



**St-Georges Eco-Mining Corp.**  
**(Formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Consolidated Financial Statements**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of St-Georges Eco-Mining Corp. (formerly St-Georges Platinum & Base Metals Ltd.):

We have audited the accompanying consolidated financial statements of St-Georges Eco-Mining Corp. which comprise the consolidated statements 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 Consolidated Financial Statements

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

### 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 St-Georges Eco-Mining Corp. 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 St-Georges Eco-Mining Corp's ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
May 4, 2018

**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Consolidated Statements of Financial Position**

<b>As at</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Assets</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash	717,198	988
Receivable (Note 5)	96,935	33,690
Prepaid expenses	313	5,548
<b>Total current assets</b>	<b>814,446</b>	<b>40,226</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 6)	1,560,121	554,792
<b>Total assets</b>	<b>2,374,567</b>	<b>595,018</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	570,399	248,200
Obligation to issue shares (Note 7)	93,223	64,779
Taxes payable (Note 13)	-	24,174
Due to a director (Note 14)	-	10,565
<b>Total current liabilities</b>	<b>663,622</b>	<b>347,718</b>
<b>Long-Term Liabilities</b>		
Convertible debentures (Note 8)	479,771	127,553
<b>Total liabilities</b>	<b>1,143,393</b>	<b>475,271</b>
<b>Shareholders' equity</b>		
Common shares (Note 9)	13,460,556	11,180,845
Equity component of convertible debentures (Notes 8 and 9)	86,855	162,616
Obligation to issue shares (Note 6 and 9)	-	7,500
Stock based compensation reserve (Notes 9 and 10)	1,725,681	1,672,198
Accumulated other comprehensive income ("AOCI")	5,812	-
Deficit	( 14,047,730 )	( 12,903,412 )
<b>Total shareholders' equity</b>	<b>1,231,174</b>	<b>119,747</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,374,567</b>	<b>595,018</b>

*"Francois Dumas"*

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Francois Dumas  
President and Chief Executive Officer

*"Richard Barnett"*

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Richard Barnett  
Chief Financial Officer

**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Consolidated Statements of Comprehensive Loss**

	Years ended December 31,	
	2017	2016
	\$	\$
<b>Operating expenses</b>		
Brokerage fees	28,670	18,760
Consulting fees (Note 7)	76,221	77,825
Financial fees and bank charges	493	9,376
Interest and accretion charges (Note 8)	244,157	21,259
Management fees (Note 14)	330,500	-
Office expenses	8,682	4,768
Professional fees	45,738	1,640
Publicity and promotions	78,635	62,792
Stock based compensation (Notes 10 and 14)	37,881	109,026
Other expenses	43,636	-
Subcontractors (Note 14)	109,000	42,000
Travel	52,556	4,821
	<u>(1,056,169)</u>	<u>(352,267)</u>
<b>Other items</b>		
Impairment of exploration and evaluation assets (Note 6)	-	(547,168)
Loss on debt settlement (Note 9)	(112,323)	-
Write off of amounts payable	24,174	71,208
	<u>(1,144,318)</u>	<u>(828,227)</u>
<b>Net loss for the year</b>	<b>(1,144,318)</b>	<b>(828,227)</b>
<b>Other comprehensive income</b>		
Gain on foreign exchange on translation	5,812	-
	<u>(1,138,506)</u>	<u>(828,227)</u>
<b>Loss and comprehensive loss for the year</b>	<b>(1,138,506)</b>	<b>(828,227)</b>
<b>Loss per share – basic and diluted</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>60,878,578</b>	<b>49,100,963</b>

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

**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2017 and 2016**

	Number of Common Shares	Common Shares	Equity component of convertible debentures	Obligation to issue shares	Stock Based Compensation Reserve	AOCI	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$		\$	\$
<b>Balance as at</b>								
<b>December 31, 2016</b>	<b>44,639,045</b>	<b>10,993,345</b>	<b>162,616</b>	<b>-</b>	<b>1,563,172</b>	<b>-</b>	<b>(12,075,185 )</b>	<b>643,948</b>
Shares issued for cash (net)	7,250,000	142,500	-	-	-	-	-	142,500
Shares issued for exploration and evaluation assets	1,500,000	45,000	-	7,500	-	-	-	52,500
Stock-based compensation	-	-	-	-	109,026	-	-	109,026
Net loss for the year	-	-	-	-	-	-	( 828,227 )	( 828,227 )
<b>Balance at</b>								
<b>January 1, 2017</b>	<b>53,389,045</b>	<b>11,180,845</b>	<b>162,616</b>	<b>7,500</b>	<b>1,672,198</b>	<b>-</b>	<b>(12,903,412 )</b>	<b>119,747</b>
Shares issued for cash (net)	6,000,000	524,398	-	-	33,602	-	-	558,000
Shares issued as acquisition payment (Iceland Resources)	6,450,000	129,000	-	-	-	-	-	129,000
Shares issued for exploration and evaluation assets	3,360,000	203,000	-	(7,500)	-	-	-	195,500
Shares for debt settlement	1,469,203	249,765	-	-	-	-	-	249,765
Warrants exercised	11,790,479	580,020	-	-	-	-	-	580,020
Options exercised	400,000	48,000	-	-	(18,000)	-	-	30,000
Convertible debt converted	7,139,872	430,770	-	-	-	-	-	430,770
Equity component of convertible debenture	-	114,758	5,547	-	-	-	-	38,997
Stocked based compensation	-	-	-	-	37,881	-	-	37,881
Gain on translation	-	-	-	-	-	5,812	-	5,812
Net loss for the year	-	-	-	-	-	-	( 1,144,318 )	( 1,144,318 )
<b>Balance as at</b>								
<b>December 31, 2017</b>	<b>89,998,599</b>	<b>13,460,556</b>	<b>86,855</b>	<b>-</b>	<b>1,725,681</b>	<b>5,812</b>	<b>(14,047,730)</b>	<b>1,231,174</b>

See notes 9 and 10

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

**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Consolidated Statements of Cash Flows**

<b>For the years ended December 31</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the year	( 1,144,318 )	( 828,227 )
Non-cash items		
Accretion on convertible debenture	136,207	-
Impairment of exploration and evaluation assets	-	547,168
Accrued interest on loan	108,211	2,160
Interest on convertible debentures	-	21,259
Obligation to issue shares for consulting	78,444	64,779
Write-off of amounts payable	(24,174)	(71,208)
Loss on debt settlement	112,323	-
Stock-based compensation	37,881	109,026
	<u>( 695,424 )</u>	<u>( 155,043 )</u>
Net changes in working capital items		
Receivables	( 63,245 )	(4,168)
Prepaid expenses	5,235	(1,208)
Accounts payable and accrued liabilities	439,641	51,075
	<u>381,631</u>	<u>45,699</u>
<b>Net cash used in operating activities</b>	<u>( 313,793 )</u>	<u>(109,344)</u>
<b>Investing activities</b>		
Exploration and Evaluation costs	( 325,018 )	(7,971)
<b>Net cash used in investing activities</b>	<u>( 325,018 )</u>	<u>(7,971)</u>
<b>Financing activities</b>		
Due to a director	( 10,565 )	(24,197)
Convertible debenture, net of costs	227,566	-
Shares issued for cash, net of issuance costs	1,138,020	142,500
<b>Net cash provided by financing activities</b>	<u>1,355,021</u>	<u>118,303</u>
<b>Change in cash</b>	<b>716,210</b>	<b>988</b>
Cash, beginning of year	<u>988</u>	<u>-</u>
<b>Cash, end of year</b>	<b>717,198</b>	<b>988</b>

Non- cash transactions:

During the year ended December 31, 2017:

- a) The Company recorded a fair value of \$129,000 for common shares issued for exploration and evaluation assets (Note 6);
- b) The Company recorded a fair value of \$38,700 for common shares issued for exploration and evaluation assets (Note 6); and
- c) The Company recorded a fair value of \$48,000 for common shares issued on stock option exercise of which no proceeds received (Note 9).

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

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**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended December 31, 2017**

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**1. Corporate Information and Going Concern of Operations**

St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd. the “Company”) was incorporated under the Canada Business Corporations Act on September 21, 2002. The Company is listed on the Canadian Securities Exchange (“CSE”), having the symbol SX, on the OTC PINK, having the symbol SXOOF, and on the Deutsche Börse in Frankfurt (FSE) under the symbol 85G1. The address of the Company’s corporate office and principal place of business is 230 Rue Notre-Dame West, Montreal, H2Y 1T3, Canada. The principal activities of the Company are the exploration and evaluation of mineral properties in Canada and Iceland.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At December 31, 2017, the Company has not yet achieved profitable operations, had no operating income and had cash of \$717,198 and negative working capital of \$115,790. As such, the Company’s ability to continue as a going concern depends on its ability to successfully raise additional financing. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realize its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial information. No adjustments for such circumstances have been made in the financial information.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, continuation of the Company’s interest in the underlying resource claims, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production or proceeds from the disposition thereof. Although the Company has been successful in the past in obtaining financing, 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. 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.

**2. Basis of Presentation**

**a) Statement of Compliance**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of these financial statements.

The policies applied in these financial statements are consistent with the policies disclosed in Notes 2, 3 and 4 and are based on IFRS effective as at December 31, 2017.

The financial statements of the Company were authorized for issue by the Board of Directors on May 4, 2018.

**b) Basis of Measurement**

The financial statements have been prepared on an historical cost basis except for certain assets and liabilities measured at fair value as required under specific IFRS pronouncements.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended December 31, 2017**

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**2. Basis of Presentation (continued)**

**c) Basis of Consolidation**

These consolidated financial statements comprise the accounts of the Company and its wholly-owned subsidiaries Iceland Resources EHF. ("Iceland Resources") and Kings of the North Corp. ("Kings of the North") and have been prepared using International Financial Reporting Standards ("IFRS") in effect December 31, 2017. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

**d) Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

**e) Functional and Presentation Currency**

The financial statements are presented in Canadian dollars. The functional currency of Iceland and Kings of the North is the Canadian dollar. Iceland is translated from Icelandic Krona to the Canadian dollar on consolidation. Items in the statement of loss are translated using the weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the statement of financial position are translated at the closing spot exchange rate for monetary items and historic rate for non-monetary items. Exchange differences on the translation of the net assets of Iceland are recognized in a separate component of equity.

**3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Please refer to section (m) which addresses standards issued but not yet effective.

**a) Mining Properties and Deferred Exploration and Evaluation Expenditures**

*Pre-exploration Costs*

Pre-exploration costs are expensed in the year in which they are incurred.

*Exploration and Evaluation Expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur. Tax credits and mining duties are applied to reduce related E&E expenditures in the period recognized.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.



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**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended December 31, 2017**

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**3. Summary of Significant Accounting Policies (continued)**

**a) Mining Properties and Deferred Exploration and Evaluation Expenditures (continued)**

When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. E&E assets are also tested for impairment before the assets are transferred to development properties. Mining exploration and evaluation expenditures are classified as intangible assets.

**b) Impairment of Non-Financial Assets**

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

**c) Financial Instruments**

*Financial Assets*

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

*Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes, are recognized in profit or loss. There are no financial assets classified in this category.

*Held to Maturity ("HTM")*

Securities that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as held-to-maturity and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire held to maturity financial instruments are included in the underlying balance. There are no financial assets classified in this category.

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**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended December 31, 2017**

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**3. Summary of Significant Accounting Policies (continued)**

**c) Financial Instruments (continued)**

*Loans and Receivables*

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company has classified cash as loans and receivables.

*Available-For-Sale Investments*

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. There are no financial assets in this category.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

*Effective interest method*

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

*Impairment of Financial Assets*

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of loss and comprehensive loss.

*Financial Liabilities*

Financial liabilities are classified into one of following categories:

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**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended December 31, 2017**

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**3. Summary of Significant Accounting Policies (continued)**

**c) Financial Instruments (continued)**

*Fair Value through profit or loss*

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statement of loss and comprehensive loss. There are no financial liabilities in this category.

*Other financial liabilities*

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. This category includes accounts payable, due to a company controlled by a director and convertible debentures.

*Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

**d) Compound financial instruments**

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares include both a financial liability and an equity component, such as the option to convert debentures in shares. The components of the instrument are classified separately as liabilities and equity. The Company first determines the carrying amount of financial liability by discounting future cash flows representing principal payments and interest payments generally at market rate for a similar liability which no equity component is associated to. The carrying value of the equity instrument that represents the convertible in share option is then determined by deducting the carrying amount of financial liability in the amount of the hybrid instrument as a whole.

**e) Tax Credits and Mining Duties**

The Government of Quebec provides a 16% non-taxable refundable credit for losses to help operators meet exploration, mineral deposit evaluation and mine development costs by refunding part of eligible expenditures incurred. This credit is based on the lesser of:

- The amount of the annual loss; and
- 50% of eligible exploration expenditures, mineral deposit evaluation and mine development expenses, reduced by tax credits related to resources.

The Government of Quebec also offers businesses having establishments and that carry on activities in Quebec a refundable tax credit of 28% on eligible exploration expenses.

Tax credits and mining duties, which are earned as a result of qualifying mineral exploration expenses, are recognized when the exploration expenses are incurred and collection is reasonably assured. They are applied to reduce related mineral exploration expense in the period recognized.

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**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Notes to Consolidated Financial Statements**  
**For the year ended December 31, 2017**

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**3. Summary of Significant Accounting Policies (continued)**

**f) Income Taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**g) Share Capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Flow-through Shares*

The Company may from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

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**St-Georges Eco-Mining Corp. (formerly, St-Georges Platinum & Base Metals Ltd.)**  
**Notes to Consolidated Financial Statements**  
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**3. Summary of Significant Accounting Policies (continued)**

**h) Share-based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**i) Loss per Share**

The basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

The diluted loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

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**3. Summary of Significant Accounting Policies (continued)**

**j) Rehabilitation Provisions**

The Company is subject to various government laws and regulations relating to environmental disturbance caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes: restoration, reclamation, and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. As of December 31, 2017, no rehabilitation provision has been recorded.

**k) Net Smelters Return (“NSR”) Royalties**

The NSR royalties are generally not to be accounted for when acquiring the mining property since they are deemed to be a contingent liability. Royalties are only accounted for when probable and can be measured with sufficient reliability.

**l) Segment Disclosures**

The Company currently operates in a single segment: the acquisition and exploration of mining properties. All of the Company’s activities are conducted in Canada and Iceland.

**m) Application of New and Revised IFRS**

**New and revised IFRSs in issue but not yet effective**

IFRS 9 –Financial Instruments - In November 2009, the IASB issued IFRS 9, which will replace IAS 39, “Financial instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has determined it will not have a material impact on its future consolidated financial statements.

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. These include, but are not limited to, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. IFRS 15 has an effective date for annual reporting periods beginning on or after January 1, 2018 and IFRS 16 has an effective date for years beginning on or after January 1, 2019.

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**4. Critical Accounting Judgments and Estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

**a) Judgments**

*i) Exploration and Evaluation Expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

*ii) Income Taxes*

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 for anticipated tax audit issues 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 including the related interest and penalties 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 that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. 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.

**b) Estimates**

*i) Title to Mineral Properties*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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**4. Critical Accounting Judgments and Estimates (continued)**

**b) Estimates (continued)**

*ii) Share-based Payment Transactions*

The Company measures the cost of equity-settled transactions with employees 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 stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

*iii) Provisions and Contingencies*

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

*iv) Impairment of exploration and evaluation assets*

Exploration and evaluation assets shall be assessed for an impairment test when facts and circumstances suggest that their carrying amount may exceed recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss. Indications of impairment as well as the evaluation of recoverable amount of exploration and evaluation assets require significant judgment. Management considers various factors including, but are not limited to, financial and human resources available, exploration budgets planned, importance and results of exploration work done previously, industry and economic trends and price of minerals.

*v) Valuation of tax credits related to resources and mining tax credits*

Tax credit related to resources and mining tax credit for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection.

The calculation of the Company's credits necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to tax credit related to resources and to mining tax credit, exploration and evaluation assets and income tax expense in future periods.

The amounts recognized in the financial statements are derived from the Company's best estimation and management's judgment as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore have an impact on the Company's financial position and its cash flows.



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**5. Receivable**

As of December 31, 2017 and 2016, the Company had receivables as described below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	\$	\$
Sales taxes recoverable	<b>96,935</b>	33,690

**6. Exploration and Evaluation Assets**

	<b>Villebon Property</b>	<b>Julie and Isoukustouc Projects</b>	<b>Lithium Properties</b>	<b>Le Royal Property</b>	<b>Ungava Property</b>	<b>Iceland Property</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	
<b>December 31, 2015</b>	<b>1</b>	<b>1,035,266</b>	-	-	-	-	<b>1,035,267</b>
Acquisition costs	-	-	2,537	52,500	2,708	-	57,745
Exploration costs	-	8,948	-	-	-	-	8,948
Less: Impairment	-	(547,168)	-	-	-	-	( 547,168)
<b>December 31, 2016</b>	<b>1</b>	<b>497,046</b>	<b>2,537</b>	<b>52,500</b>	<b>2,708</b>	-	<b>554,792</b>
Acquisition costs	-	-	30,000	165,500	-	478,051	673,551
Exploration costs	-	4,730	-	21,416	-	305,632	331,778
<b>December 31, 2017</b>	<b>1</b>	<b>501,776</b>	<b>32,537</b>	<b>239,416</b>	<b>2,708</b>	<b>783,683</b>	<b>1,560,121</b>

All of the exploration and evaluation assets are described in more detail below.

**Villebon Property**

The Villebon Property is located within the Abitibi Greenstone Belt of northwestern Quebec.

During the year ended December 31, 2015, the Company concluded there were indications that certain of the remaining claims comprising the asset and may be impaired and as a result, the Company recorded an impairment charge and wrote the property down to a nominal value.

**Julie and Isoukustouc Projects**

The Julie Project is located south of Lac La Blache, Quebec and the Isoukustouc Project is located within the Manicouagan River – Manic Complex, Quebec.

The Company continues to pursue exploration activities in the Julie area. Upon the Company exercising the option of its 100% interest in the property and upon commencement of full scale production, the optionor becomes eligible to receive 3% of the NSRs from the Company. The Company has the right to purchase 1.5% of the NSR from the Optionor at any time, but not later than 12 months from the commencement of industrial exploitation of the properties for a total cash sum of \$3,000,000. During the year ended December 31, 2016, the Company recorded an impairment charge of \$547,168 for its Julie Project based on the determination that insufficient work was being completed to maintain all of the mining claims. During the year ended December 31, 2017 the Company spent \$4,730 in exploration costs.

**Lithium Properties**

The Lithium Properties are comprised of a block of projects located in Quebec.

During the year ended December 31, 2017, the Company acquired the remaining 50% interest in certain claims comprising the Lithium Properties by issuing 500,000 common shares with a fair value of \$30,000 (Note 9) giving the Company 100% ownership of the Lithium Properties.

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**6. Exploration and Evaluation Assets (continued)**

**Le Royal Property**

The Le Royal Property is located north of Val d'Or, Quebec.

On July 15, 2016, as last amended on October 7, 2016, the Company entered into an Option Agreement with Lepidco Ltd. (formerly Platypus Minerals Ltd.) ("Lepidco"), a company listed on the Australian Stock Exchange, to jointly acquire up to a 100% interest in the Le Royal Property. The distribution will be a 90% interest for the Company and a 10% interest for Lepico.

The Company is required to fulfill the following consideration in order to acquire its interest in the Le Royal Property:

Acquisition:

On or before October 11, 2016	Issuance of 1,500,000 common shares (issued, at a fair value of \$45,000 (Note 9)).
On or before April 10, 2017	Issuance of 500,000 common shares (issued, at a fair value of \$25,000 (Note 9)).*
On or before October 11, 2017	Issuance of 1,000,000 common shares and \$50,000 to be paid as cash or shares with a minimum \$0.05 share price (issued 2,000,000 common shares total with a fair value of \$130,000 to fully settle this acquisition payment (Note 9)).

Exploration work:

On or before October 7, 2019	Complete \$450,000 in exploration work. Magnor Exploration Inc. will be guaranteed \$100,000 of the contracts for work at fair market value.
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Milestone payments:

Payable in cash or issuance of common shares. If the Company elects to issue shares, the number of shares will be determined based on the volume weighted average price for 5 trading days post announcement of the NI43-101 resource.	Compliant NI43-101 5 million tonnes at 1.0%: \$500,000 payable in cash or shares. Compliant NI43-101 10 million tonnes at 1.0%: \$1,000,000 payable in cash or shares.
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Finder's fee:

Issuance of 360,000 common shares (issued, with a fair value of \$18,000 (Note 9)) and 3% of all planned payments, excluding the Milestone payments noted above.\*

During the year ended December 31, 2017, the Company issued 2,860,000 common shares for a total fair value of \$173,000. \$7,500 of this was accrued during 2016 and adjusted from the obligation to issue shares account to share capital in the 2017 year.

Lepidico paid an initial \$10,000 and will provide access of its lepidolite-lithium extraction technology to the Company for the Le Royal Property.

Lepidico has the option to increase its ownership interest in the Le Royal Property up to 1 year after the date of acquisition by paying the Company 150% of 40% of its total expenditures and after 1 year after the date of acquisition by paying the Company 200% of 40% of its total expenditures.

The optionor is entitled to a 1% NSR, based on zone requirements and can be reduced on the basis of additional claims acquired by the Company, such that the NSR does not exceed 2%. The Company has the right to purchase 0.5% of the NSR from the optionor at any time for a total cash sum of \$1,000,000.

**Ungava Property**

The Ungava Property is located in the Ungava Bay region, Quebec.

During the year ended December 31, 2016, the Company acquired a 100% interest in certain claims comprising the Ungava Property.

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**6. Exploration and Evaluation Assets (continued)**

**Iceland Property**

The Iceland Property is located in Iceland.

On November 16, 2016, the Company entered into a Binding Term Sheet with Iceland Resources, an exploration company incorporated under the laws of the Republic of Iceland, with a focus on the Scandinavian region. On February 28, 2017, the Company and Iceland Resources executed a Purchase of Business Agreement (the "Purchase Agreement"), whereby the Company will acquire all of the issued and outstanding shares of Iceland Resources for total consideration of \$850,000 as follows:

- Payment of \$500,000 by way of issuance of 6,000,000 common shares of the Company (issued 6,450,000 common shares with a fair value of \$129,000 (Note 9) of which 450,000 common shares were finder shares);
- Issuance of a 40% interest in Iceland Resources back to the shareholders of Iceland Resources prior to the acquisition;
- Issuance of a convertible debenture of \$350,000, bearing interest at a rate of 6% per annum and maturing December 31, 2026 (Note 8).

The Company will be required to invest \$1,000,000 over a 2 year period to further develop mineral projects held by Iceland Resources.

The purchase price was allocated as follows:

	\$ <b>479,000</b>
<b>Total consideration paid</b> (Shares and debentures)	
Allocation to identifiable assets acquired:	
Other assets	(949)
E&E Assets	(478,051)
<b>Residual amount allocated to E&amp;E assets acquired</b>	<b>479,000</b>

**7. Accounts payable and accrued liabilities**

	<b>December 31, 2017</b>	December 31, 2016
	\$	\$
Accounts payable (Note 14)	<b>395,899</b>	198,400
Accrued liabilities (Note 14)	<b>174,500</b>	49,800
	<b>570,399</b>	248,200

To December 31, 2017, the Company has recorded an obligation of \$93,223 (2016 - \$64,779) for consulting fees to be settled with the issuance of common shares.

**8. Convertible Debentures**

**a) Convertible Debentures issued in 2013**

On July 3, 2013, the Company issued Convertible Unsecured Debentures (the "2013 Debentures") in the aggregate amount of \$230,000.

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**8. Convertible Debentures (continued)**

**a) Convertible Debentures issued in 2013 (continued)**

The 2013 Debentures bear interest at the annual rate of 6% calculated quarterly in arrears and payable on a pro-rata basis on conversion or at maturity. The Debentures mature on July 2, 2023. At any time before the maturity date the 2013 Debentures are convertible at the option of either the holder or the Company into fully paid and non-assessable common shares of the Company subject to certain conditions. At the date of issuance, the Company calculated the debt component of the 2013 Debentures, representing the present value of interest and principal repayment until July 2, 2023. The difference between the face value and the debt component amounted to \$162,616 and represents the conversion option, which was recorded in the equity of the Company. Over the term of the Debenture, the debt component will be increased to its face value to provide, for accounting purposes, an actual interest expense equal to 20%, representing the estimated interest rate of similar debt instruments which do not have such an equity component. During the year ended December 31, 2017, the Company paid \$83,700 to the debt holders for interest. The debt component amounted to \$65,663 on December 31, 2017 (December 31, 2016 - \$127,553).

2013 Debentures with a total face value of \$115,000 were converted during the year ended December 31, 2017 at a conversion price of \$0.14 resulting in 819,562 common shares being issued on conversion (Note 9).

**2013 Convertible Debentures**

	\$
<b>December 31, 2015</b>	<b>106,294</b>
Accrued interest	21,259
<b>December 31, 2016</b>	<b>127,553</b>
Accrued interest	13,799
Accrued interest repaid	(21,738)
Accretion	61,049
Converted	(115,000)
<b>December 31, 2017</b>	<b>65,663</b>

**b) Convertible Debentures issued in 2017**

On February 28, 2017, in conjunction with the acquisition of Iceland Resources, the Company issued Convertible Unsecured Debentures (the "Debentures") in the aggregate amount of \$350,000 (Note 6).

The Debentures bear interest at the annual rate of 6% calculated annually and payable on a pro-rata basis on conversion or at maturity. The Debentures mature on December 31, 2026. At any time before the maturity date the Debentures are convertible at the option of either the holder or the Company into common shares of the Company or its subsidiary Iceland Resources at a conversion price equal to the market price of the Company's common shares on the day preceding the conversion subject to a \$0.10 minimum.

As the conversion price is not fixed, the Company first calculated any derivative liability which was determined to be \$nil and as such the full face value was recorded to the debt component. Total interest expense of \$17,605 was accrued for the year ended December 31, 2017.

**The 2017 Debentures**

	\$
<b>Debt component on inception</b>	<b>350,000</b>
Accrued interest	17,605
<b>December 31, 2017</b>	<b>367,605</b>

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**8. Convertible Debentures (continued)**

**b) Convertible Debentures issued in 2017 (continued)**

On June 19, 2017, the Company issued Convertible Unsecured Debentures (the “Second Debentures”) in the aggregate amount of \$351,500.

The Second Debentures bear interest at the annual rate of 10% calculated quarterly in arrears and payable on a pro-rata basis on conversion or at maturity. The Second Debentures mature on December 16, 2018. At any time before the maturity date the Second Debentures are convertible at the option of either the holder or the Company into Units of the Company at a conversion price of \$0.05 per Unit. Each Unit is comprised of one common share and one half share purchase warrant; each whole warrant is exercisable into one common share at a price of \$0.075 until May 22, 2019. The Company paid a cash commission of \$27,500, and issued non-transferrable finder’s warrants valued at \$12,735 using the Black Scholes Option Pricing Model to purchase 550,000 Units at \$0.05 until December 16, 2018 (Note 9).

At the date of issuance, the Company calculated the debt component of the Second Debentures, representing the present value of interest and principal repayment until December 18, 2018. The difference between the face value and the debt component, net of issuance costs, amounted to \$38,997 and represents the conversion option, which was recorded in the equity of the Company.

Second Debentures with a total face value of \$301,500 and accrued interest of \$14,270 were converted during the year ended December 31, 2017 into 6,312,554 common shares and 3,156,277 warrants (Note 9). Total interest expense of \$16,982 and accretion expense of \$73,023 were recorded on the Second Debentures during the year ended December 31, 2017.

**The 2017 Second Debentures**

**Debt component on inception**

Accrued interest  
 Accretion  
 Converted

**December 31, 2017**

	\$
	<b>272,268</b>
	16,982
	73,023
	(315,770)
	<b>46,503</b>

**9. Share Capital**

**a) Common Shares**

The Company is authorized to issue an unlimited number of common shares, voting, participating and with no par value. The share capital of the Company consists only of fully paid common shares.

The holders of common shares are entitled to receive dividends, which may be declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company’s residual assets.

**2017**

On February 28, 2017, the Company issued 6,450,000 common shares as payment for the acquisition of Iceland Resources at a fair value of \$129,000 (Note 6).

On May 30, 2017, the Company issued 860,000 common shares at a fair value of \$43,000. This was payment for the second payment of the acquisition of the Le Royal Property and finder’s fee (Note 6).

On October 25, 2017, the Company issued an additional 2,000,000 common shares for a fair value of \$130,000 as third payment for the acquisition of the Le Royal Property (Note 6).

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**9. Share Capital (continued)**

**a) Common Shares (continued)**

**2017 (continued)**

On December 14, 2017, the Company completed a private placement of 6,000,000 units priced at \$0.10 per unit, for total proceeds of \$600,000. The Company incurred cash issuance costs of \$42,000 and issued 300,000 finder warrants with a fair value of \$33,602. Each unit consists of one common share and one non-transferrable warrant entitling the holder to acquire one additional common share at an exercise price of \$0.15 for a period of 24 months from the initial issue date.

On November 13, 2017, the Company issued 500,000 common shares with a fair value of \$30,000 to an arm's length party to acquire the remaining 50% interest in certain Lithium Properties (Note 6).

On December 8, 2017, an Officer and Director of the Company exercised 400,000 stock options with an exercise price of \$0.075 which were granted during the year ended December 31, 2017. An amount of \$18,000 was reclassified from the reserve related to expense previously recorded on these options. An additional amount of \$30,000 was recorded to share capital being the proceeds on exercise. No cash was received as proceeds were netted against balance due this director.

On December 19, 2017, the Company issued 1,469,203 common shares with a fair value of \$249,765 to settle debts totalling 137,442 resulting in a loss on debt settlement of \$112,323.

During the year ended December 31, 2017, the Company issued 7,139,872 common shares upon the conversion of convertible debt into common shares of the Company (Note 8).

During the year ended December 31, 2017, the Company issued 7,250,000 common shares at \$0.04 for gross proceeds of \$290,000 and 3,300,000 common shares at \$0.06 for gross proceeds of \$198,000 on the exercise of warrants issued during 2016. The Company also issued 825,000 common shares for gross proceeds of \$48,125 on the exercise of finder's warrants. An additional amount of \$12,735 was reclassified from the reserve to share capital related to the fair value of these warrants on grant.

During the year ended December 31, 2017, the Company issued 415,479 common shares at \$0.075 for gross proceeds of \$31,160 on the exercise of warrants issued through the conversion of 2017 Second Debentures (Note 8).

**2016**

On May 9, 2016, the Company completed a private placement of 7,250,000 units priced at \$0.02 per unit, for total proceeds of \$142,500, net after share issuance costs. Each unit consists of one common share and one non-transferrable warrant at an exercise price of \$0.04 for a period of 28 months, entitling the holder to acquire one additional unit consisting of one common share and one additional warrant at an exercise price of \$0.06 for a period of 28 months from the initial issue date.

On October 24, 2016, the Company issued 1,500,000 common shares at a fair value of \$45,000 for the acquisition of the Le Royal Property. The Company recorded \$7,500 as an obligation to issue common shares for a finder's fee related to the Le Royal Property (Note 6).

**b) Preferred shares**

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value. To December 31, 2017, the Company has not issued any preferred shares.

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**9. Share Capital (continued)**

**c) Equity component reserve**

During the year ended December 31, 2013, the Company issued convertible debentures and the debt component was recorded as described in Note 8.

During the year ended December 31, 2017, the Company issued convertible debentures and the debt component was recorded as described in Note 8.

**d) Share-based payment reserve**

The share-based payment reserve account is used to record the accumulated fair value of stock options recognized as share-based payments. The reserve is increased by the fair value of these items on vesting and is reduced by the corresponding amounts when options are exercised.

**e) Warrants**

The following is a summary of changes in warrants from January 1, 2016 to December 31, 2017:

	<b>Number of Warrants</b>	Weighted Average Exercise Price
		\$
<b>Balance as at January 1, 2016</b>	<b>7,934,582</b>	<b>0.15<sup>(1)</sup></b>
Issued	<b>7,250,000</b>	<b>0.04<sup>(2)</sup></b>
<b>Balance as at January 1, 2017</b>	<b>15,184,582</b>	<b>0.08</b>
Issued	<b>18,059,536</b>	0.09
Exercised	<b>(11,790,479)</b>	0.05
Expired	-	-
<b>Balance as at December 31, 2017</b>	<b>21,453,639</b>	<b>0.18</b>

(1) The Company is able to force the exercise of the warrants if the price of the common shares on the CSE is at or above 150% of the warrants' exercise price for 10 consecutive days. At December 31, 2017, the warrants have a remaining life of 0.15 years.

(2) The Company is able to force the exercise of the warrants if the price of the common shares on the CSE is at or above 150% of the warrants' exercise price for 10 consecutive days. Subsequent to the current year, as the condition was met, the Company gave notice of forced exercise of the warrants. At December 31, 2017, the warrants have a remaining average life of 0.68 years.

**10. Share-based Payments**

**Stock Option Plan**

On September 1, 2009, the Company established a stock-based compensation plan. Under the stock-based compensation plan, the board of directors of the Company may, from time to time, at its discretion, and in accordance with CSE requirements, grant to directors, officers and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five (5) years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding Common Shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised with a maximum period of one year after such death, subject to expiry date of such option.

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**10. Share-based Payments (continued)**

**Stock Option Plan (continued)**

The subscription price of the shares which may be issued under the plan must not be lower than the closing price of the last regular board lot sold on the CSE on the trading day immediately preceding the date of grant and not less than \$0.10 per share. The option price is payable in full at the time the options is exercised. The vesting periods in respect of the options are determined by the Board of Directors at the time of each grant of options.

During the year ended December 31, 2016, the Company issued 3,700,000 stock options with an exercise price of \$0.075. The Company estimated a grant date fair value of these options of \$109,026. The grant date fair values of these options were estimates based on the following assumptions: share price at grant date of \$0.036; exercise price of \$0.075; expected life of 1-5 years; expected volatility of 324%; risk free interest rate of 0.70%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

During the year ended December 31, 2017, the Company issued 775,000 stock options with an exercise price of \$0.075. The Company estimated a grant date fair value of these options of \$34,247. The grant date fair values of these options were estimates based on the following assumptions: share price at grant date of \$0.045; exercise price of \$0.075; expected life of 5 years; expected volatility of 341%; risk free interest rate of 0.95%; expected dividend yield rate of 0%; and forfeiture rate of 0%. Additional stock based compensation of \$3,634 was incurred during the year ended December 31, 2017 related to the vesting of options granted in the 2016 year.

The following options were outstanding as at December 31, 2017:

Grant Date	Expiry Date	Exercise Price	Opening balance December 31, 2016	Issued	Exercised	Closing balance December 31, 2017	Vested
April 3, 2014	April 3, 2019	\$ 0.20	650,000	-	-	650,000	650,000
July 19, 2016	July 19, 2019	\$ 0.075	200,000	-	-	200,000	200,000
July 19, 2016	July 19, 2021	\$ 0.075	2,900,000	-	-	2,900,000	2,900,000
July 28, 2016	July 28, 2019	\$ 0.075	200,000	-	-	200,000	200,000
August 8, 2016	August 8, 2017	\$ 0.075	400,000	-	(400,000)	-	-
June 1, 2017	June 1, 2022	\$ 0.075	-	775,000	-	775,000	775,000
			4,350,000	775,000	(400,000)	4,725,000	4,725,000

At December 31, 2017, the stock options have a weighted average exercise price of \$0.09 (December 31, 2016 - \$0.09) and weighted average remaining life of 3.21 years (December 31, 2016 - 3.66 years).

**11. Financial Risk Management and Financial Instruments**

**Financial Risk**

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk.



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**11. Financial Risk Management and Financial Instruments (continued)**

**Financial Risk (continued)**

*Market Risk*

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchanges rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

*Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or conclude private placements.

As at December 31, 2017, the Company has current liabilities of \$663,622 due within 12 months and has cash of \$717,198 to meet its current obligations. As a result, the Company does face liquidity risk.

*Credit Risk*

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company's credit risk is due mainly to its receivable. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is low.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market-interest rates. The Company's convertible debentures have fixed interest rates and accordingly are not subject to cash flow interest rate risk due to changes in the market rate of interest. The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk to be minimal.

**Fair Value Measurement**

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments are considered to be a reasonable approximation of fair value because of their short-term maturities.

Financial instruments measured at fair value are classified into one of 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.

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**12. Capital Management**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2017, the Company's shareholders' equity was \$1,231,174. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term.

Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

The capital for expansion is mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient for a certain amount of exploration and development work on its properties, and for working capital purposes. Additional funds will be required to finance the Company's corporate objectives. There was no change in the Company's capital management policy for the year ended December 31, 2017. The Company is not currently exposed to any externally imposed capital requirements.

**13. Contingencies**

**Claims**

From time to time, the Company may be subject to claims from related and third parties. To December 31, 2017, the Company's legal counsel has estimated \$60,767 (December 31, 2016 - \$60,767) in claims from the former Chief Financial Officer ("CFO") of the Company, which has been recorded in accounts payable. Subsequent to the year ended December 31, 2017, the former CFO and the Company settled in the amount of \$63,900 of which \$30,000 is to be settled in cash and \$33,900 is to be paid in shares of the Company in relation to exercise of certain options the former CFO holds of which no exercise proceeds will be paid by the former CFO.

**14. Related Party Transactions**

**a) Related party transactions**

During the year, the Company incurred transactions with related parties including companies controlled by its CFO, Chief Executive Officer, Directors, Vice President of Exploration and corporate secretary. The Company incurred management fees of \$330,500 (2016 - \$nil) and subcontractors fees of \$109,000 (2016 - \$39,500) during the year. The Company also incurred stock based compensation of \$34,869 with related parties during the year.

**b) Due to Related Parties**

At December 31, 2017, included in accounts payable and accrued liabilities (Note 7) is \$284,078 (December 31, 2016 - \$35,301) owing to related parties. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

On April 25, 2015, the Company issued a promissory note in the amount of \$25,000 maturing on April 25, 2016 in favour of a Director of the Company. Interest on the promissory note is calculated at 24% per annum. A \$5,000 signing fee was payable to the Director of the Company, which was recorded in financial fees and bank charges during the year ended December 31, 2015. The note is secured by a general security interest in all the tangible and intangible assets of the Company. During the year ended December 31, 2016, the principal amount of \$25,000 was repaid. During the year ended December 31, 2017, the remaining balance of \$Nil (December 31, 2016 - \$10,565) pertaining to interest and the signing fees was paid.

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**15. Income Taxes**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
<b>Net loss before income taxes</b>	<b>( 1,144,318 )</b>	<b>( 828,227 )</b>
Statutory rate	<b>26.0%</b>	<b>26.0%</b>
Income taxes at statutory rates	<b>( 297,523 )</b>	<b>( 215,339 )</b>
Non-deductible expenses and prior year reconciliation items	<b>(33,916)</b>	<b>115,224</b>
Changes in temporary differences for which no deferred tax assets are recognized	<b>331,439</b>	<b>100,115</b>
<b>Income tax recovery</b>	<b>-</b>	<b>-</b>

The Company has the following deferred tax assets and liability for which no deferred tax asset has been recognized:

	<u>2017</u>	<u>2016</u>
	\$	\$
Non-capital losses	<b>1,245,992</b>	<b>1,053,293</b>
Resource tax pools	<b>861,072</b>	<b>753,942</b>
Share issuance costs	<b>9,126</b>	<b>520</b>
Convertible debentures	<b>(9,160)</b>	<b>(32,163)</b>
	<b>2,107,031</b>	<b>1,775,592</b>

The tax pools relating to these deductible temporary differences expire as follows:

	<u>Non-capital losses</u>	<u>Resource tax pools</u>
	\$	\$
2027	78,000	-
2028	161,000	-
2029	470,000	-
2030	946,000	-
2031	795,000	-
2032	351,000	-
2033	441,000	-
2034	418,000	-
2035	131,000	-
2036	166,000	-
2037	836,000	-
No expiry	-	4,088,000
	<b>4,793,000</b>	<b>4,088,000</b>

**16. Subsequent Events**

- a) On January 4, 2018, the Company formed a new wholly owned subsidiary called ZeU Crypto Networks Inc. ("ZeU").
- b) On February 23, 2018, ZeU entered into a definitive asset purchase agreement with Qingdao Tiande Technologies Limited to purchase all intellectual property for consideration of up to 150,000,000 common shares through the issuance of 65,000,000 common shares and 75,000,000 common share purchase warrants on the closing date. An additional 10,000,000 common shares will be issued upon satisfaction of milestone conditions. Closing of the transaction will be subject to ZeU completing total financing of up to \$30,000,000 convertible debentures.

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**16. Subsequent Events (continued)**

- c) From January to April 2018, the Company had the following share capital activity:
- Exercised 1,500,000 warrants at a price of \$0.06 for gross proceeds of \$90,000;
  - Exercised 2,379,332 warrants at a price of \$0.075 for gross proceeds of \$178,450;
  - Exercised 7,934,628 warrants at a price of \$0.30 for gross proceeds of \$2,380,388; and
  - Issued 1,868,603 common shares on conversion of \$40,000 face value plus \$2,452 accrued interest of the 2017 Debentures and \$115,000 face value of the 2013 Debentures.