Reserves (continued)

(c) Warrants

The continuity of share purchase warrants issued and outstanding is as follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, December 31, 2015	2,560,000	0.07
Granted	738,750	0.30
Balance, December 31, 2016	3,298,750	0.12
Exercised	(200,000)	0.07
Balance December 31, 2017	3,098,750	0.12
Weighted average remaining contractual life		1.96 years

Warrants outstanding at December 31, 2017 are as follows:

Exercise Price	Warrants Outstanding	Expiry Date
$	#	
0.30	738,750	September 14, 2018
0.07	1,860,000	May 4, 2020
0.07	500,000	May 27, 2020
	3,098,750	

(d) Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan have a term not to exceed 10 years and vesting periods that range from zero to 18 months.

The continuity of stock options issued and outstanding is as follows:

	Options Outstanding	Weighted Average Exercise Price
	#	$
Balance, December 31, 2015	866,000	0.13
Granted	185,000	0.28
Balance, December 31, 2016	1,051,000	0.17
Granted	50,000	0.32
Balance, December 31, 2017	1,101,000	0.17
Weighted average remaining contractual life		6.58 years

(Expressed in Canadian Dollars)

6. Share Capital and Reserves (Continued)

(d) Stock options (continued)

Stock options outstanding at December 31, 2017 are as follows:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
$	#		#
0.10	41,667	April 17, 2019	41,667
0.07	8,333	April 17, 2019	8,333
0.10	8,333	June 14, 2020	8,333
0.07	6,667	June 14, 2020	6,667
0.10	35,000	October 5, 2021	35,000
0.07	114,000	October 25, 2021	114,000
0.10	55,000	January 5, 2022	55,000
0.32	50,000	February 2, 2022	50,000
0.10	100,000	March 20, 2024	100,000
0.18	497,000	October 30, 2025	497,000
0.28	185,000	November 2, 2026	185,000
	1,101,000		1,101,000

During the year ended December 31, 2017, the Company granted 50,000 (2016 - 185,000) stock options. These options have an exercise price of $0.32 per share and have an expiry date of February 2, 2022. The Company recorded share-based payments of $10,316 (2016 - $43,252) for stock options granted during the year.

The fair values of the stock options granted during the year ended December 31, 2017 and the year ended December 31, 2016 were estimated using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2017	2016
Risk free interest rate	1.16%	1.58%
Expected dividend yield	0%	0%
Expected stock price volatility	86.64%	85.04%
Expected life	5 years	10 years

The weighted average fair value of options granted during the year ended December 31, 2017 was $0.20 (2016 - $0.23) per option.

(e) Stock option reserve

The stock option reserve records items recognized as share-based payments until such time that the stock options and exercised, at which time the corresponding amount will be transferred to share capital.

(Expressed in Canadian Dollars)

7. Related Party Balances and Transactions

(a) Related party transactions

The Company incurred the following transactions with companies having directors or officers in common:

	Year Ended December 31, 2017	2016
	$	$
Office, rent and administration (1)	14,012	63,475
Professional fees - Accounting and corporate secretarial services(2)	8,750	-
Professional fees - Legal	-	853
	22,762	64,328

(1) Of these fees, $Nil (2016- $7,000) is management fees paid to the former CFO of the Company.
(2) Professional fees paid to a company controlled by a director of the Company for accounting and corporate secretarial services provided.

(b) Compensation of key management personnel

	Year Ended December 31, 2017	2016
	$	$
Short-term benefits - management fees	-	7,000
	-	7,000

(1) Of these fees, $Nil (2016- $7,000) is management fees paid to the former CFO of the Company.

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and consist of its Directors, Chief Executive Officer and Chief Financial Officer.

(c) Related party balances

The following related party amounts are included in prepaid expenses and deposits:

	Year Ended December 31, 2017	2016
	$	$
Company having directors and officers in common	-	2,000

The following related party amounts are included in accounts payable:

	Year Ended December 31, 2017	2016
	$	$
Company having directors and officers in common	$1,845	-

8. Financial Instruments and risk Management

a) Fair value of financial instruments

At December 31, 2017, the Company's financial instruments consist of cash and cash equivalents, interest receivable and accounts payable. The carrying values of these financial instruments approximates their fair values due to their short-term nature.

b) Financial instrument risk

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

Credit risk
Credit risk exposure primarily arises with respect to the Company's cash and amounts receivable. The Company places its instruments in banks of high credit worthiness within Canada and continuously monitors the collection of other receivables. Credit risk is assessed as low.

Liquidity risk
Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to settle liabilities and obligations when they become due. As at December 31, 2017, the Company had cash, cash equivalents and amounts receivable of $204,750 to settle current liabilities of $11,789 which primarily consisted of short term accounts payable. Liquidity risk is assessed as low.

Market risk
Market risk consists of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company has no foreign exchange rate risk as all amounts are denominated in Canadian dollars. The Company also holds no financial instruments that expose it to other price risk.

Interest rate and commodity price risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is not significantly exposed to interest rate or commodity price risk.

9. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt or sell assets to settle liabilities.

The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company has no debt and is not subject to externally imposed capital requirements.

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

(Expressed in Canadian Dollars)

10. Income Taxes

The following table reconciles the expected income tax expenses (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2017 and December 31, 2016:

	2017	2016
	$	$
Loss before income taxes	(245,272)	(287,729)
Canadian statutory tax rate	26.00%	26.00%
Expected income tax recovery	(63,771)	(74,810)
Differences resulting from:		
Non-deductible items	2,769	11,075
Changes in estimates	41,752	(3,277)
Expiring losses	-	-
Finance costs		(267)
Change in deferred tax asset not recognized	19,250	67,279
Income tax recovery	-	-

Deferred tax reflects the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and amounts used for tax purposes. Deferred tax assets at December 31, 2017 and December 31, 2016 are comprised of the following:

	2017	2016
	$	$
Deferred tax assets - Canada		
Non-capital loss carry-forwards	678,255	658,916
Property and equipment	9,464	9,464
Exploration and evaluation assets	354,622	354,622
Financing costs	178	267
	1,042,519	1,023,269
Deferred tax asset not recognized	1,042,519	1,023,269
Net deferred tax asset	-	-

The Company has non-capital loss carryforwards of $2,608,675 (2016 – $2,398,136) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	$
2026	126,327
2027	45,664
2028	199,093
2029	214,600
2030	281,576
2031	363,624
2032	206,382
2033	188,141
2034	263,302
2035	244,042
2036	240,957
2037	234,967
Total	2,608,675