PACIFIC RIDGE exploration ltd.

(An Exploration Stage Company)

Financial Statements

December 31, 2017 and 2016

PACIFIC RIDGE
exploration ltd.

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying financial statements are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"*Gerald G Carlson*" *(signed)*
Gerald G. Carlson
President and Chief Executive Officer

"*Salvador Miranda*" *(signed)*
Salvador Miranda
Chief Financial Officer

April 19, 2018

April 19, 2018

Independent Auditor's Report

To the Shareholder of Pacific Ridge Exploration Ltd.

We have audited the accompanying financial statements of Pacific Ridge Exploration Ltd., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

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PACIFIC RIDGE exploration ltd.

Statements of Financial Position

(Expressed in Canadian dollars)

	Note	December 31, 2017	December 31, 2016
Assets		**$**	$
Current			
Cash		**598,401**	694,374
Other receivables		**2,334**	12,415
Marketable securities and warrants	4	**36,830**	-
Prepaid		**5,522**	4,650
		643,087	711,439
Resource Properties	5	**518,909**	566,192
Reclamation bonds		**12,152**	5,000
		1,174,148	1,282,631
Liabilities			
Current			
Trade payable and accrued liabilities		**36,705**	190,867
Shareholders' equity			
Share capital	6	**43,575,559**	43,554,059
Contributed surplus		**3,248,228**	3,228,934
Acumulated other comprehensive loss		**(5,500)**	-
Deficit		**(45,680,844)**	(45,691,229)
		1,137,443	1,091,764
		1,174,148	**1,282,631**

Nature of operations	1
Subsequent events	13

The accompanying notes are an integral part of these financial statements

Approved and authorized for issue on behalf of the Board of Directors on April 19, 2018

/s/ "Gerald G. Carlson"
Director

/s/ "Blaine Monaghan"
Director

PACIFIC RIDGE exploration ltd.

Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Note	Years ended December 31 2017	2016
		$	$
Administration expenses			
Insurance		**7,500**	5,000
Professional and consulting		**37,809**	78,209
Management and administrative		**87,553**	53,575
Office operations and facilities		**56,983**	61,400
Shareholder communications		**16,877**	15,203
Share-based payments	6	**19,294**	47,757
Transfer agent and regulatory fees		**19,560**	25,719
		245,576	286,863
Other expenses (income)			
Exploration and evaluation costs	5	**484,131**	366,545
Government grants	7	**(119,659)**	(19,355)
Mining tax credit	7	**(10,045)**	-
Property option payments	5	**(650,000)**	(25,000)
Impairment of resource properties	5	**32,263**	-
Gain on sale of marketable securities	4	**-**	(10,936)
Unrealized loss in fair value of warrants	4	**4,190**	-
Foreign exchange loss		**3,159**	-
		(255,961)	311,254
Net income (loss) for the year		**10,385**	(598,117)
Other comprehensive (loss):			
Net change in fair value of marketable securities	4	**(5,500)**	-
Total comprehensive income (loss) for the year		**4,885**	(598,117)
Earnings (loss) per share (basic and diluted)		**0.00**	(0.02)
Weighted average number of shares outstanding			
basic		**31,215,859**	25,497,483
diluted		**33,967,123**	25,497,483

The accompanying notes are an integral part of these financial statements

PACIFIC RIDGE exploration ltd.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Note	Share capital Amount	Share capital Value	Contributed Surplus	Other comprehensive loss	Deficit	Total
		#	$	$	$	$	$
Balance, December 31, 2015		24,390,884	43,066,428	3,152,125	-	(45,093,112)	1,125,441
Equity offering, net of issuance costs		5,432,500	389,421	30,590	-	-	420,011
Share purchase warrants exercised		955,625	73,210	(1,538)	-	-	71,672
Shares issued for property		250,000	25,000	-	-	-	25,000
Share-based payments		-	-	47,757	-	-	47,757
Net loss for the year		-	-	-	-	(598,117)	(598,117)
Balance, December 31, 2016		31,029,009	43,554,059	3,228,934	-	(45,691,229)	1,091,764
Shares issued for property	6	300,000	21,500	-	-	-	21,500
Share based payments	6	-	-	19,294	-	-	19,294
Unrealized loss in marketable securities	4	-	-	-	(5,500)	-	(5,500)
Net income for the year		-	-	-	-	10,385	10,385
Balance, December 31, 2017		**31,329,009**	**43,575,559**	**3,248,228**	**(5,500)**	**(45,680,844)**	**1,137,443**

The accompanying notes are an integral part of these financial statements

PACIFIC RIDGE exploration ltd.

Statements of Cash Flows

(Expressed in Canadian dollars)

	Years ended December 31	
	2017	**2016**
	$	$
Operating activities		
Income (loss) for the year	**10,385**	(598,117)
Items not affecting cash:		
Gain on sale of marketable securities	**-**	(10,936)
Unrealized loss in fair value of warrants	**4,190**	-
Property option payment/recovery	**(650,000)**	(25,000)
Impairment of resource properties	**32,263**	-
Share-based payments	**19,294**	47,757
	(583,868)	(586,296)
Changes in non-cash working capital items:		
Other receivables	**10,081**	(8,742)
Prepaid	**(872)**	-
Trade payable and accrued liabilities	**(154,162)**	187,147
Cash used in operating activities	**(728,821)**	(407,891)
Investing activities		
Resource property acquisition costs	**(30,000)**	(33,764)
Proceeds on sale of marketable securities	**-**	125,041
Proceeds on property option payments	**670,000**	35,000
Reclamation bonds	**(7,152)**	(5,000)
Cash provided by investing activities	**632,848**	121,277
Financing activities		
Gross proceeds from flow-through financing	**-**	434,600
Share issue costs	**-**	(14,588)
Proceed from warrant exercises	**-**	71,672
Cash provided by financing activities	**-**	491,684
(Decrease) increase in cash	**(95,973)**	**205,070**
Cash, beginning of the year	**694,374**	489,304
Cash, end of the year	**598,401**	694,374
Supplementary cash flow information:		
Non-cash investing activities		
Shares issued for resource properties	**21,500**	25,000
Shares and warrants received for resource property	**46,520**	-
Non-cash financing activitires		
Non-cash share issue costs	**-**	30,590

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Pacific Ridge Exploration Ltd. and its wholly owned subsidiary Pacific Ridge Exploration (US) Inc. (the "Company" or "Pacific Ridge") are in the business of acquiring and exploring resource properties in Canada and the United States. Pacific Ridge is incorporated and domiciled in Canada under the *Business Corporations Act* (British Columbia). The address of its registered office is 1710 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary capital to finance operations including contributions from future joint venture partners. The carrying value of the Company's mineral properties does not reflect current or future value.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharges its liabilities in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets maybe materially less than the amounts on the statements of financial position. As of December 31, 2017, the Company had a working capital of $606,382 (2016 - $520,572). The Company believes that based on its current working capital, it could sustain its operation and maintain its minimum obligations for the next 12 months.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Except for available for sale investments, which are recorded at fair value, these financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, the Company's functional currency.

The financial statements were approved by the Board of Directors on April 19, 2018.

The summary of significant accounting policies used in the preparation of these financial statements is described below:

a) Foreign currency translation

The presentation currency and the functional currency of the Company is the Canadian dollar ("$"). The Company's foreign currency transactions are translated into the Canadian dollar at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results.

2. Summary of significant accounting policies (continued)

b) Resource property acquisition costs

Resource properties consist of payments to acquire exploration and mining claims and property option payments. Acquisition costs are capitalized and deferred until such a time as the property is put into production or the property is disposed of either through sale or abandonment, or the property becomes impaired. If a property is put into production the costs of the acquisition will be amortized over the life of the property on a unit-of-production basis based on the estimated proven and probable reserves. Proceeds received from the sale or option of an interest in a property will be credited against the carrying value of the property, with any difference recorded as a gain or loss on sale. Option payments received in excess of the carrying value of a property are recorded as an exploration recovery in the statement of comprehensive income (loss). If a property is abandoned or has become impaired, the acquisition costs will be written off or written down to operations.

Recorded costs of resource properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

c) Exploration and evaluation costs

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. Once rights to resource properties are obtained, all direct acquisition-related costs are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

d) Government grants

Government grants are assistance in cash based on eligible mineral exploration expenditures incurred. Government grants are recorded in profit and loss in the same period as the relevant exploration expenditures when reasonable assurance of their receipt has been obtained.

e) Flow-through shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance of flow-through shares, 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 qualifying expenditures being incurred, the premium liability is de-recognized to other income.

2. Summary of significant accounting policies (continued)

f) Share-based payments

The Company has a stock option plan that is described in note 6. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

g) Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets or liabilities are calculated using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized. Deferred tax assets are recognized only to the extent that it is probable that they will be realized.

h) Earnings/(loss) per common share

Basic earnings (loss) per share are computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

i) Financial instruments

Financial instruments are classified as one of the following: fair value through profit and loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss accordingly.

2. Summary of significant accounting policies (continued)

j) Impairment

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

k) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the areas of estimate and judgment applied by management that most significantly affects the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Resource properties: The carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that their carrying amounts may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

Share-based payments: The Company follows accounting guideline in determining the fair value of share-based compensations. The computed amount is not based on historical costs but is derived based on subjective assumptions input into a pricing model.

3. Future accounting changes

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

IFRS 9, *Financial Instruments* replaces the current standard, IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost; fair value through profit and loss; and fair value through other comprehensive income. IFRS 9 introduces the expected credit loss model for impairment of financial assets, which replaces the incurred loss model used in IAS 39. The Company expects to make an election upon initial recognition for marketable securities currently classified as available for sale, to satisfy the conditions for classification as fair value through other comprehensive income ("FVOCI"). Fair value movements and gains or losses realized on the sale of financial assets at FVOCI will not be reclassified to the statement of income. IFRS 9 is not expected to have a material effect on the Company's financial statements.

3. **Future accounting changes** (continued)

IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company has no leases as at December 31, 2017, and therefore the Company believes IFRS 16 won't have a material effect on the Company's financial statements.

4. Marketable securities

In July 2014, the Company entered into an option agreement with MinQuest Limited ("MinQuest"), an Australian company, with regard to the Company's Fyre Lake property in Yukon. As a result, the Company received total 5,936,525 pre-consolidated MinQuest shares in 2014 and 2015.

In September 2016, MinQuest acquired Electronic Pain Assessment Technologies, changed its name to Epat Technologies Ltd. and underwent a 7 old for 4 new share consolidation. During the year ended December 31, 2016, the Company sold all its MinQuest shares for net proceeds of $125,041 and recorded $10,936 gain on disposal of these shares.

During the year ended December 31, 2017, the Company entered into an agreement with Four Nines Gold Inc. ("**Four Nines**"), formerly Eureka Dome Gold Inc., then a private British Columbia company, to option its Mariposa property (note 5a). As part of this agreement, on August 24, 2017, the Company received 100,000 common shares of Four Nines with a fair value of $0.16 per share or $16,000 (note 5a), applied to resource property acquisition costs, and 100,000 share purchase warrants, each exercisable into one common share at a price of $0.20 per share until August 25, 2018, and then at $0.30 per share until August 24, 2019. At December 31, 2017, the fair value of the common shares was $0.105 per share, or $10,500. The difference of $5,500 was charged to other comprehensive loss. No value was assigned to the warrants.

On December 31, 2017, the Company received an additional 200,000 common shares of Four Nines at a fair value of $0.105 per share, or $21,000, applied to resource property acquisition costs. Also on this date, the Company received 50,000 share purchase warrants from Four Nines, each exercisable into one common share of Four Nines at an exercise price of $0.20 per share until December 31, 2018 and $0.30 per share until December 31, 2019.

As at December 31, 2017, the fair value of the 300,000 Four Nines common shares was $31,500, with an adjustment of $5,500 recorded to other comprehensive loss. The fair value of the Four Nines share purchase warrants was $5,330, with an adjustment of $4,190 recorded to net loss.

(Expressed in Canadian dollars)

4. **Marketable securities** (continued)

The following table summarizes the Company's marketable securities:

	MinQuest Limited		Four Nines Gold Inc.				
	Number of shares	Fair value	Number of shares	Fair value	Number of warrants	Fair value	Total fair value
	#	$	#	$	#	$	$
Balance, December 31, 2015	5,636,525	114,105	-	-	-	-	114,105
Share consolidation 7 to 4	(2,415,654)		-	-	-	-	114,105
Revaluation		10,936	-	-	-	-	125,041
Disposals	(3,220,871)	(125,041)	-	-	-	-	-
Balance, December 31, 2016	-	-	-	-	-	-	-
Additions	-	-	300,000	37,000	150,000	9,520	46,520
Adjustment	-	-	-	(5,500)		(4,190)	36,830
Balance, December 31, 2017	-	-	300,000	31,500	150,000	5,330	36,830

5. **Resource properties**

The Company has interests in mineral properties in British Columbia and Yukon in Canada and Nevada in the United States. A summary of capitalized acquisition costs is as follows:

	Mariposa	TL Zinc	Poker Brown	Eureka Dome & Moose	RC Property	Bee Property	OGI Zinc	Total
	$	$	$	$	$	$	$	$
Balance, December 31, 2015	506,139	-	-	11,290	-	-	-	517,429
Option payment	(10,000)	-	-	-	-			(10,000)
Additions	-	45,000	13,763	-	-			58,763
Balance, December 31, 2016	496,139	45,000	13,763	11,290	-	-	-	566,192
Option payments in cash	(20,000)	-	-	-	-	-	-	(20,000)
Option payments in marketable securities	(46,520)	-	-	-	-	-	-	(46,520)
Acquisition through cash	-	-	-	-	15,000	5,000	10,000	30,000
Acquisition through marketable securities	-	-	-	-	13,000	-	8,500	21,500
Impairment	-	-	(13,763)	-	-	-	(18,500)	(32,263)
Balance, December 31, 2017	**429,619**	**45,000**	**-**	**11,290**	**28,000**	**5,000**	**-**	**518,909**

(Expressed in Canadian dollars)

5. **Resource properties** (continued)

In addition to capitalized acquisition costs, the Company has incurred the following exploration and evaluation costs:

	Years ended December 31	
Property	2017	2016
	$	$
Mariposa	5,655	23,152
TL-Zinc	32,114	217,692
Poker Brown	124,364	44,123
Fyre Lake	-	7,112
Eureka Dome	76,260	38,058
RC-Gold	112,718	-
OGI-Zinc	73,940	-
General exploration not allocated to a specific property	59,080	36,408
	484,131	366,545

a) Mariposa property, Yukon

The Company acquired a 100% interest in the property in 2014.

In September 2016, the Company optioned its Mariposa property to Four Nines. Pursuant to the terms of the agreement, amended in February 2017, in May 2017, in July 2017, and in January 2018, Four Nines can earn a 51% interest in the property by making cash payments of $190,000 of which $30,000 has been received, issuing 1,200,000 shares, of which 300,000 have been received (note 4), and 150,000 common share purchase warrants (received) valid for two years from their date of issuance, exercisable at $0.20 for the first year and $0.30 for the second year (note 4). Four nines must also complete $2,500,000 in exploration in staged annual increments by December 31, 2020, of which approximately $304,000 was completed as of December 31, 2017. As at December 31, 2017, Four Nines is in compliance with its contractual commitments with the Company.

Four Nines will then have the option to increase its interest to 70% by making additional cash payments of $200,000, issuing an additional 500,000 common shares and completing an additional $2,500,000 in exploration by December 31, 2022. Four Nines was listed on the Canadian Securities Exchange on August 24, 2017 under trading symbol FNAU.

(Expressed in Canadian dollars)

5. **Resource properties** (continued)

b) TL Zinc property, British Columbia

On August 11, 2016, the Company entered into an option agreement, amended on May 16, 2017, to acquire a 100% interest in the TL Zinc property located 80 km northeast of Vernon, British Columbia, by making cash payments totalling $350,000 ($20,000 paid), issuing 1,500,000 shares (250,000 issued) and completing $3,325,000 in exploration ($249,806 incurred) over five years as outlined below:

Cash payments	Shares to be issued	Cumulative exploration to be incurred	Due date	Comment
$	#	$		
20,000	250,000	-	August 11, 2016	(paid and issued)
30,000	250,000	75,000	August 11, 2018	
50,000	250,000	325,000	August 11, 2019	
75,000	250,000	825,000	August 11, 2020	
75,000	250,000	1,825,000	August 11, 2021	
100,000	250,000	3,325,000	August 11, 2022	

In addition, $500,000 bonus shares will be issuable upon completion of a feasibility study. The vendors will retain a 3% net smelter return ("**NSR**") that can be bought down to 1.5% for $3,000,000.

c) Poker Brown, Nevada

In August 2016, the Company entered into an option agreement to earn a 100% interest in the Poker Brown gold-silver property by making US$1,000,000 in cash payments and US$940,000 in advanced royalty payments to the underlying property owner over eight years.

After a review of the results of the 2017 drilling program, the Company decided to terminate its option to earn an interest in the Poker Brown property. As a result, $13,763 impairment has been recorded.

d) Fyre Lake sulphide property, Yukon

The Company owns a 100% interest in the Fyre Lake property.

On January 18, 2017, the Company closed an option agreement with BMC Minerals (No. 1) Ltd. ("**BMC**") whereby BMC has the right to acquire a 100% interest in Fyre Lake. BMC has been granted a two-year purchase option by paying $300,000 in January 2018 (received in December, 2017) and $2,420,000 two years after closing.

In addition, if it exercises the option, BMC has agreed to make a bonus payment of $1,000,000 if and when BMC's Kudz Ze Kayah property has reached commercial production for one year.

BMC paid a non-refundable deposit and initial option payment of $375,000 ($25,000 in November 2016 and $350,000 in January 2017), and a second option payment of $300,000 in December 2017.

As there is no carrying value for Fyre Lake on the Company's statement of financial position, these option payments are recorded as other income on the statement of income (loss) and comprehensive income (loss).

(Expressed in Canadian dollars)

6. **Resource properties** (continued)

e) RC and Bee projects, Yukon

On June 9, 2017, the Company entered into two option agreements to acquire a 100% interest in contiguous groups of mineral claims situated in the Dawson and Mayo Mining Districts, Yukon, known the RC and Bee properties by paying aggregate $400,000 and issuing 2,000,000 common shares as below:

Cash payments	Shares to be issued	Cumulative exploration to be incurred	Due date	Comment
$	#	$		
20,000	200,000	90,000	December 31, 2017	(paid and issued)
20,000	200,000	210,000	December 31, 2018	
40,000	200,000	510,000	December 31, 2019	
60,000	200,000	1,010,000	December 31, 2020	
100,000	500,000	1,750,000	December 31, 2021	
160,000	700,000	2,500,000	December 31, 2022	

As at December 31, 2017, the Company had incurred $112,718 in exploration expenditures, exceeding the $90,000 firm commitment to be spent by December 31, 2017.

The properties are subject to a 2% NSR, half of which can be purchased for $2,000,000.

f) OGI Zinc property, Yukon

On February 18, 2017, the Company reached an option agreement to acquire a 100% interest in the OGI Zinc prospect located in Dawson, Yukon. To earn a 100% interest, the Company was required to pay $225,000 ($10,000 paid), issue 1,000,000 common shares (100,000 issued) and complete $2,500,000 in exploration over five years.

On December 15, 2017, the Company terminated the agreement for the OGI Zinc property and impaired its $18,500 carrying value.

6. Share capital

a) Common Shares

Authorized - unlimited common shares without par value.

As disclosed in the statement of changes in shareholders' equity, during the year ended December 31, 2017, the Company issued 300,000 common shares with a fair value of $21,500 for the acquisition of the OGI Zinc and RC and Bee properties (Notes 5(e) and 5(f)).

On November 3, 2016, the Company closed a non-brokered private placement by issuing 5,432,500 flow-through units at $0.08 per unit for gross proceeds of $434,600. Each flow-through unit comprises one common share and one-half share purchase warrant exercisable at $0.14 for 18 months. No premium was paid by the investors participating in this private placement.

The Company paid $10,625 in finders' fees and issued 99,000 finders' warrants with the same terms as those issued in the private placement.

(Expressed in Canadian dollars)

6. **Share capital** (continued)

a) Common Shares (continued)

The $30,590 fair value of the warrants issued in the private placement described above was calculated using the Black-Scholes pricing with the assumptions 65% annual volatility, 0.6% risk-free rate, 1.5 years expected life and 0% annual dividend.

The Company filed its renunciation forms in February 2017 for the entire amount received. As at December 31, 2016, the Company had incurred $163,487 qualifying resource expenditures and completed the remaining balance of $271,113 during the year ended December 31, 2017.

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	December 31, 2017		December 31, 2016	
	Number of Warrants	Weighted Average Exercise	Number of Warrants	Weighted Average Exercise
	#	$	#	$
Balance, beginning of	2,815,250	0.14	3,063,750	0.08
Issued	-	-	2,815,250	0.14
Exercised	-	-	(955,625)	0.08
Expired	-	-	(2,108,125)	0.08
Balance, end of year	2,815,250	0.14	2,815,250	0.14

On November 3, 2016, as part of the non-brokered private placement, the Company issued 2,815,250 warrants, each entitling the holder to purchase one common share at a price of $0.14 per share expiring May 3, 2018. If the Company's common shares on the TSX Venture Exchange is greater than $0.25 per share for 20 consecutive trading days (the "Triggering Event"), the Company may, within 5 days of the Triggering Event, accelerate the expiry date of the warrants by giving notice thereof to the holders of the warrants, by way of press release, in which event the warrants will expire on the 30th day after the date on which such notice is given.

As at December 31, 2017, the following warrants were outstanding:

Issue date		Expiry date	Exercise price $	Warrants outstanding
November 3, 2016	Investor warrants	May 3, 2018	0.14	2,716,250
November 3, 2016	Agent warrants	May 3, 2018	0.14	99,000
				2,815,250

(Expressed in Canadian dollars)

6. **Share capital** (continued)

c) Stock Options

The Company has a stock option plan in place authorizing the granting of stock options to qualified optionees to purchase a total of up to 10% of the then issued and outstanding common shares of the Company. Stock options generally are granted for a maximum term of five years and expire 90 days following the termination of the optionee's agreement. The exercise price for the options is set at the closing market price of the common shares on the grant date. The vesting periods of options vary with terms determined by the board of directors.

Stock option transactions and the number of stock options outstanding and exercisable are summarized below:

	December 31, 2017		December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of year	2,791,500	0.10	2,281,500	0.20
Granted	383,000	0.06	728,000	0.08
Expired	(248,000)	0.50	(106,000)	2.08
Forfeited	(100,000)	0.08	(112,000)	0.12
Balance, end of year	2,826,500	0.06	2,791,500	0.10
Exercisable, end of year	2,826,500	0.06	2,791,500	0.10

Stock options outstanding and exercisable at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price	December 31, 2017	December 31, 2016
	$	$	$
May 24, 2017	0.50	-	148,000
December 5, 2017	0.50	-	100,000
December 24, 2018	0.05	981,500	981,500
February 2, 2020	0.05	834,000	834,000
July 21, 2021	0.08	200,000	200,000
August 12, 2021	0.08	40,000	40,000
November 30, 2021	0.08	388,000	488,000
June 16, 2022	0.06	383,000	-
		2,826,500	2,791,500

(Expressed in Canadian dollars)

6. **Share capital** (continued)

c) Stock Options (continued)

The Company applies the fair value method of accounting for stock options. Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The fair value of options granted was estimated at the grant date based on the Black-Scholes option-pricing model, using the following assumptions:

	December 31, 2017	December 31, 2016
Risk-free interest rate	1.28%	1.20%
Expected share price volatility	124.00%	123.00%
Expected option life in years	5	5
Expected dividend yield	Nil	Nil

Stock options granted in 2017 and 2016 vested immediately with $19,294 (2016 - $47,757) share-based compensation expense recorded in the net income (loss).

7. **Government grants and tax credits**

The Company received $119,659 (2016 - $19,355) from the Yukon Government for expenditures made on its OGI, RC and Eureka Dome properties in Yukon, Canada, and a mining tax credit of $10,045 (2016 – nil) from the Canada Revenue Agency.

8. **Related parties**

Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company has no compensation arrangements with its board of directors other than non-cash stock option grants. The Company has no termination benefits, post-employment benefits and other long-term benefits in place. Key management includes the board of directors and executive officers. Compensation awarded to key management is listed below:

	Years ended December 31	
	2017	2016
	$	$
Salaries	**114,000**	83,000
Share-based payments, non-cash	**19,294**	39,991
	133,294	122,991

9. Capital management

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore on various properties for the benefits of its shareholders. The Company's operations have been and will continue to be funded by the sale of equity to investors.

The Company's capital includes the components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests and associated administration expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals.

The Company monitors actual expenses relative to the approved budget on all exploration projects and overheads to manage costs, commitments and exploration activities. There were no changes in the Company's approach to capital management during the year ended December 31, 2017.

10. Financial instruments

The Company has classified cash and other receivables as loans and receivables; trade payable and accrued liabilities are classified as other financial liabilities. The Company has classified marketable securities as available for sales investments, and warrants as derivative financial instruments.

Fair values

As at December 31, 2017, the recorded amounts for cash, other receivables and trade payable and accrued liabilities approximate their fair values due to their short maturity. The Company's marketable securities and warrants are measured subsequent to initial recognition at fair value on a recurring basis. These financial instruments are grouped into Level 1 to 3 based on the degree to which the significant inputs used to determine the fair value are observable. Marketable securities are classified within level 1 of the fair value hierarchy as their fair value measurement is derived from quoted prices in active markets for identical assets. Warrants are classified within level 2 of the fair value hierarchy as their fair value measurement is derived from inputs other than quoted prices included within level 1, that are observable either directly or indirectly. No financial instruments were considered level 3, which are fair value measurements derived from valuation techniques that include significant inputs that are not based on observable market data.

Interest rate risk

The Company's cash held in financial institutions earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

Credit risk

The Company has its cash deposited with a large, federally insured, commercial financial institutions.

10. Financial instruments (continued)

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 by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At December 31, 2017, the Company had cash of $598,401 (2016- $694,374), and trade payable and accrued liabilities of $36,705 (2016 - $190,867).

Currency risk

The Company keeps approximately 8% of its cash in US dollars. A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's working capital by approximately $4,000 and its net loss for the year by approximately $12,000.

Price risk

The Company is exposed to price risk on its marketable securities and warrants due to fluctuations in the current market prices and fluctuations in trading volumes of those securities. At December 31, 2018, the Company held marketable securities and warrants with a fair value of $36,830 (2017 - nil). These investments are subject to market price fluctuations that can be significant.

11. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. $531,061 (2016 - $554,902) of the Company's non-current assets was held in Canada and nil (2016 - $13,763) in the United States.

12. Income taxes

Reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax (recovery) expense for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
	$	$
Income (loss) for the year	10,385	(598,117)
Statutory tax rate	26%	26%
Expected income tax (recovery) expense	2,700	(155,510)
Effect of different tax rate in other jurisdictions		(3,971)
Change in statutory tax rate	(150,746)	-
Non-capital loss expired	(13,945)	-
Non-deductible expenses	6,548	12,055
Change in unrecognized deferred income tax benefits	155,443	152,459
Income tax expense (recovery)	-	5,033

(Expressed in Canadian dollars)

12. Income taxes (continued)

Effective January 1, 2018, the Canadian Statutory tax rate increased by 1% due to the British Columbia legislative change.

A potential deferred income tax asset of approximately $7,121,030 arises from the following:

	2017	2016
	$	$
Non-capital loss carryforwards	606,802	522,266
Capital loss carryforwards	5,740	5,528
Equipment and investments	-	-
Mineral property	6,506,095	6,432,577
Deferred financing costs	2,393	5,216
Total unrecognized deferred income tax assets	7,121,030	6,965,587

The Company has not recorded potential deferred income tax assets as the Company does not have any current source of income to which the tax losses can be applied.

At December 31, 2017, included in the computation of the deferred tax assets noted above, the Company had approximately $2,247,414 of losses available for carry-forward and $26,395,447 of resource pools.

The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2029 and 2037 as below:

	$
2029	153,737
2030	239,449
2031	183,166
2032	76,150
2033	100,133
2034	785,069
2035	227,119
2036	243,892
2037	238,699
	2,247,414

13. Subsequent events

On January 12, 2018, the Company granted 200,000 stock options to two officers of the Company, exercisable at $0.06 per share for a period of five years.