ELY GOLD ROYALTIES INC.

(formerly Ely Gold & Minerals Inc.)

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2017 AND 2016

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ELY GOLD ROYALTIES INC.
(formerly Ely Gold & Minerals Inc.)

We have audited the accompanying consolidated financial statements of Ely Gold Royalties Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ely Gold Royalties Inc. 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.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2018

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ELY GOLD ROYALTIES INC.
(formerly Ely Gold & Minerals Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	Notes	December 31, 2017	December 31, 2016	January 1, 2016
			Restated - Note 3	*Restated - Note 3*
ASSETS				
Current				
Cash and cash equivalents		$ 2,393,322	$ 4,366,614	$ 4,998,718
Marketable securities	6	1,419,193	859,346	81,159
Receivables	7	72,466	50,490	26,387
Prepaid expenses	12	47,376	48,244	108,868
		3,932,357	5,324,694	5,215,132
Non-Current				
Reclamation bond		60,662	60,662	60,662
Mineral and royalty interests	8	1,632,714	1,171,722	465,820
		$ 5,625,733	$ 6,557,078	$ 5,741,614
LIABILITIES				
Current				
Accounts payable and accrued liabilities	9 & 12	$ 470,999	$ 403,021	$ 38,009
Note Payable	10	705,906	-	
		1,176,905	403,021	38,009
Non-Current				
Note payable	10	160,944	555,002	-
		1,337,849	958,023	38,009
EQUITY				
Share capital	11	26,917,261	26,882,761	25,229,869
Share-based payment reserve	11	1,186,671	1,092,326	897,362
Deficit		(23,816,048)	(22,376,032)	(20,423,626)
		4,287,884	5,599,055	5,703,605
		$ 5,625,733	$ 6,557,078	$ 5,741,614

Approved and authorized by the Board:

"Ronald Husband" Director — *"Stephen Kenwood"* Director
Ronald Husband — Stephen Kenwood

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

ELY GOLD ROYALTIES INC.
(formerly Ely Gold & Minerals Inc.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the year ended December 31,	Notes		2017		2016
					Restated - Note 3
REVENUE					
Option proceeds		$	379,413	$	49,680
EXPENSES					
Consulting fees	12		873,926		781,503
Exploration and evaluation expenses			388,323		284,763
Insurance			31,874		26,344
Office and administration			167,180		134,330
Professional fees			192,377		193,228
Rent			27,550		12,000
Share-based payments	11 & 12		226,696		201,955
Transfer agent and filing fees			24,895		22,454
Travel and promotion			366,414		64,159
			(2,299,235)		(1,720,736)
OTHER INCOME (EXPENSE)					
Interest expense	10		(35,900)		(17,683)
Interest income			125		72
Change in fair value of marketable securities	6		(121,062)		(307,688)
Gain on disposal of exploration and evaluation asset	8c		590,114		185,376
Loss on foreign exchange			(159,159)		(218,707)
			274,118		(358,630)
Loss and comprehensive loss for the year		$	(1,645,704)	$	(2,029,686)
Basic and diluted loss per share		$	(0.02)	$	(0.03)
Weighted average number of common shares outstanding			75,907,530		67,246,527

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

ELY GOLD ROYALTIES INC.
(formerly Ely Gold & Minerals Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the year ended December 31,		2017		2016
				Restated - Note 3
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(1,645,704)	$	(2,029,686)
Items not affecting cash:				
Interest expense		35,900		17,683
Change in fair value of marketable securities		121,062		307,688
Gain on disposal of exploration and evaluation asset		(590,114)		(185,376)
Share-based payments		226,696		201,955
Unrealized foreign exchange		(59,200)		(132,997)
Changes in non-cash working capital items:				
Receivables		(21,976)		(24,103)
Prepaid expenses		868		(3,796)
Accounts payable and accrued liabilities		67,978		290,201
Net cash used in operating activities		(1,864,490)		(1,558,431)
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation expenditures, net of recoveries		(370,684)		(779,840)
Proceeds received from properties under option		-		58,580
Proceeds on disposal of exploration and evaluation asset		261,882		191,625
Net cash used in investing activities		(108,802)		(529,635)
CASH FLOWS FROM FINANCING ACTIVITIES				
Subscriptions received, net of issuance costs		-		1,455,962
Net cash provided by financing activity		-		1,455,962
Change in cash and cash equivalents for the year		(1,973,292)		(632,104)
Cash and cash equivalents, beginning of year		4,366,614		4,998,718
Cash and cash equivalents, end of year	$	2,393,322	$	4,366,614
Cash and cash equivalents consists of:				
Cash	$	2,368,322	$	4,341,614
Term deposit		25,000		25,000
	$	2,393,322	$	4,366,614

Supplemental disclosure with respect to cash flows (Note 13)

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

ELY GOLD ROYALTIES INC.
(formerly Ely Gold & Minerals Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Note	Number of shares	Share capital	Share-based payment reserve	Deficit	Total
Balance, January 1, 2016		64,580,475	$ 25,229,869	$ 897,362	$ (19,880,202)	$ 6,247,029
Impact of change in accounting policy	3	-	-	-	(543,424)	(543,424)
Balance, January 1, 2016 (Restated)		64,580,475	25,229,869	897,362	(20,423,626)	5,703,605
Private placement, net of issuance costs		10,000,000	1,355,462	-	-	1,355,462
Share-based payments		-	-	201,955	-	201,955
Warrants issued for exploration and evaluation assets		-	-	267,219	-	267,219
Exercised options		1,175,000	100,500	-	-	100,500
Share-payments allocated to share capital on exercise of options		-	196,930	(196,930)	-	-
Expired options		-	-	(77,280)	77,280	-
Net loss for the year (Restated)	3	-	-	-	(2,029,686)	(2,029,686)
Balance, December 31, 2016		75,755,475	26,882,761	1,092,326	(22,376,032)	5,599,055
Shares issued for exploration and evaluation assets		300,000	34,500	-	-	34,500
Share-based payments		-	-	226,696	-	226,696
Warrants issued for exploration and evaluation assets		-	-	73,337	-	73,337
Expired options		-	-	(205,688)	205,688	-
Net loss for the year		-	-	-	(1,645,704)	(1,645,704)
Balance, December 31, 2017		76,055,475	$ 26,917,261	$ 1,186,671	$ (23,816,048)	$ 4,287,884

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

1. NATURE OF AND CONTINUANCE OF OPERATIONS

Ely Gold Royalties Inc. (the "Company" or "Ely") was incorporated under the *Business Corporations Act* (Alberta) on May 10, 1996. The Company was continued into British Columbia in 2002 where it is now domiciled and governed by the *Business Corporations Act* (British Columbia Since 2016 the Company's principal business activity has been that of acquiring and consolidating mineral claims with the intention to option or sell the properties outright while retaining a royalty interest. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol ELY.

On November 22, 2017, the Company changed its name from Ely Gold & Minerals Inc. to Ely Gold Royalties Inc.

The Company's registered office is Suite 2833 – 595 Burrard St, P.O. Box 49195, Vancouver, British Columbia, Canada, V7X 1J1.

The recovery of the amounts comprising exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives, including, but not limited to, selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

These consolidated financial statements were approved by the Board of Directors for issue on April 30, 2018.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale and derivative financial liabilities, which are stated at their fair values. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, the Company's functional currency, unless otherwise specified.

Basis of consolidation and presentation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned subsidiaries include, DHI Minerals Ltd. ("DHI") (a Canadian corporation), DHI Minerals (US) Ltd. ("DHI US") (a Nevada corporation), Voyageur Gold Inc. ("Voyageur") (a Canadian corporation) and Nevada Select Royalty, Inc. ("Nevada Select").

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Share-based payments

The fair value of share-based payments is subject to the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in certain assumptions. As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices and expected forfeiture rate, changes in subjective input assumptions can materially affect the fair value estimate.

Impairment of mineral and royalty interests

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral and royalty interests.

In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statement of financial position at carrying value. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economic assessment/studies, accessible facilities and existing permits.

Critical accounting judgments

Management must make judgments given the various options available under IFRS for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. Critical judgments have been made by management in arriving at the three above noted critical estimates.

Comparative financial information

Certain comparative amounts have been amended to conform to the current year's presentation.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policy

Exploration and evaluation expenses

Effective January 1, 2017, the Company changed its accounting policy in respect of exploration and evaluation expenditures to recognize these costs in the statement of loss and comprehensive loss in the period incurred, as permitted under IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Previously, these expenditures were capitalized as mineral and royalty interests on the Company's statement of financial position. Management considers this accounting policy to provide more reliable and relevant information and believes that showing exploration and evaluation expenditures separately on the statement of loss and comprehensive loss and in the operating activities section of the statement of cash flows more accurately reflects the Company's activities during the periods presented. No change in accounting policy was made with regards to pre-exploration costs; acquisition costs and costs not directly attributable to exploration and evaluation activities.

The change in accounting policy has been applied retrospectively. As required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company included the restated statement of financial position as of January 1, 2016.

Impact on consolidated statement of financial position as at January 1, 2016 is as follows:

	As previously reported	Adjustment	Restated
Mineral and royalty interests	$ 1,009,244	$ (543,424)	$ 465,820
Total assets	$ 6,285,038	$ (543,424)	$ 5,741,614
Deficit	$ (19,880,202)	$ (543,424)	$ (20,423,626)
Total shareholder's equity	$ 6,247,029	$ (543,424)	$ 5,703,605
Total liabilities and shareholder's equity	$ 6,285,038	$ (543,424)	$ 5,741,614

Impact on consolidated statement of financial position as at December 31, 2016 is as follows:

	As previously reported	Adjustment	Restated
Mineral and royalty interests	$ 1,999,909	$ (828,187)	$ 1,171,722
Total assets	$ 7,385,265	$ (828,187)	$ 6,557,078
Deficit	$ (21,547,845)	$ (828,187)	$ (22,376,032)
Total shareholder's equity	$ 6,427,242	$ (828,187)	$ 5,599,055
Total liabilities and shareholder's equity	$ 7,385,265	$ (828,187)	$ 6,557,078

Impact on consolidated statement of loss and comprehensive loss for the year ended December 31, 2016 is as follows:

	As previously reported	Adjustment	Restated
Total operating expenses	$ 1,435,973	$ 284,763	$ 1,720,736
Exploration and evaluation expenses	$ -	$ 284,763	$ 284,763
Loss and comprehensive loss for the year	$ 1,744,923	$ 284,763	$ 2,029,686
Basic and diluted loss per share	$ (0.03)	$ -	$ (0.03)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Changes in accounting policies (cont'd…)

Exploration and evaluation expenses (cont'd…)

Impact on consolidated statement of cash flow for the year ended December 31, 2016 is as follows:

	As previously reported	Adjustment	Restated
Net cash used in operating activities	$ 1,273,668	$ 284,763	$ 1,558,431
Net cash used in investing activities	$ 814,398	$ (284,763)	$ 529,635

Exploration and evaluation costs that were capitalized and previously disclosed and which do not meet the new capitalization policy, have now been expensed in the statement of loss and comprehensive loss in accordance with the change in accounting policy. These reclassifications are reflected on each of the consolidated statements of financial position presented.

Foreign exchange

The functional currency for the Company and for each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are retranslated at the year-end exchange rates. Non-monetary items, measured using historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Company, Voyageur, DHI, DHI US and Nevada Select is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates*.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation. Items in the consolidated statements of income (loss) and comprehensive income (loss) are translated using the weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the consolidated statements of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized in a separate component of equity through other comprehensive income (loss).

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in profit or loss.

Cash equivalents

Cash equivalents include short-term liquid investments that are cashable or readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. It initially measures financial assets and financial liabilities at their fair value, adding or deducting directly attributable transaction costs (except for transaction costs directly attributable to acquiring financial assets or financial liabilities at fair value through profit or loss ("FVTPL"), which is recognized immediately in profit or loss). Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The Company classifies its financial assets into one of the following categories as follows:

FVTPL - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets, except those measured at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of non-derivative financial liabilities carried at amortized cost using the effective interest method.

Mineral and royalty interests

Exploration and evaluation assets
Pre-exploration costs are expensed as incurred.

Acquisition costs to obtain the legal right to explore a property are capitalized. Costs related to the exploration and evaluation of mineral properties, including general administrative overhead costs, are expensed in the period in which they occur.

Proceeds for option payments or shares received are recorded on receipt against capitalized exploration and evaluation assets. As related acquisition costs are reduced to nil by the option payments received, any future option payments are recorded as revenues in the statement of comprehensive loss.

When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

If it is determined that capitalized acquisition costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred as development properties.

Royalty interests
Royalty interests consist of acquired royalty interests in producing, development and exploration and evaluation stage properties. Royalty interests are recorded at cost and capitalized as tangible assets. They are subsequently measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The major categories of the Company's interests are producing, development and exploration and evaluation. Producing assets are those that have generated revenue from steady-state operations for the Company. Development assets are interests in projects that are under development, in permitting or feasibility stage and that in management's view, can be reasonably expected to generate steady-state revenue for the Company in the near future. Exploration and evaluation assets represent properties that are not yet in development, permitting or feasibility stage or that are speculative in nature and are expected to require several years to generate revenue, if ever, or are currently not active.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral and royalty interests (cont'd…)

Royalty interests (cont'd)

Producing and development royalty interests are recorded at cost and capitalized in accordance with IAS 16 *Property, Plant and Equipment*. Producing royalty interests are depleted using the units-of production method over the life of the property to which the interest relates, which is estimated using available estimates of proven and probable mineral reserves specifically associated with the properties and may include a portion of resources expected to be converted into mineral reserves.

Royalty interests for exploration and evaluation assets are recorded at cost and capitalized in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Acquisition costs of exploration and evaluation royalty interests are capitalized and are not depleted until such time as revenue generating activities begin.

Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income per share is computed similar to basic income (loss) per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. However, diluted loss per share does not include the increase to weighted average shares, as the effect of including additional shares would be anti-dilutive.

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provision for environmental rehabilitation (cont'd…)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares using the market price on the date the common shares are priced and the residual, if any, is allocated to warrants.

Share-based payments

The Company grants stock options to directors, officers, employees and consultants. Share-based payments to employees are measured on the grant date at the fair value of the equity instruments issued, using the Black-Scholes option pricing model and are accrued and charged either to operations or exploration and evaluation assets, over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payment reserve. Consideration paid for the shares on the exercise of stock options or warrants is credited to share capital and the applicable amounts of share-based payment reserve are transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payment reserve and transferred to deficit. For options that expire or are forfeited after vesting, the recorded value is transferred from the share-based payment reserve to deficit.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable arising from the use by others of the Company's assets yielding royalties or option proceeds. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when the specific criteria have been met for each of the Company's activities as described below.

Royalties
Royalties consist of revenues earned directly from royalty agreements. Revenue recognition generally occurs in the month of production from the royalty property. Revenue is measured at fair value of the consideration received or receivable when management can reliably estimate the amounts pursuant to the terms of the royalty agreement.

Option proceeds
Revenues from option proceeds is recognized when received. Option proceeds are initial recorded against the capitalized asset value and any excess is recognized as revenue.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd…)

in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Changes in accounting standards not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued, but are not yet effective. The Company has not early-adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

1) IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual period beginning on January 1, 2018.

2) IFRS 16 *Leases*

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

Applicable to the Company's annual period beginning on January 1, 2019.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Changes in accounting standards not yet adopted (cont'd…)

3) IFRS 15 *Revenue from Contracts with Customers*

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Revenue is recognized based on a five-step model:

1. Identify the contract with customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognize revenue when (or as) the performance obligations are satisfied.

- New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Applicable to the Company's annual period beginning on January 1, 2018.

4. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as FVTPL; marketable securities, as available-for-sale; and accounts payable and accrued liabilities and note payable, as other financial liabilities.

The carrying values of cash and cash equivalents, and marketable securities have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximates fair value, due to the short term to maturity of these financial instruments. The carrying value of notes payable approximates fair value as the notes bear market interest rates.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by placing its cash balances at major Canadian and American financial institutions.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian and American financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 2,393,322	$ 4,366,614

4. FINANCIAL INSTRUMENTS (cont'd…)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2017, the Company has cash and cash equivalents of $2,393,322 (2016 - $4,366,614), current liabilities of $1,176,905 (2016 - $403,021), long-term portion of note payable of $160,944 (2016 - $555,002) and working capital of $2,755,452 (2016 - $4,921,673).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

As at December 31,	2017	2016
Due Date		
0 – 90 days	$ 631,943	$ 403,021
90 – 365 days	544,962	-
More than 1 year	160,944	555,002
	$ 1,337,849	$ 958,023

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and equity price risk.

(i) Interest rate risk

Interest rate risk consists of three components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

(c) Fluctuations in the interest rates impact the value of cash equivalents. As at December 31, 2017, the impact of interest rates on the Company is not deemed significant. The Company's other liabilities are not exposed to interest rate risk, as they are carried at amortized cost.

(ii) Foreign currency risk

The Company incurs expenditures in Canada and the US. Foreign currency risk arises because the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at December 31, 2017, the Company has not hedged its exposure to currency fluctuations.

4. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk (cont'd…)

At December 31, 2017 and 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		December 31, 2017		December 31, 2016
Cash and cash equivalents	US$	1,422,889	US$	2,181,566
Accounts payable and accrued liabilities		(279,606)		(87,929)
Note payable		(650,000)		(400,000)
Interest payable		(40,993)		(13,348)
Net	US$	452,290	US$	1,680,289
Canadian dollar equivalent		$ 567,398		$ 2,175,562

Based on the above net exposures as at December 31, 2017, a 5% (2016 - 5%) change in the Canadian/US exchange rate would impact the Company's income (loss) and comprehensive income (loss) by approximately $28,000 (2016 - $125,500).

(iii) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments consisting of common shares are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held.

(iv) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at December 31, 2017 and 2016:

December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
FVTPL				
Cash and cash equivalents	$ 2,393,322	$ -	$ -	$ 2,393,322
Note payable	$ -	$ 866,850	$ -	$ 866,850
Available-for-sale				
Marketable securities	$ 1,419,193	$ -	$ -	$ 1,419,193

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
FVTPL				
Cash and cash equivalents	$ 4,366,614	$ -	$ -	$ 4,366,614
Note payable	$ -	$ 472,910	$ -	$ 472,910
Available-for-sale				
Marketable securities	$ 859,346	$ -	$ -	$ 859,346

(Expressed in Canadian Dollars)

5. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its exploration and evaluation assets contain economically recoverable reserves of ore and currently has not earned any revenues from its exploration and evaluation assets, and therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital and debt. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

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

6. MARKETABLE SECURITIES

The Company's marketable securities comprise the following common shares. The fair value of the marketable securities has been determined directly by reference to published price quotations in an active market.

	December 31, 2017		December 31, 2016	
	Cost	Fair Value	Cost	Fair Value
Gold Resource Corporation				
189,811 (2016 – 130,169) common shares	$1,482,595	$ 1,047,719	$1,085,875	$760,284
Colorado Resource Ltd				
800,000 (2016 – nil) common shares	178,000	160,000	-	-
Solitario Royalty & Exploration Corp				
119,352 (2016 – 119,352) common shares	144,454	89,514	144,454	99,062
Bitterroot Resources Ltd.				
200,000 (2016 – nil) common shares	30,000	28,000	-	-
VR Resources Ltd.				
50,000 (2016 – nil) common shares	16,250	16,000	-	-
Valterra Resource Corp.				
2,598,680 (2016 – nil) common shares	128,880	77,960	-	-
Total	$1,980,179	$1,419,193	$1,230,329	$859,346

During the year ended December 31, 2017, the Company acquired:

(a) 59,642 common shares of Gold Resource Corp ("Gold Resource"), valued at $396,720, as part of the consideration for the sale of its Isabella mineral property to Gold Resource (Note 8(c)).

(b) 800,000 common shares of Colorado Resources Ltd. ("Colorado"), valued at $178,000, as part of the consideration for the option of its Green Springs mineral property to Colorado (Note 8(a)).

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES (Cont'd…)

(c) 200,000 common shares of Bitterroot Resources Ltd. ("Bitterroot"), valued at $30,000, as part of the consideration for the option of its Hackberry North Project to Bitterroot (Note 8(c)).

(d) 50,000 common shares of VR Resources Ltd. ("VR Resources"), valued at $16,250, as part of the consideration for the option of its New Boston project to VR Resources (Note 8(c)).

(e) 2,598,680 common shares of Valterra Resource Corp. ("Valterra"), valued at $128,880, as part of the consideration for the option of its Weepah project to Valterra (Note 8(c)).

During year ended December 31, 2017, the Company recorded a fair value loss on marketable securities of $121,062 that was recognized in the statement of loss and comprehensive loss. Management determined the loss was evidence of a significant decline and as such, has included the loss in the statement of loss.

During the year ended December 31, 2016, the Company acquired 130,169 common shares of Gold Resource, valued at $1,085,875, as part of the consideration for the sale of its mineral property to Gold Resource (Note 8(c)).

The investment in Gold Resource is defined as available-for-sale and is measured at fair value with changes in fair value recognized in other comprehensive income (loss).

During the year ended December 31, 2016, the Company recorded a fair value loss on marketable securities of $325,591 relating to the Company's shares in Gold Resource. Management determined the loss was evidence of a significant decline and as such, has included the loss in the statement of income/(loss).

During the year ended December 31, 2016, the Company recorded a fair value gain on marketable securities of $17,903 relating to the Company's shares in Solitario Royalty & Exploration Corp. ("Solitario").

7. RECEIVABLES

The Company's receivables are as follows:

	December 31, 2017	December 31, 2016
Sales taxes receivable	$ 72,466	$ 50,490

(Expressed in Canadian Dollars)

8. MINERAL AND ROYALTY INTERESTS

	Green Springs (a)	Cox Claims (b)	Nevada Select Properties (c)	Total
Balance, December 31, 2014 (restated)	$ 370,063	$ 26,133	$ -	$ 396,196
Acquisition costs	33,190	36,434	-	69,624
Balance, January 1, 2016 (restated)	403,253	62,567	-	465,820
Acquisition costs	31,595	7,051	1,817,960	1,856,606
Option payments received	-	-	(58,580)	(58,580)
Disposition	-	-	(1,092,124)	(1,092,124)
Balance, December 31, 2016 (restated)	434,848	69,618	667,256	1,171,722
Acquisition costs	-	-	1,036,329	1,036,329
Option payments received	(406,190)	-	(100,659)	(506,849)
Disposition	-	-	(68,488)	(68,488)
Balance, December 31, 2017	$ 28,658	$ 69,618	$ 1,534,438	$ 1,632,714

(a) Green Springs

On February 4, 2013, the Company acquired the Green Springs property in White Pine County, Nevada, for US$300,000 (paid) and $50,000 (paid) cash. The Green Springs property is subject to a 2% net smelter return (“NSR”) royalty.

On July 7, 2014, the Company entered into an exploration and Option Agreement (the “EMX Agreement”) with Eurasian Minerals Inc. (“EMX”) for the Cathedral Well gold project consisting of 79 unpatented mining claims (the “Cathedral Well Claims”), which surround the Company’s Green Springs claims. Pursuant to the Option Agreement, the Company can earn a 100% interest in the Cathedral Well Project by paying EMX a total of $100,000 as follows:

- US$25,000 upon signing (paid)
- US$25,000 on the first anniversary (paid)
- US$25,000 on the second anniversary (paid)
- US$25,000 on the third anniversary (see below).

Eurasian will retain a 2.5% NSR royalty, inclusive of an underlying 0.5% NSR royalty. In addition, after earning the 100% interest in the Cathedral Well Project, the Company will pay Eurasian annual advance royalties equal to 20 ounces of gold each year beginning in year four of the Option Agreement. After completion of a feasibility study of the Cathedral Well Project and/or the adjacent Company properties, the annual payment will increase to 35 ounces of gold each year thereafter until commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. The Company may purchase 0.5% of the Eurasian NSR royalty by paying Eurasian 500 ounces of gold within 60 days after commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. However,

Eurasian will not retain any royalty on the Company’s existing Green Springs project.

In November 2016, the Company and EMX amended the EMX Agreement whereby the Company traded certain mining claims, owned by Nevada Select, (the “Gutsy Claims”) in lieu of the final payment of US$25,000. The Company now owns 100% of the Cathedral Well Claims.

8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(a) Green Springs (cont'd…)

On December 7, 2016, subject to TSX Venture Exchange approval, the Company entered into an option agreement with Colorado whereby Colorado can acquire a 100% interest in the Company's Green Springs project. Colorado can acquire their 100% interest by making cash payments of US$3,000,000 and issuing 2,250,000 Colorado common shares to the Company, as follows:

- At closing – US$50,000 cash (received - $65,865), 300,000 Colorado common shares (received 300,000 Colorado common shares valued at $78,000) and reimbursement of 2017 claim fees if US$25,000 (received - $32,465);
- Year 1 – US$100,000 cash (received - $129,860) and 500,000 Colorado common shares (received 500,000 Colorado common shares valued at $100,000);
- Year 2 – US$200,000 cash and 600,000 Colorado common shares;
- Year 3 – US$400,000 cash and 850,000 Colorado common shares; and
- Year 4 – US$2,250,000 cash (the "Final Option Payment"). Colorado may at its election make the final Option Payment 50% cash and 50% common shares based on a 30-day volume weighted average price of the Colorado common shares.

There are no work commitments or additional expenditures required other than Colorado's obligation to maintain the underlying agreements and claim maintenance fees in good standing. Once the Final Option Payment is made, the Company will retain a total 1% NSR on two key claims, retain the right to buy-down 1% of the underlying royalty on these key claims for US$500,000 and retain a 0.5% NSR on 76 claims.

In addition, once the Final Option Payment has been made, Colorado will make advance minimum royalty ("AMR") payments as follows:

- US$25,000 on the first through third anniversary dates of the Final Option Payment; and
- US$50,000 on each anniversary date of the Final Option Payment thereafter.

(b) Cox Claims

On January 16, 2013, the Company acquired a mining lease and a purchase option on mining claims contiguous to the Green Springs property, known as the Cox Claims. The lease on the Cox Claims has a term of 10 years with escalating advance royalty payments and a purchase option to acquire 100% of the property. The AMR payments are payable as follows on each anniversary of the agreement:

- Upon signing, US$7,500 (paid in 2013)
- January 16, 2014, US$10,000 (paid in 2013)
- January 16, 2015, US$12,000 (paid in 2014)
- January 16, 2016, US$15,000 (paid in 2015)
- January 16, 2017, US$15,000 (paid by Colorado)
- January 16, 2018, US$15,000
- January 16, 2019, US$20,000
- January 16, 2020 and on each subsequent anniversary, US $25,000.

The Company has the option to purchase the claims for an amount equal to US$200,000 less the aggregate of the annual AMR payments made prior to the date of exercising the purchase option. Upon exercise of the purchase option, title to the Cox Claims will be taken subject to annual AMR payments of US$25,000 until commencement of commercial production, after which a 2% NSR will be payable, after recovery of the aggregate AMR's. The Company has the option to buy-down 1% of the NSR for US$500,000.

8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(b) Cox Claims (cont'd…)

In connection with the acquisition of the Cox Claims, the Company entered into an Agency Agreement with Urawest Energy LLC ("Urawest") to compensate Urawest for its involvement in the acquisition of the Cox Claims. Under the terms of the Agency Agreement, the Company will make total aggregate payments of US$47,500 to Urawest, payable in annual instalments over the 10 year term of the Cox Claims lease:

- Upon signing, US$2,500 (paid in 2013)
- January 16, 2014, US$2,500 (paid in 2014)
- January 16, 2015, US$2,500 (paid in 2015)
- January 16, 2016 (paid in 2016)
- January 16, 2017 (paid in 2017 by Colorado)
- January 16, 2018 to January 16, 2023, US$5,000 each year.

In the event the Company exercises the purchase option to acquire 100% of the Cox Claims, any unpaid fees to Urawest as at the date of exercise shall be paid in full. Upon commencement of commercial production from the Cox Claims, the Company shall pay Urawest a 0.25% NSR and a US$2,500 annual AMR payment (the "Urawest Agreement"). Urawest also negotiated a side agreement with Cox for an additional 0.25% NSR on the Cox Claims, to be deducted from Cox's 2% NSR (the ("Cox Side Agreement"). Urawest, subsequently changed its name to Nevada Eagle and as part of the acquisition of the Nevada Eagle Properties, the Company was assigned the Urawest Agreement and the Cox Side Agreement.

On December 7, 2016, the Cox Claims were included as part of the option agreement with Colorado whereby Colorado can acquire 100% of the Green Springs project and the Cox Claims by making the cash payments and share issuances as noted in Note 8(a). Under the option agreement, Colorado must maintain the Cox Claims in good standing during the option period by making the annual AMR payments and the annual payments to Urawest as per the above schedule of payments.

(c) Nevada Select Properties

On May 4, 2016, the Company completed the acquisition of mineral properties (the "Nevada Select Properties") in Nevada and the western United States from Nevada Eagle LLC ("Nevada Eagle"). Under the terms of the agreement, the Company will pay Nevada Eagle a total purchase price of US$895,600 ($1,153,891). The purchase price will be paid as US$445,600 ($574,111 - paid) in cash on closing and an additional US$400,000 ($515,360) on the second anniversary, together with 5% interest. The remaining US$50,000 ($64,420 – paid in 2015) was previously advanced to Nevada Eagle for staking of mineral properties. The Company has also issued 3,000,000 share purchase warrants to Nevada Eagle. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.07 for a period of two years from the date of closing. The fair value of the share purchase warrants, $267,219 (note 11(d)), has been included in acquisition costs along with associated closing costs of $19,429.

During the year ended December 31, 2017 the Company received option proceeds from properties under option of $111,030, which has been included in the statement of loss and comprehensive loss. During the year ended December 31, 2016, the Company received option proceeds from properties under option of $58,580, which was included in mineral and royalty interests.

On August 12, 2016, the Company executed a purchase agreement (the "GP Agreement") for certain royalty interests from Golden Predator US Holdings Corp. ("Golden Predator"). Golden Predator is a wholly owned subsidiary of Till Capital Ltd. ("Till"). Nevada royalties owned by Golden Predator include a 3% NSR on the Atlanta property, a 3% gross production royalty ("GPR") on the Bolo property, a 0.5% GPR on the Wood property and a 2% NSR on the Mina Gold property.

8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

Nevada Select currently owns 100% of the claims covered by the Mina Gold royalty. Terms of the GP Agreement include:

- Atlanta (3% NSR) royalty interest;
- Bolo (3% GPR) royalty interest;
- Wood (0.5% GPR) royalty interests; and
- Termination by the Company, and Golden Predator of the Mina Gold (2% NSR).

As consideration, the Company paid US$56,250 ($74,351) to Till.

On August 15, 2016, the Company executed an agreement for the sale ("Mina Sale Agreement") of its 100% owned Mina Gold property for US$1,000,000 ($1,277,500) to Gold Resource. The Mina Gold property was acquired as part of the Nevada Select Properties. The terms of the Mina Sale Agreement are as follows:

- US$150,000 ($191,625) cash as a one-time AMR payment (received);
- US$850,000 ($1,085,875) in Gold Resource restricted stock (received). The Company received 130,169 shares in Gold Resource at the time of entering into the transaction:
- The Company will retain the following NSR's:
  - a 3% NSR on five patented claims;
  - a 2% NSR on thirty-nine unpatented claims, staked by Nevada Select;
  - a 1.5% NSR on four unpatented claims, purchased by Nevada Select with existing 0.5% NSR; and
  - a 2% NSR on additional unpatented claims staked by Gold Resource within a one-mile area of interest;
- Gold Resource has the option to buy-down 1% of the NSR on the patented claims for US$1,000,000; and
- Gold Resource has the option to buy-down 0.5% of the NSR on all unpatented claims for US$500,000.

As a result of the Company selling the Mina Gold property, the Company removed the carrying value of $975,907 and realized a gain on disposition of $185,376, which is included in the statement of loss and comprehensive loss.

During the year ended December 31, 2016, the Company acquired, through staking, a 100% interest in properties in Nevada and Idaho. The Company incurred expenses of $6,115 for staking the additional claims.

On October 7, 2016, the Company purchased a 100% interest mining claims in Mineral County, Nevada known as the Olympic Mine. The Company paid US$75,000 cash for the claims and the data. Sedi-Met Inc. retained a 1.25% NSR royalty on the claims with no area of interest.

On October 5, 2016, the Company entered into an agreement to purchase mineral claims in the state of Nevada, USA. Upon signing, the Company advanced US$10,000 as a refundable deposit. The agreement is subject to various terms and conditions being satisfied prior to June 30, 2017. Should these terms and conditions be met, the Company would advance, subject to a due diligence period, US$300,000 for the 100% purchase of the claims. In the event the terms and conditions of the agreement are not fulfilled, or if the Company is not fully satisfied upon completing its' due diligence, the Company will receive a full refund of the deposit. During the year ended December 31, 2017 the conditions of the agreement were not satisfied, and the Company received the $10,000 refundable deposit.

8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

On October 27, 2016, Novo Resources Corp., through its wholly owned subsidiary Novo Resources (USA) Corp ("Novo") has exercised its option to purchase 100% of mining claims in Elko County, Nevada (the "Elko Claims"). The Elko Claims, known as the Tuscarora Project, were lease/optioned by Novo on November 7, 2014 (the "Tuscarora Option Agreement"). The Tuscarora Option Agreement allowed Novo to purchase 100% of the Elko Claims by making lease payments aggregating US$100,000 over time. The final payment, which was due on November 7, 2016, was paid by Novo on October 4, 2016. The proceeds from the final payment was $49,680 and is included in option income during the year ended December 31, 2016. The Tuscarora Option Agreement also provides for:

1. a sliding scale NSR, subject to the gold price, as follows:
   - less than or equal to $1,500 (2.0%)
   - greater than $1,500.00 but less than or equal to $2,000 (3.0%)
   - greater than $2,000 (4.0%)

2. an AMR payment as follows:
   - third through fifth anniversaries $4,000
   - sixth through tenth anniversaries $8,000
   - eleventh and succeeding anniversaries $12,000

3. an area of interest, the Company was the underlying owner of the claims through staking and owns 50% of the Option Agreement which was executed in partnership with Platoro West Inc, a privately held Nevada corporation. The Company and Platoro West will each be deeded 50% of the royalty and will each be entitled to 50% of the AMR payments.

On November 4, 2016, the Company completed a property exchange (the "Property Exchange") with Columbus Gold Corp. and its wholly owned subsidiary Columbus Gold (USA) Corp. (collectively "Columbus"). The Company has acquired a 100% interest in 66 unpatented mining claims in Esmeralda County, Nevada (the "Esmeralda Claims"). The Esmeralda Claims are contiguous to claims currently held by the Company known as the Weepah Project ("Weepah"). Columbus has done significant exploration on the Esmeralda Claims, including multiple drill campaigns. Columbus acquired the Esmeralda Claims in 2011 from Cordex Exploration Company ("Cordex"). The Esmeralda Claims will be subject to a 2% NSR to Cordex. The Company will also acquire all the data from Columbus' exploration programs. In the Property Exchange, Nevada Select has conveyed, to Columbus, a royalty on the Bolo and Wood properties in Nye County, Nevada which was acquired by Nevada Select in a transaction with Till. Columbus acquired the Bolo/Wood property from Cordex in 2012.

On January 6, 2017, the Company executed an agreement for the sale of its 100% owned Isabella property to Walker Lane Minerals Corporation, a wholly subsidiary of Gold Resource, for US$460,000. The Company will retain a NSR (the "Isabella NSR") of 2.5%. Gold Resource has the option to buy-down 0.5% of the Isabella NSR for US$500,000. The Isabella NSR includes an area of interest (the "Isabella AOI") on claims not already held by Gold Resource in their Isabella Pearl property package. The Isabella AOI royalty will be 2%, of which Gold Resource can buy-down 1% for US$1,000,000. The total purchase is payable to the Company as follows:

- US$100,000 cash (received - $134,483);
- US$60,000 cash (received – $80,689) as a one-time AMR payment; and
- US$300,000 ($396,720) in Gold Resource restricted common stock, which equated to 59,642 shares (received).

8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

As a result of the Company selling the Isabella property, the Company removed the carrying value of $68,488 and realized a gain on disposition of $543,404, which is included in the statement of loss and comprehensive loss.

On January 20, 2017, the Company closed the transaction with Bitterroot whereby Bitterroot can acquire a 100% interest in the Company's Hackberry North Project by making cash payments of US$150,000 and issuing 600,000 Bitterroot common shares to the Company, as follows:

- At closing – US$20,000 cash (received - $25,972) and 200,000 Bitterroot common shares valued at $30,000 (received);
- Year 1 – US$30,000 cash and 100,000 Bitterroot common shares;
- Year 2 – US$50,000 cash and 100,000 Bitterroot common shares;
- Year 3 – US$50,000 cash and 200,000 Bitterroot common shares.

The Company will retain a 3% NSR on precious metals, a 2% NSR on all other products sold and a 0.5% NSR on unpatented lands which Bitterroot acquires within a 2.66-mile radius of the property. On the first three anniversaries of the option exercise, Bitterroot will pay AMR payments of US$10,000 per year. On each of the fourth through 10th anniversaries, Bitterroot will pay AMR payments of US$15,000 per year.

On February 17, 2017, the Company sold its 100% interest in the Bald Peak Project to Radius Gold Inc. ("Radius") for total proceeds of US$35,115 (received – $46,710). The Company recorded a gain on disposition of $46,710 in relation to the sale of the Company of its interest in Radius as it has $nil carrying value as at the date of sale. The Company issued, to Radius, a Deed with Reservation of Royalty to Radius that provides for:

- a 3% NSR on certain claims of the Bald Peak Project;
- a 1% NSR on certain claims of the Bald Peak Project;
- an area of interest of two miles;
- an annual AMR payment of US$25,000 beginning on the date an exploration permit is issued;
- Radius may buy-down 1% of the 3% NSR for US$1,000,000.

On May 26, 2017, the Company entered into a definitive option agreement with 1082223 BC Ltd ("1082 BC") whereby 1082 BC can acquire a 100% interest in the Cimarron project by making US$250,000 in option payments to the Company, as follows:

- Initial payment – US$10,000 (received $12,986; included in loss and comprehensive loss)
- US$15,000 six months after the closing date (received $19,479; included in loss and comprehensive loss)
- US$25,000 one year after the closing date
- US$25,000 two years after the closing date
- US$25,000 three years after the closing date
- US$150,000 four years after the closing date (the "Cimarron Final Option Payment")

If the Cimarron Final Option Payment is made the Company will retain a 2.5% NSR on the Cimarron claims. On the first three anniversaries of the option exercise, 1082 BC will pay AMR payments of US$15,000 per year. On the fourth anniversary and every year after, 1082 BC will pay AMR payments of US$25,000 per year.

8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

On May 26, 2017, the Company entered into definitive option agreements with Pyramid Gold (US) Corp ("Pyramid Gold") whereby Pyramid Gold can acquire a 100% interest in the Redlich, Moho and Olympic projects ("RMO") by making US$600,000 in combined option payments to the Company, as follows:

- Initial payment – US$22,000 (received $28,569; included in mineral and royalty interests)
- US$33,000 six months after the closing date (received $42,854; included in mineral and royalty interests)
- US$70,000 one year after the closing date
- US$75,000 two years after the closing date
- US$75,000 three years after the closing date
- US$325,000 four years after the closing date (the "RMO Final Option Payments")

If the RMO Final Option Payments are made the Company will retain a 2.5% NSR on the Redlich, Moho and Olympic claims. On the first three anniversaries of the option exercise, Pyramid Gold will pay combined AMR payments of US$30,000 per year on the Redlich and Moho projects. On the fourth anniversary and every year after, Pyramid Gold will pay combined AMR payments of US$50,000 per year. On the Redlich and Moho projects. Pyramid Gold will have the right to buy-down 1% of the NSR on each of the Redlich and Moho projects for an aggregate purchase price of US$1,000,000 per project.

On June 23, 2017, the Company closed the transaction with Platoro West Incorporated ("Platoro West") whereby the Company acquired Platoro West's portfolio of 14 mineral properties in Nevada, a portfolio of 8 deeded royalties, and legal and beneficial rights to geological information covering precious metals properties throughout the western United States. Under the terms of the agreement, the company will pay Platoro West US$500,000 as follows:

- US$25,000 upon signing (paid - $34,280);
- US$225,000 upon closing (paid - $298,158);
- US$125,000 cash on the first anniversary together with 5% per annum interest compounded quarterly from the date of closing;
- US$125,000 cash on the second anniversary together with 5% per annum interest compounded quarterly from the date of closing.

The Company also issued 1,000,000 shares purchase warrants to Platoro West with a fair value of $73,337, which is included in acquisition costs. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.125 for a period of three years from the date of closing (Note 11(d)).

During the year ended December 31, 2017 the Company received option proceeds from properties under option of $32,465, which has been included in the statement of loss and comprehensive loss.

On June 29, 2017, the Company closed a transaction with Eastfield Resources Ltd ("Eastfield") whereby the Company will acquire an interest in 18 patented claims located in Nevada for $50,000 cash (paid) and by issuing 300,000 common shares (issued with a fair value of $34,500) of the Company to Eastfield.

During the year ended December 31, 2017, the Company completed the acquisition of 6 patented mining claims and the related historical data for US$50,000.

9. MINERAL AND ROYALTY INTERESTS (cont'd…)

(d) Nevada Select Properties (cont'd…)

On July 10, 2017, the Company closed the option of the Weepah project with Valterra Resource Corp ("Valterra") whereby Valterra can acquire 100% of the Weepah project by making the following option payments to the Company:

- At closing – US$100,000 cash or through the issuance of Valterra common shares (received 2,598,680 Valterra common shares valued at $128,880);
- Year 1 – US$100,000 cash or through the issuance of Valterra common shares;
- Year 2 – US$200,000 cash;
- Year 3 – US$200,000 cash; and
- Year 4 – US$400,000 cash (the ("Final Option Payment")

If the Final Option Payment is made the Company will retain a 3% NSR on ten unpatented claims and one patented claim. Valterra will have the right to buy-down 1% of the underlying royalty on these claims for US$1,000,000. Sixty-six unpatented claims are subject to a 2% NSR to a third party and Ely Gold will retain a 1% NSR on those claims.

Valterra will pay the Company AMR payments as follows:

- US$25,000 on the first through third anniversary dates of the Final Option Payment;
- US$25,000 on each anniversary date of the Final Option Payment thereafter.

On September 8, 2017, the Company acquired four deeded royalties and one leased property for US$40,000 from Wolfpack Gold (Nevada) Corp. The Company must pay AMR on the acquired leased property as follows:

- Years 1-9 US$10,000;
- Years 10-14 US$12,500;
- Years 15-19 US$15,000; and
- Years 20+ US$20,000.

On September 10, 2017, the Company closed the transaction for the New Boston project with VR Resources whereby VR Resources can acquire 100% of the New Boston project by making the following payments:

- At closing – US$10,000 (received - $12,986; included in mineral and royalty interests) and 50,000 shares of VR Resources valued at $16,250 (received; included in mineral and royalty interests);
- An additional 50,000 shares of VR Resources if VR Resources completes a diamond drill program.

If a drill program is not completed by VR Resources within 18 months of closing, the property and any new exploration data will be returned to the Company. The Company was granted a 2% NSR on closing, subject to VR Resources' right to buy down one half of the royalty for US$500,000 per 0.5%.

On September 13, 2017, the Company closed the option of the Gold Bar project with Fremont Gold Ltd. ("Fremont") whereby Fremont can acquire 100% of the Gold Bar project by making US$1,000,000 in option payments to the Company, as follows

- At closing – US$10,000 (received - $12,986)
- US$40,000 six months after the closing date
- US$100,000 one year after the closing date
- US$100,000 two years after the closing date
- US$100,000 three years after the closing date
- US$200,000 four years after the closing date
- US$400,000 four years after the closing date (the "Gold Bar Final Option Payment")

(Expressed in Canadian Dollars)

8. MINERAL AND ROYALTY INTERESTS (cont'd…)

(c) Nevada Select Properties (cont'd…)

If the Gold Bar Final Option Payment is made the Company will retain a 2% NSR. Fremont will have the right to buy-down 1% of the underlying royalty on these key claims for US$5,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US$25,000 on the first through third anniversary dates of the Gold Bar Final Option Payment;
- US$35,000 on each anniversary date of the Final Option Payment thereafter.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

		December 31, 2017		December 31, 2016
Trade payables	$	156,478	$	141,419
Accrued liabilities		32,500		32,000
Due to related parties		282,021		229,602
Total	$	470,999	$	403,021

10. NOTES PAYABLE

On May 4, 2016, the Company issued a promissory note (the "Note") in connection with the acquisition of the Nevada Select Properties (Note 8(c)). The Note accrues interest at 5% per annum, compounding every three months from the date of issuance and is due on May 4, 2018 with early settlement permitted without penalty. The note payable is secured by the interest in mining claims (Note 8(c)).

As at December 31, 2017, the carrying value of the Note is $544,962 (US$434,406) (December 31, 2016 - $555,002 (US$413,348)), which includes accrued interest of $43,162 (US$34,406) (December 31, 2016 - $17,683 (US$13,348))) and is included as a current liability. For the year ended December 31, 2017, $27,346 (US$21,058) (2016 - $17,683 (US$13,348)) of interest is included in the statement of loss and comprehensive loss.

On June 23, 2017, the Company issued a promissory note (the "Platoro Note") in connection with the acquisition of the Platoro West Properties (Note 8(c)). The Platoro Note accrues interest at 5% per annum, compounding every three months from the date of issuance and one-half of the amount is due on the first anniversary of the issuance of the note and the other half is due on the second anniversary of the issuance of the note.

As at December 31, 2017, the carrying value of the Platoro Note is $321,888 (US$256,587) (December 31, 2016 - $Nil), which includes accrued interest of $8,263 (December 31, 2016 - $nil). For the year ended December 31, 2017, $8,554 (US$6,587) (2016 - $nil) of interest is included in the statement of loss and comprehensive loss. As at December 31, 2017, $160,944 (US$128,293) is included in non-current liabilities.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES

(a) Authorized share capital

As at December 31, 2017, the authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued share capital

On June 29, 2017, the Company issued 300,000 common shares with a fair of $34,500 for the acquisition of mineral properties (Note 8(c)).

On October 3, 2016, the Company closed a non-brokered private placement issuing 10,000,000 units (each a "Unit") at $0.14 per Unit for gross proceeds of $1,400,000. Each Unit was comprised of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for $0.20 until October 3, 2018. The Company incurred share issuance costs of $44,538.

On October 12, 2016, 1,175,000 options were exercised for total gross proceeds to the Company of $100,500.

(c) Stock options

The Company has an incentive stock option plan (the "Plan") in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. In addition, the aggregate number of shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares (2% if the participant is a consultant). Under the Plan, the exercise price of each option may not be less than the market price of the Company's share capital as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at December 31, 2017 and 2016, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Exercise Price	December 31, 2017	December 31, 2016
February 26, 2017*	$ 0.12	-	400,000
July 24, 2017*	$ 0.14	-	200,000
January 5, 2021	$ 0.06	500,000	500,000
September 22, 2021	$ 0.06	850,000	850,000
January 30, 2023	$ 0.14	250,000	325,000
January 28, 2024	$ 0.12	600,000	700,000
November 27, 2024	$ 0.06	550,000	650,000
March 11, 2026	$ 0.09	250,000	250,000
August 18, 2026	$ 0.15	1,200,000	1,350,000
June 19, 2027	$ 0.125	500,000	-
November 22, 2027	$ 0.10	1,725,000	-
Total outstanding and exercisable		6,425,000	5,225,000

* On February 26, 2017 and July 24, 2017 these options expired unexercised.

The weighted average remaining contractual life for the outstanding options at December 31, 2017 is 7.41 (December 31, 2016 – 6.43) years.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (cont'd...)

(c) Stock options (cont'd...)

Stock option transactions are summarized as follows:

	December 31, 2017		December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	5,225,000	$ 0.11	5,100,000	$ 0.10
Granted	2,225,000	$ 0.11	1,600,000	$ 0.09
Expired	(600,000)	$ 0.12	(300,000)	$ 0.25
Forfeited/cancelled	(425,000)	$ 0.12	-	$ 0.00
Exercised	-	$ -	(1,175,000)	$ 0.09
Options exercisable, end of period	6,425,000	$ 0.10	5,225,000	$ 0.11

On November 22, 2017, the Company granted incentive stock options to directors, consultants and an officer of the Company entitling them to purchase 1,725,000 common shares at a price of $0.10 per share for a period of 10 years vesting 100% on the grant date and expiring November 22, 2027. The fair value of these options was calculated at $172,500 using the Black-Scholes option pricing model and is included in the statement of loss and comprehensive loss as a share-based payment expense.

On June 19, 2017, the Company granted incentive stock options to a director of the Company entitling them to purchase 500,000 common shares at a price of $0.125 per share for a period of 10 years vesting 100% on the grant date and expiring June 19, 2027. The fair value of these options was calculated at $54,196 using the Black-Scholes option pricing model and is included in the statement of loss and comprehensive loss as a share-based payment expense.

On August 18, 2016, the Company granted incentive stock options to directors, officers and consultants of the Company entitling them to purchase 1,350,000 common shares at a price of $0.15 per share for a period of 10 years vesting 100% on the date of grant and expiring August 18, 2026. The fair value of these options was calculated at $183,930 using the Black-Scholes option pricing model and is included in the statement of income (loss) and comprehensive income (loss) as a share-based payment expense.

On March 11, 2016, the Company granted incentive stock options to a director of the Company entitling them to purchase 250,000 common shares at a price of $0.09 per share for a period of 10 years vesting 100% on the grant date and expiring March 11, 2026. The fair value of these options was calculated at $18,025 using the Black-Scholes option pricing model and is included in the statement of loss and comprehensive loss as a share-based payment expense.

During the year ended December 31, 2017, 1,025,000 (2016 – 300,000) options expired unexercised and the relating fair value of $205,688 (2015 - $77,280) was transferred from share-based payment reserve to deficit.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (cont'd...)

(d) Warrants

As at December 31, 2017 and December 31, 2016, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	December 31, 2017	December 31, 2016
May 4, 2018	$0.07	3,000,000*	3,000,000
October 3, 2018	$0.20	5,000,000	5,000,000
June 23, 2020	$0.125	1,000,000	-

* Subsequent to December 31, 2017 these warrants were exercised for proceeds of $210,000 to the Company.

On June 23, 2017, the Company issued 1,000,000 share purchase warrants to acquire mineral properties. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.125 until June 23, 2020. The fair value of $73,337 is included as acquisition costs in exploration and evaluation assets (Note 8(c)).

On May 4, 2016, the Company issued 3,000,000 share purchase warrants to acquire the mineral properties. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.07 until May 4, 2018. The fair value of $267,219 is included as acquisition costs in exploration and evaluation assets (Notes 8(c)).

Share purchase warrant transactions are summarized as follows:

	December 31, 2017			December 31, 2016		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Balance, beginning of period	8,000,000	$	0.15	-	$	-
Issued	1,000,000	$	0.125	8,000,000	$	0.15
Balance, end of period	9,000,000	$	0.147	8,000,000	$	0.15

The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2017		December 31, 2016	
	Options	Warrants	Options	Warrants
Risk-free interest rate	1.83%	1.12%	1.08%	0.58%
Expected dividend yield	0.00	0.00	0.00	0.00
Expected stock price volatility	103.18%	99.79%	104.95	107.29%
Expected life in years	10	3	10	2
Weighted average fair value	$0.10	$0.07	$0.11	$0.07

The Company has estimated the forfeiture rate to be 0.00%. Expected volatility was determined based on the historical movements in the closing price of the Company's common shares for a length of time equivalent to the expected life of each option and warrant.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management:

		December 31, 2017		December 31, 2016
Short-term employment benefits	$	792,394	$	586,397
Share-based payments		201,352		201,955
Total	$	993,746	$	788,352

As at December 31, 2017, $287,675 (2016 - $228,359) is owing to directors and officers of the Company for management bonuses, which is included in accounts payable and accrued liabilities. A prepaid advance of $nil (2016 - $16,080) was made to an officer and director of the Company.

All other amounts due to related parties are payable on demand. Interest is not charged on outstanding balances.

The Company has in place termination clause agreements with three of the Company's officers and directors, whereby the officers and directors are entitled to a cumulative amount of $319,296 in the event they are terminated without cause, or $837,888 in the event there is a change of control.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended December 31,		2017		2016
Significant non-cash investing activities consisted of:				
Shares issued for mineral claims	$	34,500	$	-
Marketable securities received for mineral claims	$	749,850	$	1,085,875
Note payable for exploration and evaluation assets purchase	$	324,425	$	515,360
Fair value of warrants issued on exploration and evaluation assets purchase	$	73,337	$	267,219

14. SEGMENT INFORMATION

The Company has one reportable operating segment, the acquisition and exploration of resource properties in one geographic location: the United States.

(Expressed in Canadian Dollars)

15. DEFERRED INCOME TAXES

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Income (loss) for the year	$ (1,645,704)	$ (2,029,686)
Canadian statutory tax rate	26%	26%
Income tax expense (recovery) computed at statutory rates	(427,883)	(527,718)
Foreign tax rates different from statutory rates	(9,529)	(45,542)
Change in timing differences	(142,115)	(53,757)
Rate difference between current and deferred taxes	398,522	-
Change in accounting policy	(286,247)	-
Foreign exchange gains or losses	41,353	6,124
Expired non-capital loss	87,280	87,280
Loss on marketable securities	5,389	62,655
Non-deductible items	348,175	91,861
Under provided in prior years	(925,530)	-
Tax losses and tax offsets not recognized (recognized)	910,585	379,097
Income tax recovery	$ -	$ -

The British Columbia corporate tax rate and the Canadian federal corporate tax rate remained constant at 11% and 15%, respectively. There were no changes to the Company's statutory tax rate at 26%.

(b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate future taxable income. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2017	2016
Non-capital losses	$ 14,494,254	$ 11,833,038
Capital losses	2,252,381	2,284,650
Share issue costs	26,722	35,631
Tax value over book value of equipment	1,811	1,812
Tax value over book value of exploration and evaluation assets	5,433,357	4,373,797
Tax value over book value of investments	489,390	394,386
Unrecognized deductible temporary differences	$ 22,697,915	$ 18,923,314

As at December 31, 2017, the Company has non-capital losses carried forward of approximately $12,114,000 (2016 - $11,353,000) and $2,380,000 (2016 - $480,000) that may be applied against future income for tax purposes in Canada and the United States, respectively. The non-capital losses expire between 2026 and 2037.

16. EVENTS AFTER THE REPORTING PERIOD

(a) On January 2, 2018 and April 25, 2018 the Company repaid the Promissory Notes' (Note 10) principal and interest for a total cash outlay of $160,629 and $567,853, respectively.

(b) On January 16, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC, a wholly owned subsidiary of Fremont whereby Fremont can acquire 100% interest in the Gold Canyon project by making US$802,500 in option payments to the Company, as follows:

- Initial payment – US$15,000 (received in January 2018)
- US$37,500 six months after the closing date
- US$75,000 one year after the closing date
- US$112,500 two years after the closing date
- US$112,500 three years after the closing date
- US$150,000 four years after the closing date
- US$300,000 five years after the closing date (the "Gold Canyon Final Option Payment")

If the Gold Bar Final Option Payment is made the Company will retain a 2% NSR on the Gold Canyon claims and a 1% NSR on any acquired or staked additional claims located within a one-mile area of interest. Fremont will have the right to buy-down 1% of the underlying royalties on all the claims for US$3,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US$25,000 on the first through third anniversary dates of the Gold Canyon Final Option Payment;
- US$35,000 on the fourth anniversary date of the Gold Canyon Final Option Payment and on each anniversary thereafter.

(c) On February 20, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC, a wholly owned subsidiary of Fremont whereby Fremont can acquire a 100% interest in the North Carlin project by making US$267,500 in option payments to the Company, as follows:

- Initial payment – US$5,000 and 200,000 Fremont shares
- US$12,500 six months after the closing date
- US$25,000 one year after the closing date
- US$37,500 two years after the closing date
- US$37,500 three years after the closing date
- US$50,500 four years after the closing date
- US$100,000 five years after the closing date (the "North Carlin Final Option Payment").

If the North Carlin Final Option Payment is made the Company will retain a 2% NSR on the North Carlin claims. There is no area of interest associated with the North Carlin claims and Fremont will have the right to buy-down 1% of the NSR for US$3,000,000.

Fremont is also required to pay the Company AMR payments as follows:

- US$25,000 on the first through third anniversary dates of the Gold Canyon Final Option Payment;
- US$35,000 on the fourth anniversary date of the Gold Canyon Final Option Payment and on each anniversary thereafter.

16. EVENTS AFTER THE REPORTING PERIOD

(d) On March 12, 2018, the Company entered into a definitive purchase agreement with Gold Resource, whereby Gold Resource has acquired a 100% interest in the County Line project for total consideration to the Company of US$300,000. The Company will retain a 3% NSR on the County line claims. There is a one-mile area of interest associated with the NSR. Gold Resource will have the right to buy-down 1% of the NSR for an aggregate purchase price of US$1,000,000.

(e) On March 28, 2018, the Company entered into a definitive option agreement with Monitor Gold Corporation ("Monitor"), a wholly owned subsidiary of Orla Mining Ltd., whereby Monitor has the option to acquire a 100% interest in four unpatented mining claims (the "Monitor Claims") by making US$677,000 in option payments to the Company, as follows:

- Initial payment – US$2,000
- US$5,000 one year after the closing date
- US$10,000 two years after the closing date
- US$15,000 three years after the closing date
- US$20,000 four years after the closing date
- US$25,000 five years after the closing date
- US$50,000 six thru nine years after the closing date
- US$400,000 ten years after the closing date (the "Monitor Final Option Payment").

If the Monitor Final Option Payment is made the Company will retain a 2.5% NSR on the Monitor Claims. There is no area of interest associated with the Monitor Claims and Monitor will have the right to buy-down 1% of the NSR for an aggregate purchase price of US$1,000,000.

(f) On April 26, 2018, 3,000,000 warrants with an exercise price of $0.07 were exercised for total proceeds to the Company of $210,000.