Josephine Mining Corp

Consolidated financial statements

As at and for the years ended December 31, 2017 and 2016

(Financial information expressed in Canadian dollars unless otherwise noted)

Independent Auditors’ Report

To the Shareholders of Josephine Mining Corp.:

We have audited the accompanying consolidated financial statements of Josephine Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and other comprehensive loss, changes in shareholders’ deficiency and cash flows for the years then ended, and notes, comprising 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors’ 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 consolidated financial position of Josephine Mining Corp. as at December 31, 2017 and December 31, 2016 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Calgary, Alberta
January 21, 2019

Chartered Professional Accountants

Josephine Mining Corp.
Consolidated Statements of Financial Position
At December 31,
(Presented in Canadian dollars)

	Notes		2017		2016
Assets					
Current Assets					
Cash		**$**	**246**	$	25,244
Total assets		**$**	**246**	$	25,244
Liabilities					
Current liabilities					
Accounts payable	5	**$**	**321,128**	$	317,795
Total current liabilities		**$**	**321,128**	$	317,795
Shareholders' deficiency					
Share capital	7	**$**	**7,276,901**	$	7,276,901
Contributed surplus			**4,575,535**		4,575,535
Accumulated other comprehensive loss			**124,541**		124,541
Accumulated deficit			**(12,297,859)**		(12,269,528)
Total shareholders' deficiency			**(320,882)**		(292,551)
Total liabilities and shareholders' deficiency		**$**	**246**	$	25,244

Going concern (Note 2)

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

Approved on behalf of the Board of Directors

"SIGNED"
Robert L. Russell
Director

Josephine Mining Corp
Consolidated Statements Loss and Comprehensive Loss
For the years ended December 31,
(Presented in Canadian dollars)

	Notes		2017		2016
Operating expenses					
General and administrative		**$**	**68,331**	$	43,126
Total operating expenses		**$**	**68,331**	$	43,126
Other income and expense					
Other income	6	**$**	**40,000**	$	-
Foreign exchange expense			**-**		(202)
Total other income (expense)		**$**	**40,000**	$	(202)
Net loss and other comprehensive loss		**$**	**(28,331)**	$	(43,328)
Basic and diluted net loss per common share		**$**	**(0.001)**	$	(0.002)
Weighted average common shares outstanding, basic and diluted			**25,551,010**		25,551,010

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

Josephine Mining Corp.
Consolidated Statements of Changes in Shareholder's Deficiency
Years ended December 31, 2017 and 2016
(Presented in Canadian dollars)

	Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2016	25,551,010	$ 7,276,901	$ 4,575,535	$ (12,226,200)	$ 124,541	$ (249,223)
Net loss for the year				(43,328)		(43,328)
Balance, December 31, 2016	25,551,010	$ 7,276,901	$ 4,575,535	$ (12,269,528)	$ 124,541	$ (292,551)
Net loss for the year				(28,331)		(28,331)
Balance, December 31, 2017	25,551,010	$ 7,276,901	$ 4,575,535	$ (12,297,859)	$ 124,541	$ (320,882)

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

Josephine Mining Corp.
Consolidated Statements of Cash Flows
For the years ended December 31,
(Presented in Canadian dollars)

	Notes	2017	2016
Cash flows from operating activities			
Net income (loss)		**$ (28,331)**	$ (43,328)
Changes in assets and liabilities			
Change in accounts payable		**3,333**	43,195
Cash used in operating activities		**$ (24,998)**	$ (133)
Cash flows from investing activities			
Cash received from related parties		**$ -**	$ 25,000
Net cash provided by investing activities		**$ -**	$ 25,000
(Decrease) increase in cash		**(24,998)**	24,867
Cash, beginning of year		**25,244**	377
Cash, end of year		**$ 246**	$ 25,244

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

(Financial information is presented in Canadian dollars unless otherwise noted)

1. Nature and continuance of operations

Josephine Mining Corp. (the "Company" or "JMC") was incorporated on June 4, 2007, under the Business Corporations Act of British Columbia. The registered office of the Company is 1000 - 595 Burrard Street - P.O. Box 49290 - Vancouver, British Columbia, Canada V7X 1S8.

The Company's activities relate to identifying and evaluating assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The Company's previous activities related to the retention and exploration of mineral properties in southern Oregon.

2. Going concern

These consolidated financial statements, prepared at and for the years ended December 31, 2017 and 2016 ("Financial Statements") have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. The Company has been cease traded since August 4, 2015, which ceased all operations. The Company earns no operating revenues and has incurred an accumulated deficit of $12,297,859 through December 31, 2017 (December 31, 2016 - $12,269,528). Further, the Company had a working capital deficit of $320,882 at December 31, 2017 (December 31, 2016 – $292,551). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent upon obtaining necessary financing to lift the cease trade order. Management intends to complete additional financing, but while the Company has been successful in raising funds from related parties and other private parties in the past, there can be no assurance that it will be able to do so in the future. There can be no objective reliance on continuing support from related parties, which has been essential for the Company's development. The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue as a going concern.

3. Basis of preparation

(a) *Statement of compliance*

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee that are effective on January 1, 2017.

These Financial Statements were approved by the Company's board of directors on January 21, 2019.

(b) *Basis of measurement*

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. References to United States dollars are indicated by "US$."

(c) *Basis of consolidation*

The consolidated financial statements include the accounts of the Company and its subsidiary which are consolidated from the date of acquisition, being the date on which the Company obtained control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions are eliminated in full upon consolidation.

Details of the entities contained in the consolidated financial statements are as follows:

Entity	Principle activity	Place of business and operations	Equity Percentage
Josephine Mining Corp.	Parent company	Canada	
0890810 B.C. Ltd.	Operating company	Canada	100%

3. Basis of preparation *(continued)*

(d) *Functional and presentation currency*

These Financial Statements are presented in Canadian dollars. The functional currency of the parent company is the Canadian dollar and for the sole subsidiary is the U.S. dollar ("US$").

(e) *Significant accounting estimates, judgments and assumptions*

The preparation of these Financial Statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of income and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses.

Management uses historical experience and other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant judgments and estimates relate to the following:

(i) *Deferred taxes*

Deferred tax is recognized using the balance sheet method, providing for 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. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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 tax benefit will be realized.

(ii) *Accounts payable*

The write down of accounts payable and obligations requires judgement by management as to the likelihood of future collection attempts of those amounts, specifically assessing whether amounts may be considered stale-dated due to lack of collection attempts by the vendor over a period of time, in line with the legal requirements of the jurisdiction in which the Company incurred the liability.

(iii) *Contingencies*

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

4. Significant accounting policies

(a) *Cash*

Cash includes deposits held on call with banks.

(b) *Foreign currency*

(i) *Foreign currency transactions*

The effects of changes in foreign currency exchange rates are booked upon settlement of the foreign currency transaction, if the exchange rate has changed from the date of record of the underlying transaction.

4. Significant accounting policies *(continued)*

(ii) *Foreign currency translation*

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchanges rates prevailing at the transaction dates. Carrying values of the monetary assets and liabilities are translated into their Canadian dollar equivalents at the exchange rates in effect on the consolidated statement of financial position date. Gains and losses on translation or settlement are included in the consolidated statement of comprehensive loss for the current year.

The financial results of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of foreign operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognized as other comprehensive loss.

(c) *Taxes*

Tax expense consists of current and deferred tax expense. Tax expense is recognized in the consolidated statement of comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the Financial Statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates at the end of the period, and which are expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(d) *Investment in associate*

If the Company has significant influence over an investee as defined under IAS 28 – Investments in Associates and Joint Ventures, the investment is initially recognized at cost and is adjusted periodically to reflect the Company's portion of the investees' comprehensive net income or loss through the Company's statement of comprehensive loss. The Company's share of net income or loss of an associate is shown on the face of the statement of comprehensive loss and represents net income or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of losses of an associate' in the statement of comprehensive net income or loss.

4. Significant accounting policies *(continued)*

(e) *Investment in associate*

If the Company is party to a joint arrangement, an assessment is made as to whether the relationship is a joint venture or a joint operation. This determination is driven by the Company's rights and obligations under the agreement that formed the joint arrangement. Joint operations are recognized by the Company to the extent of the Company's share of the assets, liabilities, revenues and expenses relating to its involvement in the joint operation. Joint ventures are accounted for using the equity method.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in net income or loss.

(f) *Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in net income or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) *Financial instruments*

All financial instruments are measured at fair value and classified into one of the following categories; loans and receivables; assets held to maturity; assets available for sale; fair value through profit or loss and other financial liabilities.

Financial instruments that are classified as fair value through profit or loss or available-for-sale are re-measured each reporting period at fair value with the resulting gain or loss recognized in net loss and other comprehensive loss, respectively. All other financial instruments are initially accounted for at fair value and subsequently measured at amortized cost using the effective interest rate method with foreign exchange gain and losses recognized immediately in net income or loss.

Financial instruments are measured at fair value and categorized into one of three hierarchy levels (Note 11).

(i) *Loans and receivables*

Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost less impairment losses. Impairment losses are based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method calculates the amortized cost of loans and receivables 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 loan and receivable, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. Significant accounting policies *(continued)*

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

FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes cash and cash equivalents. FVTPL are carried in the consolidated statements of financial position at fair value, with changes in fair value recognized in the consolidated statement of comprehensive loss.

The Company has classified cash as FVTPL.

(iii) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

(iv) *Impairment of financial assets (continued)*

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it has become probable that the borrower will enter bankruptcy or financial reorganization; or,
- a significant or prolonged decline in the fair value of an available for sale security below its cost.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(v) *Derecognition of financial assets*

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or,
- the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

(vi) *Equity and financial liabilities*

Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the appropriate reporting standard.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. Significant accounting policies *(continued)*

Financial liabilities

Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavorable conditions. Financial liabilities also include contracts which may be settled in an entity's equity instruments.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable as other financial liabilities.

(vii) *Equity and financial liabilities (continued)*

Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

(h) *Loss per share*

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed in a manner similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(i) *Provisions*

The Company reports provisions when the following conditions are met:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and,
- a reliable estimate can be made of the amount of the obligation.

Whether or not a present obligation exists is determined by examining all available evidence, and whether the evidence suggests that an obligation is more likely than not present.

(j) *Recent accounting pronouncements*

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

(Financial information is presented in Canadian dollars unless otherwise noted)

4. Significant accounting policies *(continued)*

(i) *Recent accounting pronouncements not yet adopted*

IASB issued IFRS 9, "Financial Instruments" replaces IAS 39, "Financial Instruments: Recognition and Measurement". The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. Previously multiple models were available. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company has reviewed the effects of the new standard and management believes there will be no immediate impact on the Company.

IFRS 15, "Revenue from Contracts with Customers". In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has assessed that there will be no significant impact on its financial statements from the implementation of this standard.

IFRS 16, "Leases". In January 2016, the IASB issued IFRS 16, Leases. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

5. Related party transactions

Transactions with related parties are in the normal course of operations and are initially recorded at fair value.

(k) *Transactions with key management and directors*

There were no transactions with key management and directors during the years ended December 31, 2017 and December 31, 2016. Included in accounts payable at December 31, 2017 is $19,891 (2016 - $19,891) owing to key management and directors.

(l) *Summary of other related party transactions*

Accounts payable as at December 31

		2017		2016
Russell Mining Corp. ("RMC")	**$**	**160,073**	$	149,681

There were no expenses incurred on related party transactions during the year. RMC is a private corporation which owns 10,600,010 shares in the Company and owns 51% of the Turner mineral rights a property which was fully impaired in prior years. RMC's management has owners, officers and directors in common with the Company.

6. Other Income

For the year ended December 31, 2017, other income consists of a settlement received in relation to a lawsuit. During the year ended December 31, 2016 the Aurum Group and Calais Grand Resources filed a lawsuit against Josephine Mining Corp, Russell Mining Corp, and Individuals associated therewith (the "defendants"). The basis of the claim was that the assets of Manhattan Nevada (the Manhattan Property) and the Cross Caribou property (Cross Caribou) were not validly transferred via the filed quit claim deeds for real property and the mineral claims quit claim deeds. Furthermore, the suites claimed that the agents of the companies had improperly induced and colluded to force transfer of the property titles. The Supreme court of British Columbia concluded that there was absolutely no basis for the legal action against the defendants and rejected the suite completely. Prior to final judgement the parties settled wherein the defendants retained all title and interest in mineral claims and real property in Manhattan Nevada and returned title for any and all properties in Colorado to Calais Resources Inc.

(Financial information is presented in Canadian dollars unless otherwise noted)

7. Share capital and reserves

(a) *Authorized share capital*

As at December 31, 2017 and 2016, the Company's authorized share capital was comprised of an unlimited number of common shares and preferred shares without par value.

(b) *Option reserves*

The Company has a stock option plan (the "Plan"), under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 10% of the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The board of directors has discretion over the vesting of options.

Continuity of the Company's stock options is as follow:

	Number	Weighted Average Price
Balance, December 31, 2015	1,800,000	0.52
Expired	(1,800,000)	0.52
Balance, December 31, 2016 and 2017	-	-

(c) *Warrants*

A continuity of the Company's warrants is as follow:

	Weighted Average Exercise Price	Weighted Average Remaining Years	Number
Balance, December 31, 2015	1.75	0.23	10,500,000
Expired	1.75	-	(10,500,000)
Balance, December 31, 2016 and 2017	-	-	-

8. Income taxes

The net tax provision differs from that expected by applying the combined federal and provincial income tax rates of 27% for the year ended December 31, 2017 and 2016.

	2017	2016
Loss before taxes	**(28,331)**	(43,328)
Statutory income tax rate (%)	**27%**	27%
Expected income tax recovery	**(7,649)**	(11,669)
Deferred tax benefits not recognized	**7,649**	11,669
Income tax provision	**-**	-

The Company has gross timing differences related to the following:

	2017	2016
Non-capital losses	**2,145,551**	2,045,520
Undeducted financing costs	**698,890**	770,590
Other	**107,732**	107,732
Total	**2,952,173**	2,923,842

As at December 31, 2017, the Company has a non-capital loss carry-forward balance of approximately $2,145,551 (2016 - $2,045,520) available to reduce future years' income for tax purposes. These losses will begin to expire in 2027 if not utilized.

(Financial information is presented in Canadian dollars unless otherwise noted)

9. Earnings (loss) per share ("EPS")

The Company reported net losses for the years ended December 31, 2017 and 2016; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements loss and comprehensive loss.

10. Capital risk management

The following table summarizes capital under the Company's capital management program:

		2017		2016
Cash		**246**		25,244
Share capital		**7,276,901**		7,276,901
Contributed surplus		**4,575,535**		4,575,535
Total	**$**	**11,852,682**	**$**	11,877,680

The Company's objectives when managing capital are to safeguard the Company's ability to continue operations and to maintain a flexible capital structure which optimizes the costs of capital. The Company is not subjected to any internally or externally imposed capital requirements. Management implements adjustments according to changes in economic conditions and risk characteristics of capital instruments. To maintain or adjust the capital structure, the Company may attempt to issue new shares and acquire or dispose of assets. When available cash permits, the Company invests in highly liquid, short-term interest-bearing investments.

11. Financial instruments

The fair values of the Company's cash and accounts payable approximate their carrying values because of the short-term nature of these instruments.

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is measured using level 1 inputs. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk and liquidity risk.

(d) *Currency risk*

The Company's operations in the United States make it subject to foreign currency fluctuations which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and the U.S. dollar. The Company does not invest in foreign currency contracts to mitigate the risks.

(a) *Credit risk*

The Company's cash is held with large Canadian financial institutions. The Company does not have any asset-backed commercial paper in its short-term investments, nor receivables from customers.

(b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company's financial obligations include accounts payable totaling $321,128 at December 31, 2017 (2016 - $317,795), all of which is due within normal trade terms.