Cartier Resources Inc.

(an exploration company)

Financial statements

Years ended December 31, 2017 and December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cartier Resources Inc.

We have audited the accompanying financial statements of Cartier Resources Inc., which comprise the statement of financial position as at December 31, 2017, the statements of loss, comprehensive loss, and cash flows for the year then ended, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 our 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, we consider 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 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2016, has been restated and that the comparative information presented as at January 1, 2016, which has been derived from the financial statements as at and for the year ended December 31, 2015, was also restated.

The financial statements of Cartier Resources Inc. as at and for the years ended December 31, 2016, and December 31, 2015, (from which the statement of financial position as January 1, 2016 has been derived), excluding the restatement described in Note 2 to the financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 19, 2017.

As part of our audit of the financial statements as at and for the year ended December 31, 2017, we audited the restatement described in Note 2 to the financial statements that was applied to restate the comparative information presented as at and for the year ended December 31, 2016, and as at January 1, 2016, (derived from the financial statements as at and for the year ended December 31, 2015). In our opinion, the restatement is appropriate and has been properly applied.

We were not engaged to audit, review, or apply any procedures to the December 31, 2016, financial statements, the December 31, 2015, financial statements (not presented herein) or the January 1, 2016, statement of financial position, other than with respect to the restatement described in Note 2 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Cartier Resources Inc. is still in exploration stage and, as such, no revenue has yet been generated from its operating activities. Accordingly, Cartier Resources Inc. depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in Note 1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Cartier Resources Inc.'s ability to continue as a going concern.

KPMG LLP*

April 23, 2018

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A115894

Cartier Resources Inc.

(an exploration company)

Statements of Financial Position

(In Canadian $)	**December 31, 2017**	December 31, 2016 (restated - note 2)	January 1, 2016 (restated - note 2)
	$	$	
Assets			
Current			
Cash and cash equivalents (note 4)	**15,706,671**	5,565,355	912,155
Other short-term financial assets (note 5)	**31,600**	22,713	18,500
Receivables (note 6)	**242,315**	103,091	54,408
Prepaid expenses	**61,813**	6,498	14,903
	16,042,399	5,697,657	999,966
Non-current			
Property, plant and equipment	**6,944**	10,150	24,108
Exploration assets and deferred exploration costs (note 7)	**13,515,566**	10,072,762	9,127,145
TOTAL ASSETS	**29,564,909**	15,780,569	10,151,219
Liabilities			
Current			
Accounts payable and accrued liabilities	**437,403**	309,413	187,629
Liability related to flow-through shares (note 14)	**1,700,938**	29,654	28,933
	2,138,341	339,067	216,562
Non-current			
Deferred income and mining taxes (note 13)	**1,741,953**	1,230,505	1,106,826
Liability component of the convertible debenture (note 8)	**-**	212,110	-
TOTAL LIABILITIES	**3,880,294**	1,781,682	1,323,388
EQUITY			
Share capital (note 9)	**32,255,308**	22,260,938	16,865,599
Warrants (note 9)	**2,445,849**	2,411,881	2,256,291
Contributed surplus	**2,178,980**	1,580,662	1,366,693
Equity component of the convertible debenture (note 8)	**-**	82,971	-
Deficit	**(14,220,209)**	(12,353,365)	(11,660,752)
Accumulated other comprehensive loss	**24,687**	15,800	-
TOTAL EQUITY	**22,684,615**	13,998,887	8,827,831
TOTAL LIABILITIES AND EQUITY	**26,564,909**	15,780,569	10,151,219

Basis of preparation and going concern (note 1),
Contingencies and commitments (note 14)

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.

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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, 2016 as previously reported	**112,641,129**	**22,260,938**	**2,411,881**	**1,580,662**	**82,971**	**(13,195,484)**	**15,800**	**13,156,768**
Restatement to previous years (note 2)	**-**	**-**	**-**	**-**	**-**	**842,119**	**-**	**842,119**
BALANCE AS AT DECEMBER 31, 2016 restated	**112,641,129**	**22,260,938**	**2,411,881**	**1,580,662**	**82,971**	**(12,353,365)**	**15,800**	**13,998,887**
Net loss for the year	**-**	**-**	**-**	**-**	**-**	**(1,866,844)**	**-**	**(1,866,844)**
Change in fair value of other short-term financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**8,887**	**8,887**
Reclassification to statements of loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(1,866,844)**	**8,887**	**(1,857,957)**
Issuance of shares net of issue costs	**53,345,594**	**11,128,081**	**-**	**-**	**-**	**-**	**-**	**11,128,081**
Effect of share-based payments	**-**	**-**	**-**	**602,697**	**-**	**-**	**-**	**602,697**
Issuance of options	**35,000**	**11,029**	**-**	**(4,379)**	**-**	**-**	**-**	**6,650**
Issuance of warrants	**-**	**-**	**384,328**	**-**	**-**	**-**	**-**	**384,328**
Exercise of warrants	**8,575,334**	**1,555,260**	**(350,360)**	**-**	**-**	**-**	**-**	**1,204,900**
Converting of convertible debenture	**2,307,690**	**300,000**	**-**	**-**	**(82,971)**	**-**		**217,029**
BALANCE AS AT DECEMBER 31, 2017	**176,904,747**	**35,255,308**	**2,445,849**	**2,178,980**	**-**	**(14,220,209)**	**24,687**	**25,684,615**
BALANCE AS AT DECEMBER 31, 2015, as previously reported	80,425,795	16,865,599	2,256,291	1,366,693	-	(12,366,629)	-	8,121,954
Restatement to previous years (note 2)	-	-	-	-	-	705,877	-	705,877
BALANCE AS AT DECEMBER 31, 2015 restated	80,425,795	16,865,599	2,256,291	1,366,693	-	(11,660,752)	-	8,827,831
Net loss for the year as previously reported	-	-	-	-	-	(828,855)	-	(828,855)
Restatement to previous years (note 2)	-	-	-	-	-	136,242	-	136,242
Net loss for the year restated	-	-	-	-	-	(692,613)	-	(692,613)
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	-	-	-	-	-	(692,613)	15,800	(676,813)
Issuance of shares net of issue costs	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 restated	112,641,129	22,260,938	2,411,881	1,580,662	82,971	(12,353,365)	15,800	13,998,887

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 $)

	2017	2016
		(restated - note 2)
	$	$
Administrative expenses		
Salaries	**326,548**	363,306
Consultants	**13,913**	11,645
Share-based payments-employees (note 10)	**412,666**	125,202
Share-based payments-consultants	**70,900**	48,499
Professional fees	**71,208**	68,944
Rent	**10,028**	16,221
Business development	**343,478**	103,857
Insurance, taxes and permits	**16,263**	14,059
Interest and bank charges	**22,964**	27,087
Depreciation of property, plant and equipment	**-**	3,169
Office supplies	**26,225**	20,680
Telecommunications	**6,184**	5,852
Training and travel	**20,547**	10,668
Advertising and sponsoring	**30,225**	6,711
Information to shareholder	**50,174**	35,518
	1,421,323	861,418
Other expenses (income)		
Write-off of exploration assets and deferred exploration costs	**494,395**	-
Other exploration costs	**1,793**	20,588
Impairment of securities available-for-sale	**-**	-
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)
Interest income	**(99,141)**	(7,820)
LOSS BEFORE DEFERRED INCOME AND MINING TAXES	**(1,818,370)**	(680,115)
Deferred income and mining taxes (note 13)	**48,474**	12,498
Net loss for the year attributable to shareholders	**(1,866,844)**	(692,613)
LOSS PER SHARE		
basic	**(0.01)**	(0.01)
diluted	**(0.01)**	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
basic	**144,533,390**	86,193,050
diluted	**144,533,390**	86,193,050

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 $)

	2017	2016 (restated - note 2)
	$	$
Net loss for the year	**(1,866,844)**	(692,613)
Items that may be reclassified subsequently to profit or loss :		
Change in fair value of other short-term financial assets	**8,887**	103,243
Reclassification to statements of loss	**-**	(87,443)
Comprehensive loss for the year attributable to shareholders	**(1,857,957)**	(676,813)

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 $)

	2017	2016
		(restated - note 2)
	$	$
OPERATING ACTIVITIES		
Net Loss	**(1,866,844)**	(692,613)
Adjustments for:		
Deferred income and mining taxes	**48,474**	12,498
Depreciation of property, plant and equipment	**-**	3,169
Share-based payments-employees	**412,666**	125,202
Share-based payments-consultants	**70,900**	48,499
Write-off of exploration assets and deferred exploration costs	**494,395**	-
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	**4,919**	10,809
Interest income	**(99,141)**	(7,820)
Interest received	**85,474**	7,165
	(849,157)	(581,162)
Net change in non-cash working capital items		
Receivables	**(85,130)**	(32,732)
Prepaid expenses	**(55,315)**	8,405
Accounts payables and accrued liabilities	**(71,842)**	15,817
Cash flows used in operating activities	**(1,061,444)**	(589,672)
FINANCING ACTIVITIES		
Shares issue	**14,785,000**	5,716,550
Shares issue expenses	**(1,207,484)**	(83,979)
Exercise of warrants	**1,204,900**	-
Exercise of options	**6,650**	-
Convertible debenture issue	**-**	300,000
Convertible debenture issue cost	**-**	(15,728)
Cash flows from financing activities	**14,789,066**	5,916,843
INVESTING ACTIVITIES		
Disposal of other short-term financial assets	**-**	99,030
Acquisition of property, plant and equipment	**(1,690)**	(4,370)
Disposal of property, plant and equipment	**-**	628
Acquisition of exploration assets and deferred exploration costs	**(3,584,616)**	(769,259)
Cash flows used in investing activities	**(3,586,306)**	(673,971)
Net change in cash and cash equivalents	**10,141,316**	4,653,200
Cash and cash equivalents at the beginning	**5,565,355**	912,155
Cash and cash equivalents at the end (note 4)	**15,706,671**	5,565,355

Additional information (note 11)

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.

The Company has not yet determined whether these properties contain economically recoverable ore reserves. Although, at the current stage of the exploration work, the Company is taking all industry standard measures to ensure that the mining property titles in which it has a financial interest are in good standing, these measures in place do not guarantee property titles to the Company. Property titles may be subject to prior unregistered agreements or non-compliance with regulatory requirements.

The recoverability of amounts reported for mining properties and deferred exploration expenses is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production, or the proceeds of the transfer of such property. At the date of the financial statements, the carrying value of mining properties and deferred exploration expenses represents, in management's opinion, the best estimate of their net recoverable value. This value could however be reduced in the future.

On April 23, 2018, the Company's Board of Directors approved these annual financial statements for the years ended December 31, 2017 and December 31, 2016.

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 financial statements have been prepared on a going concern basis, meaning that the Company will be able to realized its assets and discharge its commitments and liabilities in the normal course of operations. 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 raising financing to date, there can be no assurance it will be able to do so in the future. The Company believes it has sufficient liquidity to meet its obligations for the next 12 months. The Company has not yet determined whether its properties contain economically recoverable ore reserves and has not yet generated revenues from operations. 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 above conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material.

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.

(In Canadian $)

2. Restatement to previous years

The comparative financial information of the Company as at January 1, 2016 and December 31, 2016 and for the year ended December 31, 2016 have been ajusted as follows:

Income taxes and deferred mining taxes

In the prior year financial statement as at December 31, 2015 and 2016, the Company included deferred income tax liabilities in deferred income and mining taxes in its statement of financial position in the amount of $705,877 and $842,119, respectively. These deferred income tax liabilities relate primarily to taxable temporary differences arising from exploration assets and deferred exploration costs that will reverse either when these assets will be disposed of, amortized if the Company enters into commercial stage, or if the Company ceases exploration activities and abandons the assets. However, non-capital losses as at December 31, 2016 were available to offset and reduce these deferred tax liabilities. Given that that the taxable temporary differences are expected to reverse, it has been determined that additional deferred tax assets related to non-capital losses should have been recognized.

As a result, the following adjustments were made to the comparative financial information:

	Amounts before restatement	Restatement	Amounts restated
	$	$	$
Statement of financial position			
Income taxes and deferred mining taxes as at December 31, 2016	(2,072,624)	842,119	(1,230,505)
Income taxes and deferred mining taxes as at December 31, 2015	(1,812,703)	705,877	(1,106,826)
(Presented as of January 1, 2016 in the current financial statements)			
Statement of loss			
Income taxes and deferred mining taxes	148,740	(136,242)	12,498
Net income attributable to shareholders	(828,855)	136,242	(692,613)
Loss per basic share	(0,01)	(0,00)	(0,01)
Statement of changes in equity			
Deficit at the beginning of the year	12,366,629	(705,877)	11,660,752

3. Summary of accounting policies

3.1. Overall considerations

The financial statements have been prepared using accounting policies consistent with IFRS that are in effect as at December 31, 2017.

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

3.2. 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.

3. Summary of accounting policies (continued)

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

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 does not expect any material impact on its financial statements following the adoption of this standard.

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 does not expect any material impact on its financial statements following the adoption of this standard.

IFRS 9, Financial instruments
In July 2014, the final version of IFRS 9 was published, which will supersede IAS 39 *Financial InstrumentsRecognition 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. Following the application of this standard, changes in the fair value of financial assets held for sale and measured at fair value will be recorded in the statement of loss rather than in the statement of comprehensive loss.

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.

3.3. 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.

3. Summary of accounting policies (continued)

3.4. 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.

3.5. 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.

3.6. 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 is recognized as a tax recovery on income. 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.

3. Summary of accounting policies (continued)

3.7. 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 related to these expenses 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.

3. Summary of accounting policies (continued)

3.8. 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.

3. Summary of accounting policies (continued)

3.9. 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.

3.10. Cash reserved for exploration

The Company raises flow-through funds for exploration under subscription agreements which require the Company to incur prescribed resource expenditures. These funds must be used for qualifying exploration expenditures for a pre-determined period. 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.

3.11. Cash and cash equivalents

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

3.12. 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.

3. Summary of accounting policies (continued)

3.12. Impairment of long-lived assets (continued)

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.

3.13. 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.

3.14. 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

Canadian tax law allows a company to issue investment securities to investors for whom tax deductions for exploration expenses may be claimed by investors and not by the Company. These securities are called flow-through shares. The Company finances a portion of its exploration programs through the issuance of flow-through shares. On the issue date of the shares, the Company allocates the issue proceeds between the share capital and the obligation to remit tax deductions, which is recognized as a flow-through share liability. The Company estimates the fair value of the flow-through share liability using the residual method, deducting the market price of a common share at the price of a flow-through share on the closing date of the financing. A corporation may waive tax deductions based on what is known as the "general method" or the "retrospective method". When the waiver of tax deductions is made according to the general method, which the Company intends to make the waiver and capitalizes the expenses in the current year, then the Company records a deferred tax liability, with an expense of deferred tax. At this point, the obligation is reduced, with a tax recovery as a counterpart. When tax deductions are retrospectively waived, the Company records a deferred tax liability, with a deferred tax expense when the expenditures are made and capitalized. At this point, the obligation is reduced to zero, with a tax recovery as consideration. The Company uses the general method.

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.

3. Summary of accounting policies (continued)

3.15. 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.

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; and
- 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 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.

3. Summary of accounting policies (continued)

3.15. Financial instruments (continued)

Financial assets (continued)

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.

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. Other available for sale financial assets are classified in this category.

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)".

3.16. Presentation and functional currency

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

3. Summary of accounting policies (continued)

3.17. 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 3.12).

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.

Income taxes and deferred mining taxes
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments 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.

3.18. New accounting policies

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 adoption of IAS 7 did not have a material impact on the financial statements.

(In Canadian $)

4. Cash and cash equivalents

As at December 31, 2017 and 2016, the cash and the cash equivalents and the cash reserved for exploration include an account bearing interest and an account without interest, as follows:

	December 31, 2017		December 31, 2016	
	$	**Interest rate**	$	Interest rate
1) Account bearing interest	**15,580,188**	**0.75%-1.20%**	900,042	0.75%-0.80%
2) Account without interest	**126,483**	**-**	4,665,313	-
Total	**15,706,671**		5,565,355	

Cash and cash equivalents include $4,327,388 ($138,385 in 2016) of funds to be expensed in eligible exploration expenses before December 31, 2018 (December 31, 2017 in 2016).

5. Other short-term financial assets

	December 31, 2017	December 31, 2016
	$	$
Marketable securities of a quoted mining exploration company, available-for-sale, at fair value	**31,600**	22,713

6. Receivables

	December 31, 2017	December 31, 2016
	$	$
Credit on mining rights refundable and refundable tax credit for resources	**67,119**	26,691
Commodity taxes	**175,196**	76,400
	242,315	103,091

(In Canadian $)

7. Exploration assets and deferred exploration costs

	MacCormack [1]	Chimo Mine	Wilson	Cadillac Extension	Benoist [2]	Fenton [3]	Total
Percent participation	100%	100%	100%	100%	100%	Option 50%	
	$	$	$	$	$	$	$
Mining properties							
Balance as at December 31, 2016	252,756	107,024	72,000	3,715	622,723	14,371	1,072,589
Additions	-	-	-	-	115,000	10,000	125,000
Write-offs	(45,885)	-	-	-	-	-	(45,885)
Balance as at December 31, 2017	**206,871**	**107,024**	**72,000**	**3,715**	**737,723**	**24,371**	**1,151,704**
Deferred exploration costs							
Balance as at December 31, 2016	3,297,601	517,046	177,769	2,195,497	2,349,809	462,451	9,000,173
Additions							
Geology	296	288,768	115,785	11,901	20,967	76,115	513,832
Drilling	-	1,342,285	740,496	154,344	98	777,524	3,014,747
Exploration office expenses	-	4,268	1,116	756	89	705	6,934
Surveying and access roads	-	119,625	24,266	2,433	10,126	-	156,450
Core shack rental and maintenance	-	10,142	3,058	775	420	1,852	16,247
Duties, taxes and permits	1,608	3,130	3,128	2,230	2,980	414	13,490
Depreciation of exploration leasehold improvements	-	3,174	936	-	-	788	4,898
Share-based payments - employees	-	78,031	23,230	-	-	17,870	119,131
Total deferred exploration costs during the year	1,904	1,849,423	912,015	172,439	34,680	875,268	3,845,729
Write-off of deferred exploration costs	(448,510)	-	-	-	-	-	(448,510)
	(446,606)	1,849,423	912,015	172,439	34,680	875,268	3,397,219
Tax credits	-	(5,803)	(7,972)	(14,975)	(3,802)	(978)	(33,530)
Additions during the year	(446,606)	1,843,620	904,043	157,464	30,878	874,290	3,363,689
Balance as at December 31, 2017	**2,850,995**	**2,360,666**	**1,081,812**	**2,352,961**	**2,380,687**	**1,336,741**	**12,363,862**
Balance of exploration assets and deferred exploration costs as at December 31, 2017	**3,057,866**	**2,467,690**	**1,153,812**	**2,356,676**	**3,118,410**	**1,361,112**	**13,515,566**

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

[1] Following an analysis of the work carried out to evaluate the future potential of each of the Company's properties, a portion of MacCormack's projects was abandoned, representing 14 mining titles. As a result, the portions of the properties for these claims and the related exploration expenses were written off for $45,885 and $448,510, respectively.

[2] The Company repurchased a 1.1% NSR royalty on the Benoist property for $75,000 in cash and $40,000 in shares. The remaining NSR royalty is 0.1%.

[3] The company has achieved all the conditions to earn a 50% interest in the Fenton property.

The Company is subject to royalties on certain properties.

(In Canadian $)

7. Exploration assets and deferred exploration costs (continued)

	MacCormack	Chimo Mine	Wilson	Cadillac Extension	Benoist	Fenton	Total
Percent 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
Additions	-	-	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
Additions							
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 leasehold improvements and 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)
Additions 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 mining properties held by the Company are located in northwestern Quebec.

The Company is subject to royalties on certain properties.

(In Canadian $)

8. Convertible debenture

On May 25, 2016, the Company subscribed to a convertible debenture in the amount of $300,000 bearing interest at 8.2% (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. As at December 31, 2017, the balance of the liability component of the convertible debenture is nil ($212,110 at December 31, 2016) and is as follows :

	December 31, 2017	December 31, 2016
	$	$
Proceeds from issue	**300,000**	300,000
Liability component at the date of issue	**(213,000)**	(213,000)
Issuance costs	**(4,029)**	-
Converting of the convertible debenture into common shares	**(82,971)**	-
Equity component	**-**	87,000
Liability component at the date of issue	**213,000**	213,000
Issuance costs	**(11,699)**	(11,699)
Depreciation of issuance costs	**15,728**	10,809
Redemption of the debenture	**(217,029)**	-
Liability component	**-**	212,110

9. Share capital

Authorized

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

	December 31, 2017		December 31, 2016	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of the year	**112,641,129**	**22,260,938**	80,425,795	16,865,599
Shares issued and paid				
Acquisition of property (n) (q)	**50,000**	**10,000**	300,000	34,250
Private placements (d) (f) (i) (j) (k) (l) (p)	**27,250,000**	**7,007,500**	25,700,334	4,752,710
Flow-through private placements (c) (g) (m) (o)	**25,910,000**	**7,777,500**	6,215,000	808,250
Renouncement of tax deductions on flow-through shares (c) (g) (m) (o)	**-**	**(2,466,700)**	-	(105,450)
Redemption of the debenture (h)	**2,307,690**	**300,000**	-	-
Redemption of a royalty (e)	**135,594**	**40,000**	-	-
Exercise of options (a)	**35,000**	**11,029**	-	-
Exercise of warrants (b)	**8,575,334**	**1,555,260**	-	-
	64,263,618	**14,234,589**	32,215,334	5,489,760
Share issue expenses	**-**	**(1,240,219)**	-	(94,421)
Balance, at end of the year	**176,904,747**	**35,255,308**	112,641,129	22,260,938

9. Share capital (continued)

(a) During the year 2017, the Company issued 35,000 common shares at a price of $0.19, totalling $6,650 following exercise of options whose fair value of the common share was $0.295 at the time of exercise.

(b) During the year 2017, the Company issued 5,650,000 common shares at a price of $0.13, 175,000 common shares at a price of $0.14, 2,083,334 common shares at a price of $0.15 and 667,000 common shares at a price of $0.20 totalling $1,204,900 following exercise of warrants whose fair value of the common share ranged from $0.19 to $0.35 at the time of exercise.

(c) Issuance of flow-through shares on December 5, 2017

On December 5, 2017, the Company completed a private placement through Sprott Capital Partners (the "agents". The Company issued 13,030,000 flow-through shares at a price of $0.33 per flow-through share for total gross proceeds of $4,299,900. In connection with the offering, the agent received a cash commission equal to 6% of the gross proceeds received by the company and broker warrants, equal to 6% of the number of shares sold pursuant. Each broker warrant shall entitle the holder there of to acquire one common share at a price of $0.27 for a period of 24 months following the closing date. Share issue expenses totalling $499,573 were also applied against the share capital.

The Company also renounced the tax deduction related to the flow-through shares representing an amount of $1,693,900 which reduced the share capital and increased the liabilities related to flow-through shares.

(d) Issuance of common shares on December 5, 2017

On December 5, 2017, the Company completed a private placement through Sprott Capital Partners (the "agents"). The Company issued 5,000,000 shares at a price of $0.20 per share for total gross proceeds of $1,000,000. In connection with the offering, the agent received broker warrants, equal to 6% of the number of shares sold pursuant. Each broker warrant shall entitle the holder there of to acquire one common share at a price of $0.27 for a period of 24 months following the closing date. Share issue expenses totalling $50,00 were also applied against the share capital.

(e) Redemption of a royalty on May 31, 2017

On May 31, 2017, the Company repurchased 0.2% of royalty from two investors on the Benoist property. A total of 135,594 common shares were issued for $40,000. Share issue expenses totalling $302 were also applied against the share capital.

(f) Issuance of common shares on May 30, 2017

On May 30, 2017,the Company completed a private placement through Canaccord Genuity Corp. and Paradigm Capital Inc. (the "agents"). The Company issued 22,250,000 shares at a price of $0.27 per share for total gross proceeds of $6,007,500. In connection with the offering, the agents received a cash commission equal to 6% of the gross proceeds received by the company and broker warrants, equal to 6% of the number of shares sold pursuant. Each broker warrant shall entitle the holder thereof to acquire one common share at a price of $0.27 for a period of 18 months following the closing date. Share issue expenses totalling $650,874 were also applied against the share capital.

9. Share capital (continued)

(g) Issuance of flow-through shares on March 20, 2017

On March 20, 2017, the Company completed a private placement through Paradigm Capital Inc ("the agent"). 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 and broker warrants, equal to 7% of the number of flow-through shares sold pursuant. 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. Share issue expenses totalling $400,521 were also applied against the share capital.

The Company also renounced to the tax deduction related to the flow-through shares representing an amount of $772,800 which has reduced the share capital and increased the liabilities related to flow-through shares.

(h) Redemption of the debenture on February 28, 2017

On February 28, 2017, in accordance with the contractual terms of the debenture, 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. In addition, accrued interest totaling $18,763 was also paid in cash.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

9. Share capital (continued)

(m) 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.

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.

(n) Issuance of common shares on June 9, 2016

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.

(o) 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.

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.

(p) 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.

(q) On September 16, 2014, the Company amended its option agreement with SOQUEM INC. for 3 years extending the deadline to March 19, 2018.

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. In addition, the Company had a firm commitment to invest $500,000 in exploration work over the first year following the signature of the agreement, which was completed over the period. The Company issued 50,000 common shares to SOQUEM INC, on the first, the second, the third, the fourth, the fifth and the sixth 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. During the period, share issue expenses of $906 were applied against the share capital.

(In Canadian $)

9. Share capital (continued)

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, 2017		December 31, 2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Outstanding - Beginning	**8,970,000**	**0.16**	7,070,000	0.18
Granted-employees	**3,075,000**	**0.25**	2,000,000	0.15
Granted-consultants	**250,000**	**0.30**	500,000	0.17
Exercised	**(35,000)**	**0.19**		
Expired	**(785,000)**	**0.25**	(600,000)	0.44
Outstanding - End	**11,475,000**	**0.18**	8,970,000	0.16
Exercisable - End	**9,212,500**	**0.17**	7,095,000	0.16

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

	Outstanding options December 31, 2017			Exercisable options December 31, 2017		
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 $0.20	**8,400,000**	**3.02**	**0.14**	**7,200,000**	**2.70**	**0.14**
$0.21 to $0.30	**3,075,000**	**3.15**	**0.28**	**2,012,500**	**2.50**	**0.27**
$0.10 to $0.30	**11,475,000**	**3.06**	**0.18**	**9,212,500**	**2.66**	**0.17**

The weighted average fair value of stock options granted was estimated using the Black-Scholes model at $0.21 per option ($0.10 in 2016) using the following assumptions:

	2017	2016
Risk-free interest rate	**1.17%**	0.81%
Expected volatility	**112%**	113%
Dividend yield	**Nil**	Nil
Weighted average expected life	**5 years**	5 years

During the year ended December 31, 2017, the share-based payment expense was $602,697 (2016 - $213,969). An amount of $483,566 (2016 - $173,701) was presented in the statement of loss and an amount of $119,131 ($40,268 in 2016) was presented in the statement of deferred exploration costs.

(In Canadian $)

9. Share capital (continued)

Warrants

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

	December 31, 2017			December 31, 2016		
	Number	**Weighted average exercise price**	**Weighted average remaining contractual life**	Number	Weighted average exercise price	Weighted average remaining contractual life
		$	**(years)**		$	(years)
Outstanding - Beginni	**8,775,334**	**0.14**	**0.49**	6,198,000	0.14	1.23
Granted-private placements	**-**	**-**	**-**	3,375,334	0.15	0.74
Granted-agent compensation options	**3,318,400**	**0.27**	**1.33**	-	-	-
Exercised	**(8,575,334)**	**0.14**		-	-	-
Expired	**-**	**-**	**-**	(798,000)	0.20	-
Outstanding - End	**3,518,400**	**0.26**	**1.27**	8,775,334	0.14	0.49
Exercisable - End	**2,436,600**	**0.26**	**0.98**	6,198,000	0.14	0.49

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

The outstanding warrants are as follows:

Maturity date	**Exercise price**	**Number**
	$	
May 2018	0.13	**200,000**
November 2018	0.27	**1,335,000**
March 2019	0.27	**901,600**
December 2019	0.27	**1,081,800**
		3,518,400

The weighted average fair value of warrants granted was estimated on the grant date using the Black-Scholes option-pricing model at $0.12 per warrant (2016 - $0.08) using the following assumptions:

	2017	2016
Risk-free interest rate	**0.96%**	0.59%
Expected volatility	**97%**	119%
Dividend yield	**nil**	nil
Weighted average expected life	**1.8 year**	1.2 year

(In Canadian $)

10. Employee remuneration

Employee benefits expense recognized are detailed below:	**December 31, 2017**	December 31, 2016
	$	$
Salaries and fees	**621,787**	513,227
Fringe benefits	**37,071**	46,482
Share-based payments-employees	**531,797**	165,470
Defined contribution pension plan	**10,591**	17,987
	1,201,246	743,166
Less: salaries capitalized in exploration and evaluation assets	**(414,412)**	(239,063)
Employee benefits expense	**786,834**	504,103

11. Cash flows

Additional information	**December 31, 2017**	December 31, 2016
	$	$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Shares issued for the acquisition of mining properties and royalty	**50,000**	34,250
Shares issue expenses included in accounts payable and accrued liabilities	**10,365**	10,442
Depreciation of property, plant and equipment transferred to deferred exploration costs	**4,898**	15,159
Deferred exploration costs included in accounts payable and accrued liabilities	**188,239**	95,526
Share-based payments-employees charged to deferred exploration costs	**31,171**	40,268
Credits on mining taxes applied against deferred exploration costs	**33,530**	20,759
Reversal of the provision of mining rights	**22,618**	-

12. 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

As at December 31, 2017, the Company is not exposed to interest rate risk since they are all short-term items.

(In Canadian $)

12. Financial Instruments (continued)

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.

All financial liabilities mature in less than 12 months.

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, 2017	December 31, 2016
	$	$
Cash and cash equivalents	**15,706,671**	5,565,355
Other short-term financial assets	**31,600**	22,713
Carrying amounts	**15,738,271**	5,588,068

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.

The carrying amount of cash and cash equivalents, cash reserved for exploration, accounts payables and accrued liabilities approximate fair value based on the close date.

(In Canadian $)

13. 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, 2017	December 31, 2016
	$	$
Loss before income and mining taxes	**1,818,370**	(680,115)
Combined federal and provincial income tax at 26.8% (26.5% as at December 31, 2016)	**(487,324)**	(180,229)
Income taxable at different rate	**-**	-
Deferred exploration flow-through shares	**1,372,960**	290,141
Mining taxes	**(36,413)**	(1,085)
Non-deductible expenses for income tax purposes	**136,701**	48,366
Share issue expenses not affecting earnings	**(67,426)**	(29,189)
Change in valuation allowance	**(65,274)**	1,189
Change in future tax rates	**(14,401)**	19,205
Gain on disposal of other short-term financial assets	**-**	(16,138)
Use of prior years' losses	**-**	(13,842)
Realignment of the 2016 future tax provision	**6,927**	-
Other	**(1,860)**	(1,191)
	843,890	117,227
Flow-through premium	**(795,416)**	(104,729)
Deferred income and mining taxes	**48,474**	12,498

As at December 31, 2017 and 2016, 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, 2017		December 31, 2016	
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	865,813	842,225
2034	808,358	800,904	808,358	800,904
2035	697,789	694,214	697,789	694,214
2036	584,553	580,931	622,151	616,005
2037	1,064,954	1,053,537	-	-
	8,872,413	**8,774,877**	7,845,057	7,756,414

(In Canadian $)

13. Deferred income and mining taxes (continued)

Deferred tax asset unrecognized

Deferred tax assets have not been recognized as it is not probable that future taxable profits will be available and against which unused tax losses and unused tax credits could be charged. Deferred tax assets have not been recognized in respect of:

	December 31, 2017 $	December 31, 2016 $ (restated)	January 1, 2016 $ (restated)
Non-capital losses	1,194,420	1,226,628	1,227,351
Share issue cost	-	31,888	18,007
Financial asset available for sale	48,151	49,329	61,298
	1,242,571	**1,307,845**	**1,306,656**

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

	December 31, 2017 $	December 31, 2016 $ (restated)	January 1, 2016 $ (restated)
Property, plant and equipment	**54,156**	72,914	65,849
Convertible debenture	**-**	6,791	-
Non-capital losses	**1,176,070**	842,119	705,877
Share issue cost	**361,957**	-	-
Deferred tax assets	**1,592,183**	921,824	771,726
Exploration assets and deferred exploration expenses	**(3,334,136)**	(2,152,329)	(1,878,552)
Deferred tax liabilities	**(1,741,953)**	(1,230,505)	(1,106,826)

Change in deferred tax

	Balance December 31, 2016 $	Recognized in profit or (loss) $	Recognized in equity $	**Balance December 31, 2017 $**
Property, plant and equipment	72,914	(18,758)	-	**54,156**
Mining Properties	(5,094)	5,094	-	**-**
Deferred exploration costs	(2,147,235)	(1,186,901)	-	**(3,334,136)**
Convertible debenture	6,791	(6,791)	-	**-**
Non-capital losses	842,119	333,951	-	**1,176,070**
Share issue cost	-	-	361,957	**361,957**
Total	(1,230,505)	(873,405)	361,957	**(1,741,953)**

(In Canadian $)

13. Deferred income and mining taxes (continued)

	Balance December 31, 2015 (as previously reported)	Recognized in profit or (loss) (restated - note 2)	Balance December 31, 2015 (restated)	Recognized in equity	Balance December 31, 2016
	$	$	$	$	$
Property, plant and equipment	65,849	-	65,849	7,065	72,914
Mining Properties	(9,105)	-	(9,105)	4,011	(5,094)
Deferred exploration costs	(1,869,447)	-	(1,869,447)	(277,788)	(2,147,235)
Convertible debenture	-	-	-	6,791	6,791
Non-capital losses	-	705,877	705,877	136,242	842,119
Total	(1,812,703)	705,877	(1,106,826)	(123,679)	(1,230,505)

14. 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; or
– 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, 2017, the Company received $7,777,500 ($821,500 as at December 31, 2016) from flow-through financings for which the Company will renounce tax deductions. The amount of $4,327,388 has been presented as "Cash and cash equivalents".

The Company renounced tax deductions related to these flow-through financings and a liability related to flow-through shares totaling $2,466,700 was recorded at the time of issuance. Management is required to incur eligible exploration expenditures before December 31, 2018. The unamortized portion of the flow-through share liability is $1,700,938 as at December 31, 2017.

Leases

The Company rents its offices under a lease expiring in March 2021. The lease covering a Company's vehicle expires in October 2020.

The future minimum operating lease payments are as follows:

	Minimum lease payments due:		
	Within 1 year	**1 to 5 years**	**Total**
	$	$	$
December 31, 2017	**39,496**	87,410	126,906
December 31, 2016	**41,722**	117,000	158,722

(In Canadian $)

14. Contingencies and commitments (continued)

Lease fees recognized as an expense during the reporting period amount to $42,988 ($61,812 as at December 31, 2016). This amount consists of minimum lease payments. Since July 1, 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. The Company’s lease agreements contain renewal options.

15. 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, 2017	December 31, 2016
	$	$
Short-term employee benefits		
Salaries and fees including bonuses and benefits	**521,581**	368,474
Social security costs and contributions to the pension plan	**47,779**	46,576
Total short-term employee benefits	**569,360**	415,050
Share-based payments-employees	**491,054**	150,158
Total remuneration	**1,060,414**	565,208

During the year ended in 2017, one of key management personnel exercised 35,000 share options granted through the share-based payment plans (2016 - nil).

16. 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, 2017, the Company's cash reserved for exploration was $4,327,388 ($138,385 as at December 31, 2016).

As at December 31, 2017, shareholders' equity was $22,684,615 ($13,998,887 as at December 31, 2016).

17. Subsequent events

On March 1, 2018, the Company announced that it had completed its commitments to acquire 50% interest in the Fenton property. SOQUEM Inc. and the Company now form a joint venture to continue exploration of the property for which no royalty has been granted.