MacDonald Mines Exploration Ltd.

Financial Statements

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of MacDonald Mines Exploration Ltd.:

We have audited the accompanying financial statements of MacDonald Mines Exploration Ltd., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of (loss) income and comprehensive (loss) income, statements of changes in shareholders' deficiency 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.

Auditors' 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 auditors' 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 MacDonald Mines Exploration Ltd. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on MacDonald Mines Exploration Ltd.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario
April 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

MNP

MacDonald Mines Exploration Ltd.
Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2017		As at December 31, 2016
Assets				
Current assets				
Cash and cash equivalents (note 4)	$	1,174,271	$	604,464
Amounts receivable (note 5)		244,623		13,810
Prepaid deposits		111,445		-
Marketable securities (note 6)		3,604		481,123
		1,533,943		1,099,397
Non-current assets				
Equipment (note 7)		26,332		4,277
Total assets	$	1,560,275	$	1,103,674
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (notes 8, 9, 10 & 13)	$	1,603,994	$	1,761,015
Short-term debt (note 13)		56,668		52,500
		1,660,662		1,813,515
Shareholders' deficiency (note 11)				
Share capital		38,503,262		35,383,153
Shares to be issued		180,000		-
Contributed surplus		20,742,666		20,142,616
Warrant reserve		1,892,760		247,072
Warrants to be issued		165,364		-
Accumulated other comprehensive loss		(17,358)		(11,001)
Accumulated deficit		(61,567,081)		(56,471,681)
Total shareholders' deficiency		(100,387)		(709,841)
Total liabilities and shareholders' deficiency	$	1,560,275	$	1,103,674

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 16)

Approved by the Board of Directors and authorized for issue on April 24, 2018

/s/ Tara Gillfillan

Tara Gilfillan

/s/ Quentin Yarie

Quentin Yarie

MacDonald Mines Exploration Ltd.

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

(Expressed in Canadian dollars)

	For the years ended December 31,	
	2017	2016
Expenses		
Exploration expenditures (note 12)	$ 3,902,063	$ -
Salaries, professional and consulting fees (note 13)	415,684	81,774
Shareholder communication	142,683	44,013
Severance expense (note 13)	-	72,000
General and administrative	61,317	12,457
Depreciation (note 7)	16,654	4,276
Investment loss	-	176,903
Share-based compensation (note 11(b))	600,050	-
Deferred flow-through premium (note 9)	(73,654)	-
	(5,064,797)	(391,423)
Gain (loss) on sale of properties (note 12)	-	878,446
(Loss) gain on sale of marketable securities (note 6)	(22,211)	(49,570)
Expenses before finance items and income taxes	(5,087,008)	437,453
Finance items		
Interest income	687	3
Interest expenses (note 13)	(9,079)	(2,500)
Net (loss) income	$ (5,095,400)	$ 434,956
Other comprehensive income (loss):		
Items that may be classified subsequently to loss:		
Changes in fair value of marketable securities	(6,357)	-
Other comprehensive income (loss)	(6,357)	-
Total comprehensive income (loss)	$ (5,101,757)	$ 434,956
Basic (loss) earnings per share (note 15)	$ (0.08)	$ 0.01
Diluted (loss) earnings per share (note 15)	$ (0.08)	$ 0.01

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

MacDonald Mines Exploration Ltd.
Statements of Cash Flows
(Expressed in Canadian dollars)

	For the years ended December 31, **2017**	2016
Operating activities		
Net (loss) income for the year	$ (5,095,400)	$ 434,956
Adjustments to reconcile net loss to net cash used in operating activities:		
Shares and warrants issued for properties (note 11(a))	2,843,750	-
Shares issued to settle debt (note 11(a))	73,745	-
Depreciation	16,654	4,276
Investment loss on derivative warrant	3,744	176,903
Loss on sale of marketable securities	22,211	49,570
Deferred premium on flow-through shares	(73,654)	(73,654)
Gain on sale of property	-	(878,446)
Share-based compensation (note 11(b))	600,050	-
Changes in non-cash working capital		
(Increase) decrease in amounts receivable	(230,813)	(13,810)
(Increase) decrease in prepaid deposits	(111,445)	-
Increase (decrease) in accounts payable and accrued liabilities	(171,602)	242,954
Net cash used in operating activities	(2,122,760)	(57,251)
Investing activities		
Proceeds from sale of marketable securities (note 6)	445,210	185,318
Acquisition of equipment	(38,709)	-
Net cash provided by investing activities	406,501	185,318
Financing activities		
Proceeds from private placement (note 11(a))	2,319,920	515,580
Share issue costs	(204,883)	(72,702)
Exercise of warrants	171,029	-
Repayment of short-term debt	-	2,500
Net cash provided by financing activities	2,286,066	445,378
Net increase in cash and cash equivalents	569,807	573,445
Cash and cash equivalents, beginning of year	604,464	31,019
Cash and cash equivalents, end of year	$ 1,174,271	$ 604,464

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

MacDonald Mines Exploration Ltd.
Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Share Capital	Shares to be Issued	Contributed Surplus	Warrant Reserve	Warrants to be Issued	Accumulated Other Comprehensive (Loss)	Accumulated Deficit	Total
Balance, January 1, 2017	$ 35,383,153	$ -	$ 20,142,616	$ 247,072	$ -	$ (11,001)	$ (56,471,681)	$ (709,841)
Net loss	-	-	-	-	-	-	(5,095,400)	(5,095,400)
Other comprehensive income (loss)	-	-	-	-	-	(6,357)	-	(6,357)
Total comprehensive income (loss)								(5,101,757)
Private placements	2,319,920	-	-	-	-	-	-	2,319,920
Fair value of warrants issued	(633,128)	-	-	633,128	-	-	-	-
Fair value of broker warrants issued	(180,057)	-	-	180,057	-	-	-	-
Fair value of warrants exercised	221,912	-	-	(50,883)	-	-	-	171,029
Premium on flow-through shares	(92,400)	-	-	-	-	-	-	(92,400)
Share issue costs	(204,883)	-	-	-	-	-	-	(204,883)
Fair value of shares/warrants issued for property acquisition	1,615,000	180,000	-	883,386	165,364	-	-	2,843,750
Fair value of shares issued to settlement debt	73,745	-	-	-	-	-	-	73,745
Share-based compensation	-	-	600,050	-	-	-	-	600,050
Balance, December 31, 2017	$ 38,503,262	$ 180,000	$ 20,742,666	$ 1,892,760	$ 165,364	$ (17,358)	$ (61,567,081)	$ (100,387)
Balance, January 1, 2016	$ 35,261,001	$ -	$ 20,142,616	$ -	$ -	$ (11,001)	$ (56,906,637)	$ (1,514,021)
Net income	-	-	-	-	-	-	434,956	434,956
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Total comprehensive income								434,956
Private placement	515,580	-	-	-	-	-	-	515,580
Fair value of warrants issued	(201,200)	-	-	201,200	-	-	-	-
Share issue costs	(118,574)	-	-	45,872	-	-	-	(72,702)
Premium on flow-through shares	(73,654)	-	-	-	-	-	-	(73,654)
								-
Balance, December 31, 2016	$ 35,383,153	$ -	$ 20,142,616	$ 247,072	$ -	$ (11,001)	$ (56,471,681)	$ (709,841)

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

1. Nature of operations and going concern

MacDonald Mines Exploration Ltd. (the "Company") is a publicly traded company actively engaged in the acquisition, exploration and development of mineral properties. The Company's registered office is Suite 1001, 145 Wellington Street West, Toronto, Ontario, Canada, M5J 1H8. Since November 1, 2011, the Company is continued under the Canadian Business Corporations Act. Prior to November 1, 2011 the Company was continued under the Quebec Business Corporations Act (formerly, Part 1A of the Companies Act (Quebec)). The Company's Class A common shares are listed on the TSX Venture Exchange ("TSXV") under the ticker symbol "BMK". The Company's functional and presentation currency is Canadian Dollars.

The Company is currently in the exploration stage and has not commenced commercial operations. As at December 31, 2017, the Company had a working capital deficiency of $126,719 (2016 - $714,118) which includes a flow-through provision of $1,057,067 (2016 - $1,400,000), an accumulated deficit of $61,567,081 (2016 - $56,471,681) and has not yet generated operating cash flows. As such, there is significant doubt regarding the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and 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. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprise IFRSs, International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"s) and the former Standing Interpretations Committee ("SIC"s).

The financial statements were approved by the Board of Directors on April 24, 2018.

(b) Basis of presentation

These financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

We have reclassified certain amounts on the Statement of (Loss) Income to conform to the current year's presentation.

(c) Foreign currencies

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

(d) Financial instruments

The Company's financial instruments consist of the following summarized accounts included within the statements of financial position:

Financial assets and liabilities	**Classification**
Cash and cash equivalents	Loans and receivables
Marketable securities	Available-for-sale financial assets
Derivative warrant assets	Fair value through profit or loss
Accounts payable and accrued liabilities	Other financial liabilities
Short-term debt	Other financial liabilities

Fair value through profit or loss: This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at their calculated fair value with changes in fair value recognized in the statement of comprehensive loss.

Available-for-sale financial assets: Available-for-sale financial assets are recorded at their fair value with unrealized holding gains and losses reported as a separate component of equity as other comprehensive income. The fair value of marketable securities is their quoted bid price at the end of each reporting period.

Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market. These assets are initially recognized at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition.

Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these other financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets: Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include financial difficulty of the counterparty, default or delinquency in interest or principal payment or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Financial instruments recorded at fair value: The Company classifies its financial instruments according to a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's marketable securities, which consist of investments in public companies, are valued using quoted bid prices in active markets and as such are classified within Level 1 of the fair value hierarchy, share purchase warrants are valued using the Black Scholes pricing model and as such are classified within Level 2 of the fair value hierarchy.

(e) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

(f) Mineral properties and exploration expenditures

The Company expenses all costs relating to the acquisition of, exploration for and development of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to acquisition costs, geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations.

Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(g) Equipment

Equipment is recorded at cost and depreciated over its expected useful life using the following methods:

Exploration equipment	-	50% declining balance
Vehicles	-	30% straight-line

(h) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive loss depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(i) Share-based payment transactions

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each period end, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are granted to non-employees and same or all goods and services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

(j) Asset retirement obligation

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, provides guidance relating to asset retirement obligations. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and charged to expenses as an exploration cost, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2017 and 2016, the Company had no asset retirement obligations.

(k) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(l) Marketable securities

Marketable securities consist of equity securities over which the Company does not have control or significant influence.

(m) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is deferred and recognized as other income as the expenditure incurs, and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are value bade on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants, are allocated to common share and warrants on a relative fair value basis whereby the common shares are values based on the quoted market price of the common shares at the time the units are issued, and the share purchase warrants are valued using the Black-Scholes option pricing model.

(o) Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2017 reporting period. Management believes the following standards will not have a significant impact on the Company’s financial statements:

IFRS 9 Financial Instruments ("IFRS 9") was initially issued by the IASB in November 2009 and issued in its completed version in July 2014, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off- statement of financial position operating leases. Instead, there is a single, on- statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgement, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the financial statements.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

Going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the financial statements.

Deferred taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Deferred Flow-Through Premium Estimates

Recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability. The fair values of the flow-through premiums are disclosed in Note 9 of the financial statements.

Share-based compensation

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 11(b) of the financial statements.

Deferred Compensation

From time to time the Company accrues compensation, included in accounts payable and accrued liabilities, which represents future compensation for management services and involves significant management judgments. The Company reviews the deferred compensation balance annually to ensure the balance appropriately represents the Company's estimate of what will be paid in cash or settled through share-based payments in future periods. Any reduction is recorded as a forgiveness of deferred compensation costs.

4. Cash and cash equivalents

As at December 31, 2017 and 2016, cash and cash equivalents of $1,174,271 and $604,464, respectively, were held in cash deposits in Canadian banks.

5. Amounts receivable

Amounts receivable comprise the following:

		2017		2016
Subscription receivable	$	**199,000**	$	-
Taxes recoverable		**41,342**		13,810
Other		**4,281**		-
	$	**244,623**	$	13,810

6. Marketable securities

The following is a summary of the Company's marketable securities:

		2017		2016
Equity securities	$	**3,604**	$	477,379
Share purchase warrants		**-**		3,744
	$	**3,604**	$	481,123

During the year ended December 31, 2017, the Company sold certain marketable securities for gross proceeds of $445,210 (2016 - $185,318) and recorded a loss on sale of $22,211 (2016 - $49,570).

7. Equipment

The following tables summarize the Company's fixed asset carrying values as at December 31, 2017 and 2016, respectively:

			2017			
		Cost		**Accumulated depreciation**		**Carrying value**
Exploration equipment	$	83,739	$	(81,600)	$	2,139
Vehicles		38,709		(14,516)		24,193
	$	122,448		(96,116)	$	26,332

	2016		
	Cost	Accumulated depreciation	Carrying value
Equipment	$ 83,739	$ (79,462)	$ 4,277

	2017	2016
Balance, January 1,	$ **4,277**	$ 8,553
Additions	**38,709**	-
Depreciation	**(16,654)**	(4,276)
Balance, December 31,	$ **26,332**	$ 4,277

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	2017	2016
Accounts payable	$ **245,164**	$ 81,857
Accrued liabilities	**1,358,830**	1,679,158
	$ **1,603,994**	$ 1,761,015

9. Deferred premium on flow-through shares

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is subsequently reduced and recorded in the statements of comprehensive loss (income) on a pro-rata basis based on the corresponding eligible expenditures that have been incurred when it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities.

The following table sets out the changes to the deferred premium balances:

	2017 F/T Series	2016 F/T Series	Total
Balance, January 1, 2017	$ -	$ 73,654	$ 73,654
Recognition of deferred premium	92,400	-	92,400
Decrease of deferred premium	-	(73,654)	(73,654)
Balance, December 31, 2017	$ 92,400	$ -	$ 92,400

10. Provision for flow-through shares

During the year ended December 31, 2015, the Company underwent an audit conducted by the Canada Revenue Agency ("CRA") for the calendar years 2010 to 2013. As a result of the audit, CRA has proposed an adjustment to the amount of qualifying expenditures that were renounced to subscribers aggregating approximately $2,500,000. In addition, CRA has assessed additional Part XII.6 tax of $255,043 to the Company in connection with the shortfall which was paid in January 2017.

Included in accounts payable and accrued liabilities as at December 31, 2017 is a provision of $1,057,067 (2016: $1,400,000) representing the maximum amount of tax and penalties related to the 2013 shortfall in flow-through eligible exploration expenditures. The Company does not intend to appeal the penalty and taxes imposed by CRA. The Company is evaluating the repayment terms.

11. Shareholders' deficiency

(a) *Common shares*

The Company's authorized capital stock includes an unlimited number of Class "A" common shares (issued 83,300,083 common shares (2016 – 37,639,737)) having no par value.

On November 21, 2016, the Company received approval from the TSX Venture Exchange to the consolidation of its common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share (the "Consolidation"). Effective at opening on November 21, 2016, the Company's shares commenced trading on the TSX Venture Exchange on a consolidated basis. As part of the consolidation, the stock options and warrants were also consolidated and the exercise prices were adjusted to reflect the consolidation. The consolidation has been reflected in these financial statements and all applicable references to the number of shares, warrants and stock options and their strike price and per share information has been adjusted.

During the year ended December 31, 2017, the Company issued 45,660,346 common shares (2016 – 7,365,429) as follows:

December 2017 financing
On December 19, 21 and 22, 2017, respectively, the Company closed a private placement offering, pursuant to which it issued a total of 9,240,000 flow-through units at a pice of $0.10 per unit for proceeds of $924,000 and 2,350,000 non-flow-through units at a price of $0.09 per non-flow- through unit for proceeds of $211,500, for aggregate proceeds of $1,135,500. Each flow-through unit comprised one Class A common share in the capital of the Company issued on a flow-through bases within the meaning of such term in the Income Tax Act (Canada) and one-half of one non-flow-through Class A common share purchase warrant, with each full warrant exercisable to acquire one non-flow-through Class A common share at a price of $0.15 per share for a period of 24 months following the closing of the offering, with each warrant having a fair value of $0.07 *(See Note 11(c) - Warrants).* Each non-flow-through unit comprised one Class A common share and one whole Class A common share purchase warrant, with each such warrant exercisable to acquire one non-flow through Class A common share at a price of $0.12 per share for a period of 24 months following the closing of the offering, with each warrant having a fair value of $0.074 *(See Note 11(c) - Warrants).* The Company recognized a deferred premium on the flow-through share issuance of $92,400 (2016 - $73,654) *(See Note 9 – Deferred premium on flow-through shares).*

In connection with the offering, the Company paid finders' fees equal to 8% of the gross proceeds raised by the Company to investors introduced to the Company by such finders, or $68,560, and issued compensation options equal to 8% of the number of flow-through and non-flow-through units sold, or 927,200 compensation options. The compensation options are exercisable to acquire one non-flow through unit for a period of 24 months from the date of issuance thereof at a price of $0.09 per unit, with each compensation option having a fair value of $0.079 *(See Note 11(c) - Warrants).*

August 2017 financing
On August 4, 2017, the Company closed a private placement offering, pursuant to which it issued a total of 5,000,000 common shares at a price of $0.10 for gross proceeds of $500,000.

March 2017 financing
On March 6 and 7, 2017, the Company closed the final tranche of its private placement offering, pursuant to which it issued a total of 2,842,858 flow-through units at a price of $0.07 per unit and 2,605,999 non-flow-through units at a price of $0.07 per unit for gross proceeds of $381,420. Each flow-through unit and each non-flow-through unit consists of one common share and one non-flow-through warrant. Each warrant is exercisable to acquire one common share at a price of $0.10 per share for a period of 36 months from issuance, with each warrant having a fair value of $0.162 *(See Note 11(c) - Warrants).* In connection with the offering, the Company paid finders fees equal to 9% of the gross proceeds raised by the Company to investors introduced to the Company by such finders, or approximately $31,178

and has issued compensation options equal to 9% of the units sold to investors introduced to the Company by such finders, or 445,398 compensation options. Each compensation option is exercisable to acquire one non-flow-through unit at a price of $0.10 per unit for a period of five years from date of issuance, with each compensation option having a fair value of $0.17 *(See Note 11(c) - Warrants).*

January 2017 financing
On January 27, 2017 the Company closed the second tranche of a non-brokered financing for total gross proceeds of $303,000 through the issuance of 5,050,000 units at a price of $0.06 per share. Each unit consisted of one share and one common share purchase warrant. Each whole warrant is exercisable for one share at a price of $0.10 per share for a period of three years from the date of issue, with each warrant having a fair value of $0.066 *(See Note 11(c) - Warrants).* In connection with this tranche of offering, the Company paid $13,500 cash commission and issued 450,000 non-transferable compensation options entitling the holder to acquire one common share for a price of $0.07 per share with an expiry date of five years from date of issuance, with each compensation option having a fair value of $0.07 *(See Note 11(c) - Warrants).*

December 2016 financing
On December 30, 2016, the Company issued 7,365,429 flow-through units at a price of $0.07 per unit for gross proceeds of $515,580. Each flow-through unit consisted of one flow-through share and one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of $0.10 per share for a period of three years from the date of issue. In connection with the offering, the Company paid $46,402 cash commission and issued 662,889 non-transferable compensation warrants valued at $45,872 entitling the holder to acquire one common share for a price of $0.10 per share with an expiry date of five years from date of issuance. The premium on the flow-through shares was calculated to be $73,654 which is included in accounts payable and accrued liabilities.

Shares for Debt
The Company has settled or agree to settle certain of its flow-through mining expenditure obligations relating to its obligation to indemnify certain subscribers in respect of tax and penalties payable in connection with the reassessment of such purchasers' tax returns. On February 14, 2017, the Company issued 200,000 common shares at a deemed price of $0.0618 per common share to settle the aggregate amount of the debt owed to such subscriber of $12,360. On July 28, 2017, the Company entered into an agreement to settle $33,385 through the issuance of 338,845 common shares at a deemed price of $0.10 per share in connection with the above.

On July 28, 2017, the Company also issued 275,000 common shares at a deemed price of $0.10 to settle an obligation of $27,500.

Shares issued for properties
On November 22, 2016, the Company entered into an agreement to acquire 6 claims known as the "Charlevoix Silica Property" located approximately 42 kilometres north of Baie-Saint-Paul, on the north shore of the Saint Lawrence River, in the Province of Quebec. The consideration for the acquisition is the issuance of 9,000,000 common shares of the Company and the grant of a 2% net sales returns ("NSR") royalty to the property vendor, 9019-5504 Quebec Inc. 100% of the NSR may be bought back for $1,000,000. On January 12, 2017, the Company issued the 9,000,000 common shares and the transaction was completed.

On January 12, 2017, the Company issued 2,500,000 units, with each unit comprising of one common share and one share purchase warrant in connection under the terms of the Option Agreement *(See Note 12 – Mineral Properties)* on the Holdsworth Property. Each warrant is exercisable for one common share at a price of $0.15 for a period of 36 months form the date of issue. The fair values of the common shares and warrants issued was $0.07 and $0.06, respectively, *(See Note 11(c) – Warrants).*

On May 3, 2017, the Company agreed to acquire the Holdsworth Property *(See Note 12 – Mineral Properties)* by issuing 5,500,000 units. Each unit shall consist of one common share and one share purchase warrant. Each share purchase warrant shall be exercisable at a price of $0.30 for a period of 36 months from the date of issue. Payment of the 5,500,000 units shall be issued in tranches to ensure Noble's shareholdings in the Company does not exceed 9.9%.

The fair values of the common shares and warrants issuable under the Purchase Agreement was $990,000 and $909,502, respectively, *(See Note 11(c) - Warrants).* As at December 31, 2017, the Company had issued 4,500,000 units under the Purchase Agreement. *(See Note 19 – Subsequent events).*

(b) Stock Options

The Company has a stock option plan (the "Plan") pursuant to which the Company's Board of Directors may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price and vesting period of any option is fixed by the Board of Directors on the date of grant, in accordance with applicable stock exchange or other regulatory requirements, if applicable. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares.

During the year ended December 31, 2017, the Company granted 3,466,500 stock options (2016 – nil) to directors, employees and officers at a weighted average exercise price of $0.18 (2016 - $Nil). These three-year options vested immediately upon grant. The fair value of the stock options granted during the year has been determined to be $600,050 and has been included in the statement of (loss) income and comprehensive (loss) income for the year ended December 31, 2017 (2016 – nil).

The fair value of the stock options was calculated using the Black-Scholes option pricing model and utilized the following weighted average assumptions: risk-free rate – 0.60%; volatility - 228%; expected life - 5 years; dividend yield - 0% and forfeiture rate - 0%, and resulted in a weighted average fair value of $0.17 per stock option.

Stock options to purchase common shares of the Company that have been granted in accordance with the Plan are as follows:

	2017		2016	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Stock options outstanding, beginning of year	**656,000**	**$1.28**	2,130,500	$1.41
Granted	**3,466,500**	**$0.18**	-	-
Exercised	**-**	**-**	-	-
Cancelled	**(288,000)**	**$1.64**	(1,474,500)	$1.47
Stock options outstanding, end of year	**3,834,500**	**$0.26**	656,000	$1.28
Exercisable stock options, end of year	**3,834,500**	**$0.26**	656,000	$1.28

Options to purchase common shares outstanding at December 31, 2017, exercise prices and weighted average lives to maturity are as follows:

Exercise price	**Options outstanding**	**Options exercisable**	**Weighted average life *(years)***
$1.00	368,000	368,000	0.20
$0.18	3,466,500	3,466,500	4.39
$0.26	3,834,500	3,834,500	3.99

(c) Warrants

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance as an equity reserve until expiration or exercise.

Warrants have been granted pursuant to equity financings as follows:

	2017		2016	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Warrants outstanding, beginning of year	**8,028,318**	**$0.10**	-	-
Issued	**26,291,455**	**$0.11**	8,028,318	$0.10
Exercised	**(1,757,564)**	**$0.10**	-	-
Warrants outstanding, end of year	**32,562,209**	**$0.12**	8,028,318	$0.10

The fair value of the warrants was estimated using a relative fair value attribution of the Black-Scholes model for pricing options using the following weighted average assumptions:

	2017	2016
Risk-free interest rate	**0.896%**	0.380%
Expected stock volatility	**196.96%**	232.03%
Expected life	**2.75**	3.13
Dividend yield	**0%**	0%

Warrants to purchase common shares outstanding at December 31, 2017, exercise prices and weighted average lives to maturity are as follows:

Grant Date	**Expiry Date**	**Exercise Price**	**Number Outstanding**	**Fair Value**
December 30, 2016	December 30, 2019	$0.10	7,265,429	$ 198,467
December 30, 2016	December 30, 2021	$0.07	505,325	34,969
January 12, 2017	January 12, 2020	$0.15	2,500,000	139,250
January 21, 2017	January 21, 2020	$0.10	3,550,000	88,152
January 21, 2017	January 21, 2022	$0.06	450,000	31,365
March 7, 2017	March 7, 2020	$0.10	5,448,857	134,500
March 7, 2017	March 7, 2022	$0.07	445,398	75,360
June 8, 2017	June 8, 2020	$0.30	3,800,000	628,383
August 4, 2017	August 4, 2020	$0.30	700,000	115,755
December 22, 2017	December 22, 2019	$0.15	4,620,000	295,766
December 22, 2017	December 22, 2019	$0.12	2,350,000	77,461
December 22, 2017	December 22, 2019	$0.09	927,200	73,332
		$0.14	32,562,209	$ 1,892,760

(d) Outstanding warrants and stock options

The following table sets out the maximum shares that would be outstanding if all the purchase share warrants and stock options, at December 31, 2017 and 2016, respectively, were exercised:

	2017	2016
Common shares outstanding	**83,300,083**	37,639,737
Stock options	**3,834,500**	656,000
Warrants	**32,562,209**	8,028,318
	119,696,792	46,324,055

12. Mineral properties

The Company has ownership interests in the several exploration projects. The Holdsworth property is the main focus of exploration.

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its various properties:

	Holdsworth	Charlevoix	Other	Total
Balance, January 1, 2017	$ -	$ -	$ 9,604,093	$ 9,604,093
Property acquisition costs	2,213,750	630,000	-	2,843,750
Exploration expenditures	780,424	57,060	220,829	1,058,313
Balance, December 31, 2017	**$ 2,994,174**	**$ 687,060**	**$ 9,824,922**	**$ 13,506,156**
Balance, January 1, 2016	$ -	$ -	$ 33,724,467	$ 33,724,467
Disposals			(24,120,374)	(24,120,374)
Balance, December 31, 2016	**$ -**	**$ -**	**$ 9,604,093**	**$ 9,604,093**

Holdsworth Property

On December 7, 2016 ("the "Effective Date"), the Company entered into an Option and Joint Venture ("JV") agreement ("the Option Agreement") with Noble Mineral Exploration Inc. ("Noble"), to advance exploration on Noble's Wawa-Holdsworth Gold and Silver Project (the "Holdsworth Project"), located 25 kilometres northeast of Wawa, Ontario. Subject to the terms and conditions of the Option Agreement, the Company will have the right to earn up to an undivided 75% interest in the Project, comprising of a first option to earn a 51% base interest and a second option to earn an additional 24% interest. The property covers 18 contiguous patented mining claims covering approximately 285 hectares.

To earn an initial 51% undivided interest ("the Base Interest") in the Holdsworth Project, the Company issued 2,500,000 of its Class A Common Shares and 2,500,000 share purchase warrants to Noble and must incur a minimum of $1,200,000 in expenditures in the 18-month period following the Effective Date. The share purchase warrants have an exercise price of $0.15 and expire 3 years from the date of issue. The Company issued the common shares and share purchase warrants on January 12, 2017. To earn the additional 24% undivided interest, the Company shall incur a further $1,000,000 of expenditures on or before the second anniversary of the date the 51% interest is exercised and the Base Interest is earned and make a payment of $100,000 to Noble.

On May 3, 2017, the Option Agreement was replaced with a purchase agreement whereby the Company agreed to acquire the Holdsworth Project from Noble (the "Purchase Agreement"). The purchase price comprised the following: (i) 5,500,000 units of the Company; (ii) the granting a 1.5% net smelter return royalty in favour of Noble and (iii) the payment of the equivalent of 5,000 ounces of gold once a mineral reserve or resource has been identified compliant with National Instrument 43-101 guidelines. Each unit shall comprise one common share and one share purchase warrant of the Company, with each share purchase warrant having an exercise price of $0.30 and a 3-year term from the date of issue. The Purchase Agreement supersedes the Option Agreement. Payment of the 5,500,000 units shall be issued in tranches to ensure Noble's shareholdings in the Company does not exceed 9.9%.

As at December 31, 2017, the Company had issued 4,500,000 units to Noble under the Purchase Agreement.

Charlevoix - Silica Property

On November 18, 2016, (the "Effective Date") the Company entered into a purchase agreement with 9019-5504 Quebec Inc. to acquire a 100% interest in certain 6 mining claims located in the Province of Quebec known as the Charlevoix Siliva Property. In consideration for the purchase of the mining claims, the Company issued 9,000,000 common shares on January 12, 2017 valued at $0.07 per share.

McFaulds Lake and Area Properties

The Company has held property in this region of northern Ontario since 2004 and is subject to net smelter royalties ("NSR") on certain claims.

On August 5, 2016, the Company entered into an agreement with Noront Resources Ltd. ("Noront") to sell 75% interest of certain lands in the property through the issuance of 2,318,393 common shares of Noront at a deemed value of $750,000. On the date of the transaction, the fair value of the shares received was $799,846. The Company has a 25% carried interest in the property until such time as an Inferred Mineral Resource has been filed on the property by Noront in accordance with NI43-101, at which time ("the Notification Date") a Joint Venture shall automatically be deemed to be formed between Noront and the Company.

The Company shall have twenty business days following the Notification Date (the "Conversion Right Exercise Period") in which to make a one-time election to transfer its 25% carried interest in the Property to Noront in exchange for a 1% NSR on the property.

If the Company fails to exercise the Conversion Right within the Conversion Right Exercise Period, Noront shall have the option (the "Buy-Back Option"), exercisable for twenty days following the expiry of the Conversion Right Exercise Period, to elect to purchase the Company's 25% carried interest in the Property for a purchase price of $3,000,000 (the "Buy-Back Purchase Price"), payable in cash or Noront shares at the option of Noront.

During the year ended December 31, 2016, the Company completed a Mineral Property Acquisition Agreement with KWG Resources Inc. ("KWG") to sell the mineral claims known as the Hornby Property. In consideration of the claims sold, KWG issued 4,000,000 of its common shares to the Company. On the date of the transaction, the fair value of the shares received was $78,600. MacDonald Mines retains a 2% net smelter return ("NSR") on the Hornby Property. KWG can purchase one percent (1%) of the NSR, at any time prior to commencement of production from the claims, by making a cash payment of $1,000,000 to the Company. KWG retains the first right of refusal to purchase the NSR on similar transaction terms should the Company, at its sole discretion, elect to sell the entire (or any part) of the 2% NSR to a bona-fide third party.

Bob Lake Property

To acquire the property, the Company paid $75,000, issued 2,850,000 common shares valued at $194,000 and 300,000 now expired share purchase warrants.

13. Related party disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors and the executive management team. The executive management team comprises the President and Chief Executive Office, Chief Financial Officer and Vice-President Exploration.

Compensation for key management personnel of the Company was as follows:

		2017		2016
Short-term benefits(1)	$	**171,735**	$	89,625
Share-based payments(2)		**173,100**		-
	$	**344,835**	$	89,625

(1) Includes salary and professional fees.
(2) Represents the expense of stock options vested during the year.

As of December 31, 2017, the following related party balances were outstanding:

The Company has a short-term loan of $50,000 (2016 - $50,000) owed to a company under common management. The loan bears interest at a rate of 5% per annum, is unsecured and payable upon demand. No amounts have been paid as at December 31, 2017. The Company has accrued interest of $6,668 (2016 - $2,500) related to the loan.

Included in accounts payable and accrued liabilities is an amount of $202,311 (2016 - nil) related to exploration, rent and general & administrative charges from a company under common management. In addition, accrued bonuses of $12,000 (2016 – accrued severance of $72,000) are included in accounts payable and accrued liabilities.

14. Income taxes

A reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 – 26.5%) to the effective tax rate is as follows:

		2017		2016
Net income (loss)	$	**(5,095,400)**	$	434,956
Expected income tax (recovery) expense		**(1,350,280)**		115,265
Reconciling items:				
Adjustment to losses not previously recognized		**78,830**		64,850
Permanent differences		**383,720**		30,035
Share issuance costs		**(101,980)**		(31,420)
Effect of flow-through renunciation		**136,630**		-
Flow-through share premium		**(19,520)**		-
Share-based compensation		**159,010**		-
Change in tax benefits not recognized		**713,590**		(178,730)
Net income tax expense	$	**-**	$	-

Deferred taxes are provided as a result of temporary differences that arise doe to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2017		2016
Mineral properties	$	14,670,151	$	12,720,418
Non-capital losses		10,192,870		9,615,118
Marketable securities		912,998		1,109,545
Investment tax credits		911,653		911,653
Share issue costs		379,002		94,850
Capital losses		272,822		47,709
Property, plant and equipment		219,265		352,388

The non-capital losses will expire between 2016 and 2037; exploration expenditures and equipment may be carried forward indefinitely; investment tax credits will expire between 2029 and 2032; and share issue costs will be deducted for tax purposes over the next four years.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

15. Earnings (Loss) per share ("EPS")

		2017			
		Earnings/(Loss) (Numerator)	**Shares (Denominator)**		**Per Share Amount**
Basic EPS	$	**(5,095,400)**	63,835,555	$	(0.08)
Effect of dilutive securities		**-**	430,699		-
Diluted EPS	$	**(5,095,400)**	64,266,254	$	(0.08)

		2016			
		Earnings/(Loss) (Numerator)	Shares (Denominator)		Per Share Amount
Basic EPS	$	434,956	30,294.487	$	0.01
Effect of dilutive securities		-	-		-
Diluted EPS	$	434,956	30,294,487	$	0.01

16. Commitments and contingencies

Flow-through expenditure commitment

The Company completed flow-through share financings that involve a commitment to incur Canadian exploration Expenditures ("CEEs") prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. The flow-through commitment as at December 31, 2017 was $924,000 (2016: $515,580). During 2017, the Company satisfied its CEE commitments associated with its December 2016 and March 2017 flow-through financings.

17. Capital management

As of December 31, 2017, the Company had a working capital of deficit of $126,719 (2016 - $714,118).

There were no changes in the Company's approach to capital management during the year ended December 31, 2017.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due. The Company's operations to date have been funded exclusively by the issuance of additional equity.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk.

The Company's mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and makes adjustments in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company capital structure may involve the issue of new shares, issue of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements other than flow-through spending.

18. Financial instrument risk factors

The following disclosures are to enable users of the financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting year:

a) Credit risk

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's amounts receivable related to sales taxes have negligible counterparty default risk. The Company's amounts receivable related to companies related by common management are subject to counterparty default risk.

b) Liquidity risk

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at December 31, 2017, the Company had a cash balance of $1,174,271 (2016 - $604,464) to settle current liabilities of $1,660,662 (2016 - $1,813,515). As a result, the Company is exposed to liquidity risk.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

c) Market risks

The Company's market risk arises from changes in interest rates and commodity prices that could have an impact on profit or loss. This includes:

- Interest rate risk, is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.

- Commodity price risks, particularly with respect to diamonds, is the sensitivity of the fair value of or of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets.

- Currency risk, is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.

19. Subsequent event

On February 1, 2018, the Company issued 725,000 units to Noble pursuant to the Holdsworth Property Agreement.

On February 20, 2018, the Company granted 300,000 stock options to an officer of the Company with each stock option having an exercise price of $0.075 per common share and expires 3 years from date of grant.