Cartier Resources Inc.

(an exploration company)

Financial statements

Years ended December 31, 2016 and December 31, 2015

Deloitte.

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Independent Auditor's Report

To the Shareholders of
Cartier Resources Inc.

We have audited the accompanying financial statements of Cartier Resources Inc., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the Statements of Deferred Exploration Costs, Statements of changes in equity, Statements of loss, Statements of Comprehensive Loss and Statements of Cash Flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Cartier Resources Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(s) Deloitte LLP [1]

April 19, 2017

Montréal, Québec, Canada

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[1] CPA auditor, CA, public accountancy permit No. A124341

Cartier Resources Inc.
(an exploration company)
Statements of Financial Position

(In Canadian $)	**December 31, 2016**	December 31, 2015
	$	$
Assets		
Current		
Cash and cash equivalents (note 3)	**5,426,970**	836,930
Cash reserved for exploration (note 3)	**138,385**	75,225
Other short-term financial assets (note 4)	**22,713**	18,500
Receivables (note 5)	**103,091**	54,408
Prepaid expenses	**6,498**	14,903
	5,697,657	999,966
Non-current		
Property, plant and equipment (note 6)	**10,150**	24,108
Exploration assets and deferred exploration costs (note 8)	**10,072,762**	9,127,145
TOTAL ASSETS	**15,780,569**	10,151,219
Liabilities		
Current		
Accounts payable and accrued liabilities	**309,413**	187,629
Liability related to flow-through shares	**29,654**	28,933
	339,067	216,562
Non-current		
Deferred income and mining taxes (note 14)	**2,072,624**	1,812,703
Liability component of the convertible debenture (note 9)	**212,110**	-
TOTAL LIABILITIES	**2,623,801**	2,029,265
EQUITY		
Share capital (note 10)	**22,260,938**	16,865,599
Warrants	**2,411,881**	2,256,291
Contributed surplus	**1,580,662**	1,366,693
Equity component of the convertible debenture (note 9)	**82,971**	-
Deficit	**(13,195,484)**	(12,366,629)
Accumulated other comprehensive loss	**15,800**	-
TOTAL EQUITY	**13,156,768**	8,121,954
TOTAL LIABILITIES AND EQUITY	**15,780,569**	10,151,219

Basis of preparation and going concern (note 1),
Contingencies and commitments (note 16)

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

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director   (Signed) Daniel Massé, Director

Cartier Resources Inc.

(an exploration company)

Statements of Deferred Exploration Costs

Years ended December 31,

(In Canadian $)

	2016	2015
	$	$
Balance - Beginning of year	**8,131,224**	8,699,798
Costs incurred during the year		
Geology	**334,386**	579,981
Drilling	**396,957**	136,899
Exploration office expenses	**10,523**	10,497
Surveying and access roads	**42,787**	75,119
Core shack rental and maintenance	**34,747**	43,287
Duties, taxes and permits	**13,057**	12,645
Depreciation of furniture and equipment	**15,159**	20,903
Share-based payments-employees	**40,268**	28,830
	887,884	908,161
Write-off of deferred exploration costs	**-**	(1,447,328)
Tax credits	**(18,935)**	(29,407)
Net costs for the year	**868,949**	(568,574)
Balance - End of year	**9,000,173**	8,131,224

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

Cartier Resources Inc.

(an exploration company)

Statements of changes in equity

Years ended December 31,

(In Canadian $)

	Number of shares	Share capital	Warrants	Contributed surplus	Equity component of the convertible debenture	Deficit	Accumulated other comprehensive (loss)	Total equity
		$	$	$	$	$	$	$
BALANCE AS AT DECEMBER 31, 2015	**80,425,795**	**16,865,599**	**2,256,291**	**1,366,693**	**-**	**(12,366,629)**	**-**	**8,121,954**
Net loss for the year	**-**	**-**	**-**	**-**	**-**	**(828,855)**	**-**	**(828,855)**
Change in fair value of other short-term financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**103,243**	**103,243**
Reclassification to statements of loss	**-**	**-**	**-**	**-**	**-**	**-**	**(87,443)**	**(87,443)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(828,855)**	**15,800**	**(813,055)**
Issuance of shares	**32,215,334**	**5,395,339**	**-**	**-**	**-**	**-**	**-**	**5,395,339**
Effect of share-based payments	**-**	**-**	**-**	**213,969**	**-**	**-**	**-**	**213,969**
Issuance of warrants	**-**	**-**	**155,590**	**-**	**-**	**-**	**-**	**155,590**
Convertible debenture	**-**	**-**	**-**	**-**	**87,000**	**-**		**87,000**
Convertible debenture issue costs	**-**	**-**	**-**	**-**	**(4,029)**	**-**		**(4,029)**
BALANCE AS AT DECEMBER 31, 2016	**112,641,129**	**22,260,938**	**2,411,881**	**1,580,662**	**82,971**	**(13,195,484)**	**15,800**	**13,156,768**

	Number of shares	Share capital	Warrants	Contributed surplus	Equity component of the convertible debenture	Deficit	Accumulated other comprehensive (loss)	Total equity
BALANCE AS AT DECEMBER 31, 2014	71,825,795	16,302,923	2,054,561	1,251,432	-	(10,328,872)	(13,750)	9,266,294
Net loss for the year	-	-	-	-	-	(2,037,757)	-	(2,037,757)
Change in fair value of other short-term financial assets	-	-	-	-	-	-	(49,000)	(49,000)
Reclassification to statements of loss	-	-	-	-	-	-	62,750	62,750
Total comprehensive loss	-	-	-	-	-	(2,037,757)	13,750	(2,024,007)
Issuance of shares	8,600,000	562,676	-	-	-	-	-	562,676
Effect of share-based payments	-	-	-	115,261	-	-	-	115,261
Issuance of warrants	-	-	201,730	-	-	-	-	201,730
BALANCE AS AT DECEMBER 31, 2015	80,425,795	16,865,599	2,256,291	1,366,693	-	(12,366,629)	-	8,121,954

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

Cartier Resources Inc.

(an exploration company)

Statements of loss

Years ended December 31,

(In Canadian $)

	2016	2015
	$	$
Administrative expenses		
Salaries	**363,306**	383,661
Consultants	**11,645**	46,976
Share-based payments-employees (note 11)	**125,202**	86,431
Share-based payments-consultants	**48,499**	-
Professional fees	**68,944**	94,651
Rent	**16,221**	21,328
Business development	**103,857**	58,348
Insurance, taxes and permits	**14,059**	16,645
Interest and bank charges	**27,087**	1,342
Depreciation of property, plant and equipment	**3,169**	7,166
Office supplies	**20,680**	24,073
Telecommunications	**5,852**	7,914
Training and travel	**10,668**	13,569
Advertising and sponsoring	**6,711**	8,284
Shareholder's information	**35,518**	32,319
Part XII.6 tax related to flow-through shares	**-**	784
	861,418	803,491
Other expenses (income)		
Write-off of exploration assets and deferred exploration costs	**-**	1,871,482
Other exploration costs	**20,588**	31,214
Impairment of securities available-for-sale	**-**	75,750
Gain on disposal of other short-term financial assets	**(87,443)**	-
Gain on disposal of property, plant and equipment	**(628)**	-
Contractual services income	**(106,000)**	(104,000)
Interest income	**(7,820)**	(8,411)
LOSS BEFORE DEFERRED INCOME AND MINING TAXES	**(680,115)**	(2,669,526)
Deferred income and mining taxes (note 14)	**148,740**	(631,769)
Net loss for the year attributable to shareholders	**(828,855)**	(2,037,757)
LOSS PER SHARE		
basic	**(0.01)**	(0.03)
diluted	**(0.01)**	(0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
basic	**86,193,050**	76,265,247
diluted	**86,682,328**	76,265,247

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

Cartier Resources Inc.

(an exploration company)

Statements of Comprehensive Loss

Years ended December 31,

(In Canadian $)

	2016	2015
	$	$
Net loss for the year	**(828,855)**	(2,037,757)
Items that may be reclassified subsequently to profit or loss :		
Change in fair value of other short-term financial assets	**103,243**	(49,000)
Reclassification to statements of loss	**(87,443)**	62,750
Comprehensive loss for the year attributable to shareholders	**(813,055)**	(2,024,007)

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

Cartier Resources Inc.

(an exploration company)

Statements of Cash Flows

Years ended December 31,

(In Canadian $)

	2016	2015
	$	$
OPERATING ACTIVITIES		
Loss before deferred income and mining taxes	**(680,115)**	(2,669,526)
Adjustments for:		
Depreciation of property, plant and equipment	**3,169**	7,166
Share-based payments-employees	**125,202**	86,431
Share-based payments-consultants	**48,499**	-
Write-off of exploration assets and deferred exploration costs	**-**	1,871,482
Impairment of securities available-for-sale	**-**	75,750
Gain on disposal of other short-term financial assets	**(87,443)**	-
Gain on disposal of property, plant and equipment	**(628)**	-
Imputed interest of convertible debenture	**10,809**	-
Interest income	**(7,820)**	(8,411)
Interest received	**7,165**	7,884
	(581,162)	(629,224)
Net change in non-cash working capital items		
Receivables	**(32,732)**	2,252
Prepaid expenses	**8,405**	645
Accounts payables and accrued liabilities	**15,817**	19,195
Cash flows used in operating activities	**(589,672)**	(607,132)
FINANCING ACTIVITIES		
Shares issue	**5,716,550**	949,500
Shares issue expenses	**(83,979)**	(41,362)
Convertible debenture issue	**300,000**	-
Convertible debenture issue cost	**(15,728)**	-
Cash flows from financing activities	**5,916,843**	908,138
INVESTING ACTIVITIES		
Disposal of other short-term financial assets	**99,030**	-
Acquisition of property, plant and equipment	**(4,370)**	-
Disposal of property, plant and equipment	**628**	-
Acquisition of exploration assets and deferred exploration costs	**(769,259)**	(783,269)
Cash flows used in investing activities	**(673,971)**	(783,269)
Net change in cash and cash equivalents	**4,653,200**	(482,263)
Cash and cash equivalents at the beginning	**912,155**	1,394,418
Cash and cash equivalents at the end (note 3)	**5,565,355**	912,155
Cash and cash equivalents	**5,426,970**	836,930
Cash reserved for exploration	**138,385**	75,225
	5,565,355	912,155

Additional information (note 12)

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

Incorporation and Nature of Operations

Cartier Resources Inc. (the "Company"), initially incorporated under Part 1 A of the Québec Companies Act on July 17, 2006, has been governed by the Business Corporations Act (Quebec) since February 14, 2011. The Company's head office is located at 1740, chemin Sullivan, Suite 1000, Val-d'Or, Québec. Its activities primaily include the acquisition and exploration of mining properties in Canada.

1. Basis of preparation and going concern

These financial statements were prepared on a going concern basis, using historical costs method, except for «Other short-term financial assets» which are measured at fair value.

The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The Company has not yet determined whether its properties contain economically recoverable ore reserves. The recoverability of the amounts shown for mining properties is dependent upon the existence of economic ore reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. The application of International Financial Reporting Standards « IFRS » on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the appropriateness of the going concern assumption.

These financial statements have been prepared in accordance with IFRS. The Company requires the use of certain critical judgments and accounting estimates. It also requires management to exercise judgment when applying the Company's accounting policies.

On April 19, 2017, the Company's Board of Directors approved these annual financial statements for the years ended December 31, 2016 and December 31, 2015.

2. Summary of accounting policies

2.1. Overall considerations

The financial statements have been prepared using accounting policies consistent with IFRS that are in effect as at December 31, 2016.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

2.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

2. Summary of accounting policies (continued)

2.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

IAS 7, Statement of Cash Flows
IAS 7, *Statement of Cash Flows* has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The Company is currently assessing the impact this standard is expected to have on its financial statements.

IFRS 2, Classification and measurement of share-based payment transactions
In June 2016, the IASB issued narrow-scope amendments to IFRS 2 Share-based Payment clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for, (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (b) share-based payment transactions with a net settlement feature for withholding tax obligations and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. IFRS 2 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact this standard is expected to have on its financial statements.

IFRS 15, Revenue from contracts with customers
In May 2014, IASB issued IFRS 15 – R*evenue from contracts with customers* ("IFRS 15''). This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 T*ransfers of assets from customers*, and SIC-31 *Revenue Barter transactions involving advertising services*. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRSs. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact this standard is expected to have on its financial statements.

IFRS 9 – Financial instruments
In July 2014, the final version of IFRS 9 was published, which will supersede IAS 39 *Financial Instruments*: *Recognition and Measurement*. This new standard simplifies the classification and measurement of financial assets and financial liabilities by reducing the number of measurement categories. The new standard also introduces additional requirements relating to general hedge accounting and financial asset impairment methodology. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The entity is currently assessing the expected impact that adopting IFRS 9 will have on its financial statements.

IFRS 16 - Leases
In January 2016, IASB issued IFRS 16 – *Leases*. The standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases. IFRS 16 is effective for annual period beginning on or after January 1, 2019. Early adoption is permitted if the Company applied IFRS 15 – *Revenue from contract with customers*. The Company is currently assessing the expected impact of this standard on its financial statements.

2.3. Post employment benefits and short-term employee benefits

The Company provides post employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions, established according to a percentage of the employee's salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period. Contributions paid under the defined contribution rules are recognized as an expense when employees have rendered the services entitling them to those services.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "accounts payables and accrued liabilities", and are measured at the undiscounted amount that the Company expects to pay.

2. Summary of accounting policies (continued)

2.4. Share-based payments-employees

The Company has a stock option purchase plan under which options to acquire the Company's common shares may be granted to its directors, officers, employees and consultants. The plan does not provide any options for a cash settlement.

Where employees are rewarded using share-based payments, the fair values is determined using the Black-Scholes pricing model at the date of grant. All share-based payments are recognized as an expense and also in deferred exploration costs with a corresponding increase to «contributed surplus».

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised at the end of each reporting period or if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense in prior periods if share options ultimately exercised are different from that estimated on vesting.

Upon exercise of share options, the proceeds received are credited to share capital. The fair value of each option is reversed from contributed surplus to share capital.

2.5. Mining assets

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of each specific mining property or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse.

These costs will be amortized over the estimated useful life of the mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse.

General exploration costs not related to specific mining assets are expensed in the statement of loss as incurred.

The recoverability of the amounts recorded under mining properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to complete development, and future profitable production or proceeds from the disposal of these properties. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

2.6. Credit on duties refundable and refundable tax credit for resources

The Company is entitled to a credit on duties refundable under the Mining Duties Act. This credit on duties refundable on exploration costs incurred in the Province of Quebec has been applied against the deferred income taxes in the statement of financial position. In accordance with IAS 12- *Income tax* , the credits on duties are applied against the deferred income taxes in the statement of financial position when the Company expects to continue holding the mining property once ready for production.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. The refundable tax credit for resources may reach 28% of qualified expenditures incurred. In accordance with IAS 20- A*ccounting for government grants and disclosure of government assistance* , this tax credit is accounted against the qualified expenditures.

2. Summary of accounting policies (continued)

2.7. Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, and the expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less tax credits and any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable or is abandoned, the capitalized amounts are written down to their recoverable amounts and the difference is then immediately recognized in net loss.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property, plant and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

At present, no technical feasibility or commercial viability of extracting a mineral resource has been confirmed.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company’s titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with an option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on these property by the acquirer. In addition, the cash considerations received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

2. Summary of accounting policies (continued)

2.8. Income and mining taxes

The income and mining tax expense is composed of current and deferred taxes. Taxes are recognized in the statement of loss unless they relate to items carried in other comprehensive income or directly in shareholders' equity.

Current income taxes and mining taxes

Current income tax and mining tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods that are unpaid at the reporting date. The current income tax expense is based on the income for the period adjusted for non-taxable or non-deductible items. The mining tax expense is based on the income for the period for each mining site under production adjusted for non-taxable or non-deductible items. Calculation of current income tax and mining taxes is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly examines positions in tax returns where tax regulations are subject to interpretation.

Deferred income taxes and deferred mining taxes

Deferred income taxes are recognized using the liability method on temporary differences between the tax basis of the assets and liabilities and their carrying amount in the statement of financial position. Deferred income tax assets and liabilities are calculated, on an undiscounted basis, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income taxes and mining taxes liabilities

Deferred income taxes and mining taxes liabilities are generally recognized for all temporary taxable differences.

Deferred income taxes and mining taxes assets

Deferred income taxes and mining taxes assets are recognized to the extent that it is probable they will be able to be utilized against future taxable income.

Deferred income taxes and mining taxes assets are examined at the end of the reporting period and reduced when it is no longer probable that taxable income will be sufficient to recover some or all of the deferred tax assets.

Deferred income tax assets and liabilities are not recognized for temporary differences resulting from the initial recognition of assets and liabilities acquired other than in a business combination.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of the tax expense or recovery in the statement of loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

2. Summary of accounting policies (continued)

2.9. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to holders of common shares by the weighted average number of common shares outstanding during the period. The Company uses the treasury method to calculate the diluted net loss per share. The diluted net loss per share is calculated by adjusting earnings attributable to common shareholders, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation considers that stock options and warrants have been converted into potential common shares at the average market value during the presentation period.

2.10. Cash reserved for exploration

The Company raises flow-through funds for exploration under subscription agreements which require the Company to incur prescribed resource expenditures. The Company must use these funds for exploration of mining properties in accordance with restrictions imposed by the financing and they must be shown as cash reserved for exploration. If the Company does not incur the resource expenditures, within a pre-determined timeframe, then it will be required to indemnify these shareholders for any tax and other costs payable by them.

2.11. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with maturity dates of less than three months from the date of acquisition.

2.12. Property, plant and equipment

Property, plant and equipment are recorded at cost, net of potential related government assistance, accumulated depreciation and accumulated impairment. The cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are recorded at cost and are depreciated over their estimated useful life on a straight-line basis as follows :

- Leasehold improvements: 5 years
- Furniture and equipment: 5 years

The residual value, depreciation method and useful life of each asset are reviewed at least at the end of each reporting period.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or futur disposal.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of loss.

2. Summary of accounting policies (continued)

2.13. Impairment of long-lived assets

Non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment at the end of each reporting period or when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have expired or will expire in the near future and it is not expected that they be renewed;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset’s recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

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.

2.14. Leases

Leases are classified as operating leases since the benefits and the risks related to the ownership are not transfered to the Company. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Related costs, such as maintenance and insurance, are expensed as incurred.

2. Summary of accounting policies (continued)

2.15. Equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

Unit placements

The proceeds of unit issuances are allocated to the shares and warrants in proportion of their fair value using the Black-Scholes model to calculate the fair value of warrants.

Flow-through financing

The Company raises funds through the issuance of “flow-through” shares which entitles investors to prescribed resource tax benefits and credits once the Company has renounced these benefits in accordance with the tax legislation. Currently there is no specific IFRS guidance related to the accounting and reporting of these arrangements. The Company has adopted the CPA Canada Viewpoint which considers the issuance of flow-through shares in substance; (a) an issue of an ordinary share; and (b) the sale of tax deductions. The sale of tax deductions has been measured based on the relative fair value method. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as a liability in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. When the Company fulfills its obligation, the liability is reduced, the sale of tax deductions is recognized in the statement of loss as a reduction of the deferred tax expense and a deferred tax liability is recognized in accordance with IAS 12, *Income Taxes*, for the taxable temporary differences between the carrying value of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

Warrants

Warrants are classified as equity as they are derivatives over the Company’s own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company’s own equity instruments.

Other components of equity

Contributed surplus includes charges related to share options until such option are exercised.

The deficit includes all current and prior years retained profits or losses.

2.16. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from a financial asset expire, or when a financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus or minus transaction costs, except for financial assets and liabilities measured at fair value through profit or loss for which fair value is not adjusted for transaction costs.

2. Summary of accounting policies (continued)

2.16. Financial instruments (continued)

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated as effective hedging instruments, are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in the income statement loss or in other comprehensive loss.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is an objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets that are recognized in the statement of loss are presented within "Administrative expenses" or "Other expenses (income)".

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents and cash reserved for exploration are classified in this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and that are designated at fair value through profit or loss upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognized in the statement of loss. The Company has no financial assets in this category.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss. The Company has no financial assets in this category.

2. Summary of accounting policies (continued)

2.16. Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include shares of publicly-traded companies presented in "Other short-term financial assets". The variation of the fair value is recognized in the statement of other comprehensive income. Any impairment loss is recorded through net loss, including any cumulative previously recorded change in fair value recorded in accumulated other comprehensive loss. Any subsequent negative change in fair value is recorded through net loss, while any subsequent positive change in fair value is recorded through other comprehensive loss.

All available for sale financial assets are measured at fair value.

Financial liabilities

The Company’s other financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

If applicable, all interest-related charges and changes in an instrument's fair value that are recognized in the income statement are presented in “Administrative expenses” or “Other expenses (income)”.

2.17. Presentation and functional currency

The financial statements are presented in Canadian dollars, which is also the functionnal currency of the Company.

2.18. Accounting estimates and critical judgments

The preparation of financial statements requires management to make estimates, assumptions and judgments with respect to future events. These estimates and judgments are constantly challenged. They are based on past experience and other factors, in particular, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgments made by management, and will seldom equal the estimated results.

The following paragraphs describe the most critical management estimates and assumptions in the recognition and measurement of assets, liabilities and expenses and the most critical management judgments in applying accounting policies.

Impairment of assets
An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of its mining assets. Each year, the Company conducts an annual review of the geological potential of all its claims with the objective of abandoning any claims with a low discovery potential. All amount incurred on those claims are recorded in the statements of loss of the year. (Note 2.13.)

Share-based payments and fair value of warrants
The estimate of share-based payment costs and of the fair value of warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the expected life of options and expected extinguishments. The model used by the Company is the Black-Scholes model.

(In Canadian $)

2. Summary of accounting policies (continued)

2.18. Accounting estimates and critical judgments (continued)

Income taxes and deferred mining taxes
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

2.19. New accounting policies

IFRS 11, Joint Arrangement
IFRS 11 was amended in May 2014 to add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Management's analysis is that IFRS 11 did not have a material impact on the financial statements.

IAS 1 – Presentation of financial statements
The amendment to IAS 1 address, among others, the concept of materiality and aggregation and disaggregation of disclosure in the notes to the financial statements as well as in the statement of financial situation and statement of profit or loss and other comprehensive income. Management's analysis is that its application did not have a significant impact on the amounts presented for all of the years under review.

IAS16 - Property, plant and equipment
The amendment to IAS16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. Management's analysis is that IAS16 did not have a material impact on the financial statements.

3. Cash and cash equivalents and cash reserved for exploration

As at December 31, 2016 and 2015, the cash and the cash equivalents and the cash reserved for exploration include an account bearing a high interest rate and an account without interest, as follows:

	December 31, 2016		December 31, 2015	
	$	**Interest rate**	$	Interest rate
1) Account bearing interests	**900,042**	**0.75%-0.80%**	792,614	0.75%
2) Account without interest	**4,665,313**	**-**	119,541	-
Total	**5,565,355**		912,155	

	December 31, 2016	December 31, 2015
	$	$
Cash	**5,565,355**	912,155
Less: Cash reserved for exploration	**(138,385)**	(75,225)
Cash and cash equivalents	**5,426,970**	836,930

(In Canadian $)

4. Other short-term financial assets

	December 31, 2016	December 31, 2015
	$	$
Marketable securities of a quoted mining exploration company, available-for-sale, at fair value	**22,713**	18,500

5. Receivables

	December 31, 2016	December 31, 2015
	$	$
Credit on mining rights refundable and refundable tax credit for resources	**26,691**	11,394
Commodity taxes	**76,400**	43,014
	103,091	54,408

6. Property, plant and equipment

	Leasehold improvements (1)	Furniture and equipement (2)	Total
	$	$	$
Cost			
Balance as at December 31, 2015	117,911	22,430	140,341
Additions	4,370	-	4,370
Disposition	-	(1,555)	(1,555)
Write-off	(9,155)	(1,200)	(10,355)
Balance as at December 31, 2016	113,126	19,675	132,801
Accumulated depreciation			
Balance as at December 31, 2015	96,061	20,172	116,233
Depreciation	16,070	2,258	18,328
Disposition	-	(1,555)	(1,555)
Write-off	(9,155)	(1,200)	(10,355)
Balance as at December 31, 2016	102,976	19,675	122,651
Carrying amount as at December 31, 2016	**10,150**	**-**	**10,150**

(In Canadian $)

6. Property, plant and equipment (continued)

	Leasehold improvements (1)	Furniture and equipement (2)	Total
	$	$	$
Cost			
Balance as at December 31, 2014 and 2015	117,911	22,430	140,341
Accumulated depreciation			
Balance as at December 31, 2014	72,479	15,685	88,164
Depreciation	23,582	4,487	28,069
Balance as at December 31, 2015	96,061	20,172	116,233
Carrying amount as at December 31, 2015	**21,850**	**2,258**	**24,108**

(1) As at December 31, 2016, leasehold improvements with a carrying value of $10,152 ($19,577 as at December 31, 2015) are used for exploration.

(2) As at December 31, 2016, no value for furniture and equipment with a carrying value ($1,363 as at December 31, 2015) are used for exploration.

7. Leases

The future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 year	**1 to 5 years**	**Total**
	$	$	$
December 31, 2016	**41,722**	117,000	158,722
December 31, 2015	**86,644**	337,948	424,592

The Company rents its offices under a lease expiring in March 2021. The lease covering a Company's vehicle expires in October 2017.

Lease fees recognized as an expense during the reporting period amount to $61,812 ($86,644 as at December 31, 2015). Since July, 1st, 2016, the Company completed the reduction of its rental space, which resulted in an amendment to his lease and to a reduction in rental costs. This amount consists of minimum lease payments. The Company's lease agreements contain renewal options.

(In Canadian $)

8. Exploration assets and deferred exploration costs

	MacCormack	Chimo Mine	Wilson	Cadillac Extension	Benoist	Fenton	Total
% participation	100%	100%	100%	100%	100%	Option 50 %	
	$	$	$	$	$	$	$
Mining properties							
Balance as at December 31, 2015	252,756	107,024	-	3,297	622,723	10,121	995,921
Addition	-	-	72,000	418	-	4,250	76,668
Balance as at December 31, 2016	**252,756**	**107,024**	**72,000**	**3,715**	**622,723**	**14,371**	**1,072,589**
Deferred exploration costs							
Balance as at December 31, 2015	3,238,208	220,267	-	1,889,011	2,322,647	461,091	8,131,224
Addition							
Geology	53,508	29,049	159,961	75,724	15,119	1,025	334,386
Drilling	-	231,979	4,653	160,276	49	-	396,957
Exploration office expenses	-	2,762	1,702	5,851	208	-	10,523
Surveying and access roads	53	8,773	3	30,430	3,528	-	42,787
Core shack rental and maintenance	-	10,022	6,598	18,072	55	-	34,747
Duties, taxes and permits	5,533	1,524	747	2,588	2,043	622	13,057
Depreciation of exploration equipment	2,404	4,167	1,377	5,616	1,595	-	15,159
Share-based payments-employees	7,610	11,553	2,728	13,137	5,240	-	40,268
Total deferred exploration costs during the year	69,108	299,829	177,769	311,694	27,837	1,647	887,884
Tax credits	(9,715)	(3,050)	-	(5,208)	(675)	(287)	(18,935)
Net expenses during the year	59,393	296,779	177,769	306,486	27,162	1,360	868,949
Balance as at December 31, 2016	**3,297,601**	**517,046**	**177,769**	**2,195,497**	**2,349,809**	**462,451**	**9,000,173**
Balance of exploration assets and deferred exploration costs as at December 31, 2016	**3,550,357**	**624,070**	**249,769**	**2,199,212**	**2,972,532**	**476,822**	**10,072,762**

All the mining properties held by the Company are located in northwestern Quebec.

(In Canadian $)

8. Exploration assets and deferred exploration costs (continued)

	MacCormack	Dollier	Chimo Mine	Cadillac Extension	Benoist	Fenton	Total
% participation	100%	100%	100%	100%	100%	Option 50 %	
	$	$	$	$	$	$	$
Mining properties							
Balance as at December 31, 2014	497,848	17,567	261,616	10,200	622,723	5,121	1,415,075
Addition	-	-	-	-	-	5,000	5,000
Write-off	(245,092)	(17,567)	(154,592)	(6,903)	-	-	(424,154)
Balance as at December 31, 2015	**252,756**	**-**	**107,024**	**3,297**	**622,723**	**10,121**	**995,921**
Deferred exploration costs							
Balance as at December 31, 2014	3,234,594	1,009,599	197,240	1,661,311	2,140,634	456,420	8,699,798
Addition							
Geology	177,717	9,558	25,859	237,860	124,564	4,423	579,981
Drilling	120,408	695	3,901	2,359	9,536	-	136,899
Exploration office expenses	4,910	-	1,516	1,017	3,054	-	10,497
Surveying and access roads	2,753	-	-	49,925	22,441	-	75,119
Core shack rental and maintenance	20,508	-	6,264	3,698	12,817	-	43,287
Duties, taxes and permits	4,356	1,808	878	1,568	3,622	413	12,645
Depreciation of exploration equipment	8,187	-	3,170	1,742	7,804	-	20,903
Share-based payments-employees	13,262	-	4,325	2,883	8,360	-	28,830
Total deferred exploration costs during the year	352,101	12,061	45,913	301,052	192,198	4,836	908,161
Write-off of deferred exploration costs	(340,628)	(1,021,015)	(18,567)	(67,118)	-	-	(1,447,328)
	11,473	(1,008,954)	27,346	233,934	192,198	4,836	(539,167)
Tax credits	(7,859)	(645)	(4,319)	(6,234)	(10,185)	(165)	(29,407)
Net expenses during the year	3,614	(1,009,599)	23,027	227,700	182,013	4,671	(568,574)
Balance as at December 31, 2015	**3,238,208**	**-**	**220,267**	**1,889,011**	**2,322,647**	**461,091**	**8,131,224**
Balance of exploration assets and deferred exploration costs as at December 31, 2015	**3,490,964**	**-**	**327,291**	**1,892,308**	**2,945,370**	**471,212**	**9,127,145**

All the mining properties held by the Company are located in northwestern Quebec.

(In Canadian $)

9. Convertible debenture

On May 25, 2016, the Company subscribed to a convertible debenture in the amount of $300,000 bearing interest at 8.20 % (effective interest rate of 18 %). The debenture is convertible at the option of the holder at any time at a conversion price of $0.13 per common share. The Company may force the conversion of the principal at a price per share plus a premium of 30 % over the lesser of the following: a) the last closing price of the shares of the company before the issuance of the debenture; or b) the weighted average of shares of the Company for a period of 20 days preceding the issuance of the debenture. The debenture is repayable at par value plus accrued and unpaid interest. The debenture matures on May 25, 2021. At December 31, 2016, the balance of the liability component of the convertible debenture is $212,110 (nil at December 31, 2015) and is as follows :

	December 31, 2016
Proceeds from issue	**300,000**
Liability component at the date of issue	**(213,000)**
Equity component	**87,000**
Liability component at the date of issue	**213,000**
Issuance costs	**(11,699)**
	201,301
Interest expensed calculated at the effective interest rate of 18.0%	**25,637**
Interest payable	**(14,828)**
Liability component as at December 31, 2016	**212,110**

10. Share capital

Authorized

Unlimited number of common shares, without par value, voting and participating

	December 31,2016		December 31,2015	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of the year	**80,425,795**	**16,865,599**	71,825,795	16,302,923
Shares issued and paid				
Acquisition of property (a) (b)	**300,000**	**34,250**	50,000	5,000
Private placements (c)(d) (e) (f) (k) (p)(q) (r) (s) (t)	**25,700,334**	**4,752,710**	5,400,000	338,270
Flow-through private placements (g) (i) (l) (n)	**6,215,000**	**808,250**	3,150,000	409,500
Renouncement of tax deductions on flow-through shares (h) (j) (m) (o)	**-**	**(105,450)**	-	(152,000)
	32,215,334	**5,489,760**	8,600,000	600,770
Share issue expenses	**-**	**(94,421)**	-	(38,094)
Balance, at end of the year	**112,641,129**	**22,260,938**	80,425,795	16,865,599

10. Share capital (continued)

(a) On September 16, 2014, the Company amended its option agreement with SOQUEM INC. for 3 additional years.

On March 19, 2012, the Company issued 50,000 common shares in vertue of the option agreement enabling it to acquire a 50% undivided interest in the Fenton project. The Company must also incur exploration expenditures aggregating $1,500,000 by March 19, 2018 and pay 50,000 shares at each anniversary date, including a firm commitment to invest $500,000 in exploration work over the first year following the signature of the agreement, which was completed during this period. The Company issued 50,000 common shares to SOQUEM INC. at the signing of the agreement, at the first, second, third and fourth anniversary following the signature of the agreement. SOQUEM INC. is the operator. After the Company earns its undivided interest of 50%, SOQUEM INC. and the Company will form a joint venture.

(b) On June 9, 2016, the Company issued 250,000 common shares in vertue of the option agreement enabling it to acquire a 100% undivided interest in the Wilson project.

(c) Issuance of common shares on December 22, 2016

On December 22, 2016, the Company completed a private placement for gross proceeds of $4,500,000. In total the Company issued 22,500,000 common share at a price of $0,20 per common share. Share issue expenses totalling $34,429 were also applied against the share capital.

(d) Issuance of common shares on September 2, 2016

On September 2, 2016, the Company completed a private placement for gross proceeds of $100,050. In total the Company issued 667,000 units («the units») at a price of $0,15 per unit, with each unit consisting of one common share at a price of $0.15 per share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.20 for a period of 12 months following the closing date. The financing is presented net of the value of the related warrants, which was established at $27,347. The Company has paid Raymond James Ltd. a fee equal to 8% of the gross proceeds raised in this private placement. Share issue expenses totalling $12,922 were also applied against the share capital.

(e) Issuance of common shares on August 17, 2016

On August 17, 2016, the Company completed a private placement for gross proceeds of $150,000. In total the Company issued 1,250,000 units (the "Units") at a price of $0,12 per unit, with each unit consisting of one common share at a price of $0.12 per share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.15 for a period of 12 months following the closing date. The financing is presented net of the value of the related warrants, which was established at $63,250. Share issue expenses totalling $4,904 were also applied against the share capital.

(f) Issuance of common shares on August 12, 2016

On August 12, 2016, the Company completed a private placement for gross proceeds of $100,000 with Sidex, S.E.C. In total the Company issued 833,334 units at a price of $0,12 per unit, with each unit consisting of one common share at a price of $0.12 per share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.15 for a period of 12 months following the closing date. The financing is presented net of the value of the related warrants, which was established at $36,083. Share issue expenses totalling $5,862 were also applied against the share capital.

10. Share capital (continued)

(g) Issuance of flow-through shares on June 9 and 13, 2016

On June 9 and 13, 2016, the Company completed two tranches on a flow-through private placement totaling $416,500 with accredited investors, friends and business associates, consists of 2,975,000 flow-through common shares at $0.14 each. For the first tranche of this private placement, the Company paid a cash finder's fee equal to 7% of the gross proceeds and issue 175,000 non-transferable warrants entitling to subscribe for 7% of the total number of the shares sold at $0.14 each common share for a period of 18 months following closing of the offering. The finder's fee and warrants are equally split between Marquest Asset Management Inc. and Industrial Alliance Securities Inc. The offering is net of the $13,250 warrants. Share issue expenses totalling $29,636 were also applied against the share capital.

(h) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $89,250 which has reduced the share capital and increased the liabilities related to flow-through shares.

(i) Issuance of flow-through shares on May 10, 2016

On May 10, 2016, the Company completed a flow-through private placement with accredited investors, directors, friends and business associates and consists of 405 units for an amount of $405,000. For the flow-through private placement, each unit, at a price of $1,000 per unit, is comprised of 8,000 flow-through common shares. Thus, the following securities were issued by the Company, 3,240,000 flow-through shares at a price of $0.125 per share for an amount of $405,000. Share issue expenses totalling $4,710 were also applied against the share capital.

(j) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $16,200 which has reduced the share capital and increased the liabilities related to flow-through shares.

(k) Issuance of common shares on May 10, 2016

On May 10, 2016, the Company completed a private placement with accredited investors, an officer and a friend and consists of 45 units for an amount of $45,000. For the private placement, each unit, at a price of $1,000 per unit, is comprised of 10,000 common shares and 10,000 warrants. Each warrant entitles the holder to subscribe for 1 common share at a price of $0.13 for a period of 24 months following the closing date. Thus, the following securities were issued by the Company, 450,000 shares at a price of $0.10 per share for an amount of $45,000. The financing is presented net of the value of the related warrants, which was established at $15,660. Share issue expenses totalling $1,958 were also applied against the share capital.

(l) Issuance of flow-through shares on October 22, 2015

On October 22, 2015, the Company completed a flow-through private placement with accredited investors and consists of 205 units for an amount of $266,500. For the flow-through private placement, each unit, at a price of $1,300 per unit, is comprised of 10,000 flow-through common shares. Thus, the following securities were issued by the Company, 2,050,000 flow-through shares at a price of $0.13 per share for an amount of $266,500. Share issue expenses totalling $6,379 were also applied against the share capital.

(m) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $102,500 which has reduced the share capital and increased the liabilities related to flow-through shares.

10. Share capital (continued)

(n) Issuance of flow-through shares on August 7, 2015

On August 7, 2015, the Company completed a flow-through private placement with accredited investors and consists of 110 units for an amount of $143,000. For the flow-through private placement, each unit, at a price of $1,300 per unit, is comprised of 10,000 flow-through common shares at a price of $0.13 per share. Thus, the following securities were issued by the Company, 1,100,000 flow-through shares at a price of $0.13 per share for an amount of $143,000. Two insiders participated in this financing for a total of 120,000 shares ($15,600). Share issue expenses totalling $2,850 were also applied against the share capital.

(o) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $49,500 which has reduced the share capital and increased the liabilities related to flow-through shares.

(p) Issuance of common shares on July 16, 2015

On July 16, 2015, the Company completed a private placement with Capital Croissance PME II S.E.C. and Fonds régionaux de solidarité FTQ, S.E.C. for gross proceeds of $125,000. In total, Cartier issued 1,250,000 units (the “units”) at a price of $0.10 per unit, with each unit consisting of one common share at a price of $0.10 per share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.13 for a period of 24 months following the closing date. Accordingly, an aggregate of 1,250,000 common shares and 1,250,000 warrants were issued. The financing is presented net of the value of the related warrants, which was established at $48,375. Share issue expenses totalling $7,742 were also applied against the share capital.

(q) Issuance of common shares on June 12, 2015

On June 12, 2015, the Company completed a private placement with SIDEX, s.e.c. for gross proceeds of $100,000. In total, the Company issued 1,000,000 units (the “units”) at a price of $0.10 per unit, with each unit consisting of one common share at a price of $0.10 per share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.13 for a period of 24 months following the closing date. Accordingly, an aggregate of 1,000,000 common shares and 1,000,000 warrants were issued. The financing is presented net of the value of the related warrants, which was established at $34,600. Share issue expenses totalling $5,992 were also applied against the share capital.

(r) Issuance of common shares on April 7, 2015

On April 7, 2015, the Company completed a private placement with accredited investors, directors, officers and other investors for gross proceeds of $140,000. In total, the Company issued 1,400,000 units (the “units”) at a price of $0.10 per unit, with each unit consisting of one common share at a price of $0.10 per share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.13 for a period of 24 months following the closing date. Accordingly, an aggregate of 1,400,000 common shares and 1,400,000 warrants were issued. The financing is presented net of the value of the related warrants, which was established at $51,380. Share issue expenses totalling $3,073 were also applied against the share capital.

(In Canadian $)

10. Share capital (continued)

(s) Issuance of common shares on March 13, 2015

On March 13, 2015, the Company completed a private placement with SODÉMEX II s.e.c. for gross proceeds of $75,000. In total, the Company issued 750,000 units (the "Units") at a price of $0.10 per Unit, with each Unit consisting of one common share at a price of $0.10 per share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.13 for a period of 24 months following the closing date. Accordingly, an aggregate of 750,000 common shares and 750,000 warrants were issued. The financing is presented net of the value of the related warrants, which was established at $28,875. Share issue expenses totalling $4,448 were also applied against the share capital.

(t) Issuance of common shares on March 11, 2015

On March 11, 2015, the Company completed a private placement with SIDEX, s.e.c. for gross proceeds of $100,000. In total, the Company issued 1,000,000 units (the "Units") at a price of $0.10 per Unit, with each Unit consisting of one common share at a price of $0.10 per share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.13 for a period of 24 months following the closing date. Accordingly, an aggregate of 1,000,000 common shares and 1,000,000 warrants were issued. The financing is presented net of the value of the related warrants, which was established at $38,500. Share issue expenses totalling $7,610 were also applied against the share capital.

Stock Option Plan

The Company has a stock option plan that has been approved by the shareholders. The maximum number of common shares which may be reserved under the plan is limited to 10% of the number of common shares issued and outstanding (on a non-diluted basis). The options granted to any optionnee cannot exceed 5% of the issued and outstanding common shares. The options are vested over a period of 12 months and are exercisable over a maximum of five years.

The following table summarizes the information about the outstanding stock options:

	December 31, 2016		December 31, 2015	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Outstanding - Beginning	**7,070,000**	**0.18**	5,025,000	0.23
Granted-employees	**2,000,000**	**0.15**	2,250,000	0.10
Granted-consultants	**500,000**	**0.17**	-	-
Expired	**(600,000)**	**0.44**	(205,000)	0.37
Outstanding - End	**8,970,000**	**0.16**	7,070,000	0.18
Exercisable - End	**7,095,000**	**0.16**	5,295,000	0.21

(In Canadian $)

10. Share capital (continued)

The following table summarizes certain information for stock options outstanding and exercisable :

	Outstanding options December 31, 2016			Exercisable options December 31, 2016		
Exercise price	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**
		(years)	**$**		**(years)**	**$**
$0.10 to $0.18	**6,050,000**	**3.94**	**0.12**	**4,175,000**	**3.59**	**0.11**
$0.19 to $0.25	**2,920,000**	**1.53**	**0.23**	**2,920,000**	**1.53**	**0.23**
$0.10 to $0.25	**8,970,000**	**3.16**	**0.16**	**7,095,000**	**2.74**	**0.16**

The weighted average fair value of stock options granted was estimated using the Black-Scholes model at $0.10 per option ($0.06 in 2015) using the following assumptions:

	2016	2015
Risk-free interest rate	**0.81%**	0.80%
Expected volatility	**113%**	102%
Dividend yield	**Nil**	Nil
Weighted average expected life	**5 years**	5 years

During the year ended December 31, 2016, the share-based payment expense was $213,969 ($115,261 in 2015). An amount of $173,701 ($86,431 in 2015) was presented in the statement of loss and an amount of $40,268 ($28,830 in 2015) was presented in the statement of deferred exploration costs.

Warrants

The following table presents the changes that occurred during the year :

	December 31, 2016			December 31, 2015		
	Number	**Weighted average exercise price**	**Weighted average remaining contractual life**	Number	Weighted average exercise price	Weighted average remaining contractual life
		$	**(years)**		$	(years)
Outstanding - Beginning	**6,198,000**	**0.14**	**1.23**	3,298,000	0.17	1.09
Granted-private placements	**3,375,334**	**0.15**	**0.74**	5,400,000	0.13	1.34
Expired	**(798,000)**	**0.20**	**-**	(2,500,000)	0.16	-
Outstanding - End	**8,775,334**	**0.14**	**0.49**	6,198,000	0.14	1.23
Exercisable - End	**6,198,000**	**0.14**	**0.49**	6,198,000	0.14	1.23

At issuance, the warrants are subject to a 4 month and 1 day statutory hold period.

(In Canadian $)

10. Share capital (continued)

The outstanding warrants are as follows:

Maturity date	Exercise price	Number
	$	
March 2017	0.13	**1,750,000**
April 2017	0.13	**1,400,000**
June 2017	0.13	**1,000,000**
July 2017	0.13	**1,250,000**
August 2017	0.15	**2,083,334**
September 2017	0.20	**667,000**
December 2017	0.14	**175,000**
May 2018	0.13	**450,000**
		8,775,334

The weighted average fair value of warrants granted was estimated on the grant date using the Black-Scholes option-pricing model at $0.08 per warrant ($0.06 in 2015) using the following assumptions:

	2016	2015
Risk-free interest rate	**0.59%**	0.53%
Expected volatility	**119%**	137%
Dividend yield	**nil**	nil
Weighted average expected life	**1.2 year**	2 years

11. Employee remuneration

Employee benefits expense recognized are detailed below:	**December 31, 2016**	December 31, 2015
	$	$
Salaries and fees	**513,227**	552,454
Fringe benefits	**46,482**	46,177
Share-based payments-employees	**165,470**	115,261
Defined contribution pension plan	**17,987**	19,084
	743,166	732,976
Less: salaries capitalized in exploration and evaluation assets	**(239,063)**	(211,652)
Employee benefits expense	**504,103**	521,324

(In Canadian $)

12. Cash flows

Additional information	**December 31, 2016**	December 31, 2015
	$	$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Shares issued for the acquisition of mining properties	**34,250**	5,000
Shares issue expenses included in accounts payable and accrued liabilities	**10,442**	3,268
Depreciation of property, plant and equipment transferred to deferred exploration costs	**15,159**	20,903
Deferred exploration costs included in accounts payable and accrued liabilities	**95,526**	45,752
Share-based payments-employees charged to deferred exploration costs	**40,268**	28,830
Credits on mining taxes applied against deferred exploration costs	**20,759**	-

13. Financial Instruments

Objectives and policies in managing financial risks

The Company is exposed to various financial risks resulting from its operations and investing activities. The directors and officers of the Company manage those risks.

The Company does not enter into speculative derivative financial instruments.

Financial risks

The following paragraphs describe the main financial risks to which the Company is exposed and its risk management policies.

Interest risk

The banker's acceptances bear interest at a fixed rate and consequently expose the Company to the risk of fair value fluctuation related to changes in interest rates.

The other financial assets and liabilities of the Company are not exposed to interest risk because they do not bear interest.

The Company does not use financial derivatives to reduce its exposure to interest risk.

As at December 31, 2016 and 2015, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents :	Fixed interest rate
Cash reserved for exploration :	Fixed interest rate
Receivables :	Non-interest bearing
Accounts payable and accrued liabilities :	Non-interest bearing
Convertible debenture :	Fixed interest rate

(In Canadian $)

13. Financial Instruments (continued)

Interest rate sensitivity

As at December 31, 2016 and 2015, the Company only received interest on bankers' acceptances and on its account bearing interests.

Interest rate fluctuations may affect the fair value of the investments in fixed interest financial assets.

The possible effects on fair value that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Liquidity risks

The Company establishes cash forecasts to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible for the Company to continue its operations, and while it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Liquidity risk analysis

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the year, the Company has financed its exploration expense commitments, its working capital requirements and acquisitions through private and flow-through financings.

The following table summarizes the Company's financial liabilities as at:

	December 31, 2016		
	Less than one year	Between one and three years	More than three years
	$	$	$
Accounts payable and accrued liabilities	**309,413**	**-**	**-**
Liability related to flow-through shares	**29,654**	**-**	**-**
Liability component of the convertible debenture	**-**	**-**	**212,110**
	339,067	**-**	**212,110**

	December 31, 2015		
	Less than one year	Between one and three years	More than three years
	$	$	$
Accounts payable and accrued liabilities	187,629	-	-
Liability related to flow-through shares	28,933	-	-
	216,562	-	-

Where the counterparty has a choice over the timing of when an amount is to be paid, the liability has been included at the earliest date on which payment can be required.

(In Canadian $)

13. Financial Instruments (continued)

Credit risk analysis

The Company's exposure to credit risk is limited to the carrying value of its financial assets at the date of presentation of the financial information as disclose below :

	December 31, 2016	December 31, 2015
	$	$
Cash and cash equivalents	**5,426,970**	836,930
Cash reserved for exploration	**138,385**	75,225
Receivables (other than goods and services tax receivable)	**26,691**	11,394
Other short-term financial assets	**22,713**	18,500
Carrying amounts	**5,614,759**	942,049

The Company has no trade receivables. Its receivables comprised mainly of credit duties refundable and refundable tax credit for resources. Consequently, the exposure to credit risk for the Company’s receivables is considered immaterial. No impairment loss has been recognized in the periods presented.

The Company's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and cash equivalents and cash reserved for exploration is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings.

Fair value of financial instruments

The Company discloses the fair value hierarchy by which the financial instruments are evaluated and assigned to the following levels. Level 1 features a valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 includes inputs for the asset or liability that are not based on observable market data. Marketable securities are classified under Level 1 (note 15).

(In Canadian $)

14. Deferred income and mining taxes

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and the Province of Quebec, to the income tax expense as per the financial statements, is as follows:

	December 31, 2016	December 31, 2015
	$	$
Loss before income and mining taxes	**(680,115)**	(2,669,526)
Combined federal and provincial income tax at 26.5% (26.9% as at December 31, 2015)	**(180,229)**	(718,102)
Income taxable at different rate	**-**	10,188
Deferred exploration flow-through shares	**290,141**	336,364
Mining taxes	**(1,085)**	(175,513)
Non-deductible expenses for income tax purposes	**48,366**	24,638
Share issue expenses not affecting earnings	**(29,189)**	(10,247)
Change in valuation allowance	**137,431**	181,678
Change in future tax rates	**19,205**	-
Gain on disposal of other short-term financial assets	**(16,138)**	-
Use of prior years' losses	**(13,842)**	-
Other	**(1,191)**	-
	253,469	(350,994)
Flow-through premium	**(104,729)**	(280,775)
Deferred income and mining taxes	**148,740**	(631,769)

As at December 31, 2016 and 2015, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

	December 31, 2016		December 31, 2015	
Year	Federal	Provincial	Federal	Provincial
	$	**$**	**$**	**$**
2025	8,387	7,530	8,387	7,530
2026	5,699	4,765	5,699	4,765
2027	524,066	521,001	524,066	521,001
2028	725,416	718,518	725,416	718,518
2029	724,776	720,746	724,776	720,746
2030	955,459	952,206	955,459	952,206
2031	792,271	777,709	792,271	777,709
2032	1,114,872	1,100,591	1,114,872	1,100,591
2033	865,813	842,225	863,531	842,225
2034	808,358	800,904	808,358	800,904
2035	697,789	694,214	697,790	694,214
2036	622,151	616,005	-	-
	7,845,057	**7,756,414**	7,220,625	7,140,409

(In Canadian $)

14. Deferred income and mining taxes (continued)

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2016	December 31, 2015
	$	$
Property, plant and equipment	**72,914**	65,849
Non-capital losses	**2,068,747**	1,933,228
Share issue expenses	**31,888**	18,007
Assets available-for-sale	**49,329**	61,298
Convertible debenture	**6,791**	-
Valuation allowance	**(2,149,964)**	(2,012,533)
Deferred tax assets	**79,705**	65,849
Mining rights	**(2,152,329)**	(1,878,552)
Deferred tax liabilities	**(2,072,624)**	(1,812,703)

Change in deferred tax

	Balance December 31, 2015	Recognized in profit or (loss)	Recognized in equity	**Balance December 31, 2016**
	$	$	$	**$**
Property, plant and equipment	65,849	7,065	-	**72,914**
Mining Properties	(9,105)	4,011	-	**(5,094)**
Deferred exploration costs	(1,869,447)	(277,788)	-	**(2,147,235)**
Convertible debenture	-	6,791	-	**6,791**
Total	(1,812,703)	(259,921)	-	**(2,072,624)**

Change in deferred tax

	Balance December 31, 2014	Recognized in profit or (loss)	Recognized in equity	Balance December 2015
	$	$	$	$
Property, plant and equipment	53,809	12,040	-	65,849
Mining Properties	(126,604)	117,499	-	(9,105)
Deferred exploration costs	(2,090,902)	221,455	-	(1,869,447)
Total	(2,163,697)	350,994	-	(1,812,703)

(In Canadian $)

15. Financial assets and liabilities

	December 31, 2016		December 31, 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Categories of financial assets and liabilities				
Financial assets				
Loans and receivables				
Cash and cash equivalents	**5,426,970**	**5,426,970**	836,930	836,930
Cash reserved for exploration	**138,385**	**138,385**	75,225	75,225
Available for sale financial asset				
Other short-term financial assets	**22,713**	**22,713**	18,500	18,500
Financial liabilities				
Other financial liabilities				
Trade payable	**182,893**	**182,893**	48,199	48,199
Other payable	**126,520**	**126,520**	139,430	139,430

16. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

– Two years following the flow-through placements;
– One year after the Company has renounced the tax deductions relating to the exploration work.

If the Company does not incur eligible exploration expenditures it will be required to indemnify the holders of such shares against all taxes and other expenses incurred as a result of the Company not incurring the required exploration expenses .

During the year ended December 31, 2016, the Company received $821,500 ($409,500 as at December 31, 2015) from flow-through financings for which the Company will renounce tax deductions. The amount has been presented as “Cash reserved for exploration”.

The Company renounced to tax deductions for an amount of $409,500 as at February 28, 2016 and management is required to fulfil its commitments before the stipulated deadline of December 31, 2016. As at December 31, 2016, the Company has fulfilled its commitments.

(In Canadian $)

17. Transactions with key management personnel

The Company's key management personnel are members of the Board of Directors, the president, the vice-president and chief financial officer. The remuneration of key management personnel includes the following expenses:

	December 31, 2016	December 31, 2015
	$	$
Short-term employee benefits		
Salaries and fees including bonuses and benefits	**368,474**	387,278
Social security costs and contributions to the pension plan	**46,576**	45,311
Total short-term employee benefits	**415,050**	432,589
Share-based payments-employees	**150,158**	95,866
Total remuneration	**565,208**	528,455

During the years ended in 2016 and 2015, key management personnel did not exercise any share options granted through the share-based payment plans.

18. Capital disclosures

The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and acquire properties. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects that its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties for the next 12 months.

The Company is not subject, with regards to external rules, to any requirements regarding its capital, except in case that the Company completes a flow-through financing for which the cash must be reserved for exploration. As at December 31, 2016, the Company's cash reserved for exploration was $138,385 ($75,225 as at December 31, 2015).

As at December 31, 2016, shareholders' equity was $13,156,768 ($8,121,954 as at December 31, 2015).

19. Subsequent events

a) **Convertible debenture**

On February 28, 2017, in agreement with the holders, the Company converted the debenture at a conversion price of $0.13 per common share. A total of 2,307,690 shares were issued for $ 300,000.

The Company also repurchased 0.9% of the net smelter return for $75,000 in cash. In addition, accrued interest totaling $18,763 was also paid in cash.

b) **Issuance of common shares**

On March 17, 2017, the Company issued 50,000 common shares at a price of $0.20 totalling $ 10,000, following the Company's commitment with SOQUEM INC.

c) **Issuance of flow-through shares**

On March 20, 2017, the Company completed a private placement through Paradigm Capital Inc. The Company issued 12,880,000 flow-through shares at a price of $0.27 per flow-through share for total gross proceeds of $3,477,600. In connection with the offering, the agent received a cash commission equal to 7% of the gross proceeds received by the company. In addition, broker warrants, equal to 7% of the number of flow-through shares sold pursuant to the offering have been issued to the agent. Each broker warrant shall entitle the holder thereof to acquire one common share at a price of $0.27 for a period of 24 months following the closing date.

d) **Excercise of warrants**

Between January 20, and April 18, 2017, the Company issued 3,150,000 common shares at a price of $0.13, 87,500 common shares at a price of $0.14 and 200,000 common shares at a price of $0.15 totalling $451,750 following exercise of warrants.