NEW CAROLIN GOLD CORP.

Financial Statements
For the Years Ended October 31, 2017 and 2016

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Independent Auditor's Report

To the Shareholders of
New Carolin Gold Corp.

We have audited the accompanying financial statements of New Carolin Gold Corp., which comprise the statements of financial position as at October 31, 2017 and October 31, 2016, and the statements of 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 Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of New Carolin Gold Corp. as at October 31, 2017 and October 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of New Carolin Gold Corp. to continue as a going concern.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
February 27, 2018

	October 31, 2017 $	October 31, 2016 $
ASSETS		
Current Assets		
Cash	**112,779**	228,175
Amounts receivable	**44,258**	62,313
Prepaid expenses	**23,089**	61,747
	180,126	352,235
Exploration and evaluation assets (note 4)	**8,585,596**	7,226,426
Reclamation bonds (note 4)	**220,000**	205,000
	8,985,722	7,783,661
LIABILITIES		
Accounts payable and accrued liabilities (notes 8 and 13)	**1,423,222**	1,267,043
Decommissioning provision (note 4)	**220,000**	-
Loans payable (note 9)	**193,204**	204,911
Term loans (note 5) – current	**-**	26,712
	1,836,426	1,498,666
EQUITY		
Share capital (note 6)	**13,537,301**	11,944,755
Equity component of convertible debt	**-**	10,000
Reserves	**1,921,819**	1,475,127
Deficit	**(8,309,824)**	(7,144,887)
	7,149,296	6,284,995
	8,985,722	7,783,661

Nature of operations and going concern (note 1)
Commitments (note 13)
Subsequent events (note 15)

Approved on behalf of the board of directors

"Robert L. Thast"	*"Richard T Gillard"*
Robert L. Thast	Richard T Gillard
Director	Director

The accompanying notes are an integral component of these financial statements

	2017 $	2016 $
EXPENSES		
Consulting fees (note 8)	**289,600**	446,132
Filings and investor relations	**224,202**	275,230
General and administration	**48,036**	46,232
Insurance	**20,096**	5,936
Property investigations	**9,809**	-
Professional fees (note 8)	**185,510**	137,639
Term loans interest and accretion (note 5)	**-**	30,912
Loans payable interest and accretion (note 9)	**84,658**	2,594
Penalties and other interest expense	**-**	12,858
Share-based payments (notes 7 and 8)	**314,964**	521,836
Loss Before Other Items	**(1,176,875)**	(1,479,369)
Other Items		
Gain on settlement of debt	**-**	140,567
Other income	**1,938**	1,431
Total Other Items	**1,938**	141,998
Net and comprehensive loss	**(1,174,937)**	(1,337,371)
Net loss per share		
Basic and diluted	**$ (0.07)**	$ (0.11)
Weighted average number of common shares outstanding – basic and diluted	**17,780,781**	12,377,023

The accompanying notes are an integral component of these financial statements

New Carolin Gold Corp.
Statements of Changes in Equity
Canadian dollars

	Shares Issued	Share Capital	Share Subscriptions	Equity component of convertible debt	Share-based Payments Reserve	Warrant Reserve	Deficit	Total equity
		$	$	$	$	$	$	$
October 31, 2015	**7,500,500**	**6,682,285**	**15,000**	**176,800**	**680,681**	**222,251**	**(5,807,516)**	**1,969,501**
Loss for the year	-	-	-	-	-	-	(1,337,371)	(1,337,371)
Shares issued in respect of private placement of units	3,261,762	1,924,681	(15,000)	-	-	-	-	1,909,681
Shares issued in respect of flow-through financing	940,738	470,369	-	-	-	-	-	470,369
Shares issued for exploration and evaluation asset	2,488,951	2,240,056	-	-	-	-	-	2,240,056
Shares issued for debt settlement	56,621	28,311	-	-	-	-	-	28,311
Shares issued on conversion of term loans	834,000	483,946	-	(166,800)	-	-	-	317,146
Shares issued on exercise of warrants	470,000	255,000	-	-	-	-	-	255,000
Shares issued on exercise of stock options	10,000	15,641	-	-	(7,141)	-	-	8,500
Share issue costs	-	(155,534)	-	-	-	57,500	-	(98,034)
Share-based payments	-	-	-	-	521,836	-	-	521,836
Balance as at October 31, 2016	**15,562,572**	**11,944,755**	**-**	**10,000**	**1,195,376**	**279,751**	**(7,144,887)**	**6,284,995**
October 31, 2016	**15,562,572**	**11,944,755**	**-**	**10,000**	**1,195,376**	**279,751**	**(7,144,887)**	**6,284,995**
Loss for the year	-	-	-	-	-	-	(1,174,937)	(1,174,937)
Shares issued in respect of private placement of units	726,100	508,270	-	-	-	-	-	508,270
Shares issued in respect of flow-through financing	1,293,265	939,997	-	-	-	-	-	939,997
Shares issued for debt settlement	942	613	-	-	-	-	-	613
Shares issued on exercise of warrants	550,000	275,000	-	-	-	-	-	275,000
Extinguishment of convertible debentures	-	-	-	(10,000)	-	-	10,000	-
Warrants issued for loan payable	-	-	-	-	-	75,315	-	75,315
Share issue costs	-	(131,334)	-	-	-	56,413	-	(74,921)
Share-based payments	-	-	-	-	314,964	-	-	314,964
Balance as at October 31, 2017	**18,132,879**	**13,537,301**	**-**	**-**	**1,510,340**	**411,479**	**(8,309,824)**	**7,149,296**

The accompanying notes are an integral component of these financial statements

	2017 $	2016 $
Cash provided by (used for)		
Operating activities		
Net loss for the year	**(1,174,937)**	(1,337,371)
Non-cash items:		
Share-based payments	**314,964**	521,836
Accrued interest and accretion – term loans	**-**	19,368
Accrued interest and accretion – loans payable	**77,283**	-
Interest paid by issuance of shares	**613**	9,433
Gain on settlement of debt	**-**	(140,567)
Change in non-cash working capital items:		
Amounts receivable	**18,055**	(15,800)
Accounts payable and accrued liabilities	**32,728**	(48,500)
Prepaid expenses	**3,492**	(3,982)
Cash flows used for operating activities	**(727,802)**	(995,583)
Financing activities		
Term loans repayment	**(25,000)**	-
Proceeds term loans payable	**210,000**	-
Loans payable repayment	**(207,058)**	(10,000)
Issue of units and flow-through shares for cash	**1,448,267**	2,380,050
Warrants exercised	**275,000**	255,000
Stock options exercised	**-**	8,500
Share issue costs	**(74,921)**	(98,034)
Cash flows provided by financing activities	**1,626,288**	2,535,516
Investing activities		
Investment in exploration and evaluation assets	**(1,100,515)**	(1,369,016)
Government assistance received	**101,633**	14,980
Reclamation bonds	**(15,000)**	-
Cash flows used for investing activities	**(1,013,882)**	(1,354,036)
Increase (decrease) in cash	**(115,396)**	185,897
Cash beginning of year	**228,175**	42,278
Cash end of year	**112,779**	228,175

Supplemental cash flow information (note 14)

The accompanying notes are an integral component of these financial statements

1. Nature of operations and going concern

New Carolin Gold Corp. is a Canadian resource exploration and development company incorporated in British Columbia. The Company maintains its head office in Vancouver, British Columbia.

As at October 31, 2017, the Company holds a 100% interest in the Ladner Gold Project located in southwestern British Columbia.

Effective January 16, 2018, the Company completed a share consolidation on the basis of ten (10) pre-consolidation common shares for one (1) post-consolidation common share. All periods presented have been retrospectively adjusted to reflect this consolidation.

These financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenues from operations and has a significant working capital deficiency of $1,656,300 (2016 - $1,146,431). The continuing operations of the Company are dependent on its ability to obtain additional financing. As a result there exists a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. Management plans to obtain sufficient working capital from external financing to meet the Company's liabilities and commitments as they become due. The financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Basis of presentation

a) The Company prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board (IASB). These financial statements were approved for issue on February 27, 2018.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Use of judgments

The preparation of the financial statements, requires estimates and assumptions that affect the amounts reported in the financial statements. Significant areas where judgment is applied include the assessment of the Company's ability to continue as a going concern (note 1), the recoverability of the exploration and evaluation assets, the realization of deferred income taxes assets and the determination of whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment.

d) Critical accounting estimates

Significant estimates include the carrying value and recoverability of exploration and evaluation assets, inputs used in accounting for stock-based compensation and provisions for site restoration. Actual results could differ from our estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Significant accounting policies

a) Foreign currency translation

The financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss.

b) Financial instruments

The Company's financial instruments consist of cash, amounts receivable, reclamation bonds, accounts payable and accrued liabilities, loans payable and term loans.

Loans and receivables

Cash, amounts receivable, and reclamation bonds have been classified as loans and receivables and accordingly are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

Other financial liabilities

Accounts payable and accrued liabilities, loans payable and term loans are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest rate method.

Impairment of financial assets

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is 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 the group of financial assets.

c) Exploration and evaluation assets

Exploration and evaluation expenditures

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets. Exploration expenditures relate to the initial search for deposits with economic potential and detailed assessments of deposits or other projects that have been identified as having economic potential.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

3. Significant accounting policies (continued)

c) Exploration and evaluation assets (continued)

Exploration and evaluation expenditures (continued)

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 tested for impairment before the assets are transferred to development properties.

Development

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in-progress and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in profit or loss in the period in which they are incurred.

Impairment of non-current assets

The carrying amounts of non-current assets are reviewed for impairment at each reporting date and whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell and its value in use. 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Cash generating units are individual operating mines or exploration and development projects. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying value, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. In such cases, an impairment loss exists and is recorded as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d) Decommissioning and restoration provisions

The Company records a liability based on the best estimates of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows required to discharge the liability discounted at a risk-free rate. The restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate.

3. **Significant accounting policies (continued)**

d) Decommissioning and restoration provisions (continued)

The restoration provision is also accreted to full value over time through periodic charges to profit or loss. The amount of the restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to profit or loss. The method of amortization follows that of the underlying asset. The costs related to a restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit. A revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the related asset.

e) Provisions

Provisions for restructuring costs and legal claims, where applicable, are recognized when the Company has a present legal or constructive obligation as a result of past events. To recognize the provision, it must be probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. There are no provisions as at the financial statement date.

f) Current and deferred taxes

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined that 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

The fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based payments is accrued and charged to operations using the graded method, with an offsetting credit to share-based payments reserve, over the vesting periods.

3. Significant accounting policies (continued)

g) Share-based payments (continued)

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payments reserve. For stock options that are cancelled or that expire unexercised, the related share-based payments reserve remains as such.

h) Share capital and warrants

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value, which is the bid price of the shares on the date of issuance. When units are issued during a private placement, which include both common shares and share purchase warrants, the warrants are valued by comparing the total unit price to the fair value of the shares on the day of the announcement of the private placement. Any premium above the fair value of the shares issued would be allocated to the warrants and credited to the warrant reserve.

i) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon filing the renunciation of qualifying resource expenditures, the Company derecognizes the liability and the premium is recognized as other income. Once the renunciation is filed, the Company will recognize the deferred income tax liability.

j) Convertible debt

The face value of the non-derivative convertible loan is the cash received less the amount of financing fees paid to obtain the loan. The face value is then classified into its separate debt and equity components in the Company's financial statements by using the residual method where the liability is valued first. The liability portion represents the present value of term debt discounted using the discount rate that would have been applicable to a non-convertible debt. The equity component is determined as the residual value of the face value of the instrument less its liability component.

Over the term of the loan, the carrying value of the liability component is to be accreted to the principal amount using the effective interest-rate method. The corresponding interest and accretion is to be charged to profit or loss.

If the conversion option is exercised, the amount recorded in equity is transferred to share capital. If the conversion option is not exercised, the amount recorded in equity is reclassified to deficit.

k) Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding in the period.

Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

The net effect of applying the treasury stock method to the weighted average number of shares outsatnding has an anti-dilutive effect for the years ended October 31, 2017 and 2016.

3. Significant accounting policies (continued)

l) New accounting standards adopted during the year

The Company adopted the following amendments during the year ended October 31, 2017 with no significant impact on its financial statements.

Amendment to IFRS 5 Non current Assets Held for Sale and Discontinued Operations

The amendment clarifies circumstances in which an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa), and in circumstances which an entity no longer meets the criteria for held for distribution. This standard was adopted in the current year with no impact.

Amendment to IFRS 7 Financial Instruments

The amendment clarifies the applicability of the amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements. This amendment was adopted in the current year with no impact.

Amendments to IFRS 11 Joint Arrangements

These amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured). These amendments were adopted in the current year without impact.

Amendments to IAS 1 Presentation of Financial Statements

These amendments clarify existing IAS 1 requirements resulting from the Disclosure Initiative. It is designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. These amendments are effective for reporting periods beginning on or after January 1, 2016.

Amendments to IAS 16 Property, Plant and Equipment

These amendments clarify the acceptable methods of depreciation and amortization. These amendments are effective for reporting periods beginning on or after January 1, 2016.

m) New pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the October 31, 2017 reporting period. Management has not yet begun the process of assessing the impact that the new and amended standards will have on the Company's financial statements.

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. This standard is effective for reporting periods beginning on or after January 1, 2018.

3. **Significant accounting policies (continued)**

m) New pronouncements (continued)

Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This standard is effective for reporting periods beginning on or after January 1, 2017.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and 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. This standard is effective for reporting periods beginning on or after January 1, 2019.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

Amendments to IAS 12 Income Taxes

These amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. These amendments are effective for reporting periods beginning on or after January 1, 2017.

Amendments to IFRS 2 Share-based Payment

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. These amendments are effective for reporting periods beginning on or after January 1, 2018.

3. Significant accounting policies (continued)

m) New pronouncements (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. This interpretation is effective for reporting periods beginning on or after January 1, 2018.

4. Exploration and evaluation assets

	October 31, 2017	October 31, 2016
Acquisition costs		
Balance, beginning of the year	$ 3,662,364	$ 1,284,440
Acquisition costs	2,147	2,377,924
Decommissioning provision	220,000	-
Total acquisition costs, end of the year	3,884,511	3,662,364
Exploration costs		
Balance, beginning of the year	3,564,062	2,565,391
Assay and analysis	51,144	24,111
Drilling	215,976	435,074
Geological and consulting	563,240	411,401
Property taxes	2,086	3,622
Site activities	406,210	139,443
Government assistance	(101,633)	(14,980)
Total exploration costs, end of the year	4,701,085	3,564,062
Total exploration and evaluation assets, end of the year	**$ 8,585,596**	**$ 7,226,426**

Ladner Gold Project

In August, 2014, the Company entered into an acquisition agreement ("Agreement") to acquire all rights and title to the mineral claims comprising the Carolin Mine and associated Ladner gold properties, collectively known as the Ladner Gold Project (the "Project") then owned by or under option to Century Mining Corporation ("Century") and under a receivership order with Samson Belair / Deloitte & Touche Inc. ("Receiver"). The Company owned a historic 10% interest in the Project. During the year ended October 31, 2015, as part of the Agreement with and facilitated by the Receiver, the Company exercised Century's existing Tamerlane Option to complete the purchase of a 30% interest in the Ladner Gold Project, making the final payment to acquire Tamerlane's 30% interest. On closing, the Company then controlled a 40% interest in the Project.

In February, 2016, the Company and the Receiver amended the Agreement to reduce the amounts payable and the closing conditions in order to accelerate closing on the remaining 60% interest in the Project. On April 13, 2016, the Company completed the acquisition with the Receiver, acquiring the remaining 60% of the Ladner Gold Project, issuing 2,488,951 common shares to the Receiver and agreeing to grant and pay a 2% Net Smelter Returns royalty ("NSR") on the Project, which may be purchased by the Company in whole or in part at any time prior to the first anniversary of the closing for $2,250,000 per percentage point; and 35% of the profits earned and received by the Company from the sale of gold obtained by reprocessing the tailings presently existing on the Project.

4. Exploration and evaluation assets (continued)

Ladner Gold Project (continued)

The Company has 100% of the legal and beneficial ownership of the 144-square kilometer Ladner Gold Project contiguous land package, which includes the Carolin Mine.

In connection with the Project, the Company has a total of $220,000 placed with the Province of British Columbia in environmental and mining bonds. During the year ended October 31, 2017, the Company recognized a decommissioning provision of $220,000 equal to the value of the bonds. The timing of the settlement of the obligation cannot be reasonably determined at this time.

Property option agreement with Crucible Resources Ltd.

On February 11, 2016, the Company entered into an option agreement with Crucible Resources Ltd. ("Crucible") to acquire the Warkentin Property, whereby the Company can acquire 20 mineral claims covering 30 square kilometers situated near the southern portion of the Ladner Gold Project, under the following terms:

a) Paying Crucible $32,000 (paid) in respect of settlement of the previous agreement and to secure the new Option;

b) The Company can acquire all 20 claims at any time for a total of $50,000 over five years;

c) Funds spent on exploration will be factored into the $50,000 acquisition purchase price; and

d) Crucible retains a 2% NSR, which the Company may purchase for $250,000 for the first 1% and $500,000 for the second 1%.

5. Term loans

2012 Term Loans

In July 2012, the Company signed multiple Non-Transferable Secured Convertible Debentures ("2012 Debentures") that matured on July 31, 2013 for a total of $415,000, which paid 8% interest per annum and were convertible to units (common shares and warrants) at $1.00 per unit, with each common share purchase warrant exercisable at $1.20 per share for a twelve month period. The Company paid $44,037 in financing fees and allocated $270,816 to the carrying value of the loan and $92,165 to equity on initial recognition. Over the term of the loan this carrying value was accreted to the $415,000 principal amount and the corresponding interest and accretion was charged to operations.

On February 11, 2015, by agreement with the Debentureholders, the 2012 Debentures were amended as follows:

- The new convertible debentures will have an issue date of January 1, 2015, with a maturity date of December 31, 2016.
- The interests owing at December 31, 2014 will be settled with common shares of the Company at a rate of $0.50 per share (settled with share issuance on February 13, 2015).
- Secured through a General Security Agreement against the assets of the Company.
- Paying 13% interest semi-annually.
- When interest is due and payable and the Company has unallocated working capital of less than $300,000, the Company may settle such interest by issuing common shares at a rate equal to the greater of (i) 0.50 and (ii) the last closing price of the Company's shares on the TSX Venture Exchange on the day immediately prior to the day such interest is due.
- The holders can convert the convertible debentures into Units (the "2012 Unit") at a conversion price of $0.50 per 2012 Unit on or before December 31, 2015, or $1.00 per 2012 Unit thereafter. Each 2012 Unit consists of one Common Share and one Common Share Purchase Warrant (the "2012 Warrant"), each 2012 Warrant exercisable to acquire one additional Common Share of the Company at an exercise price of $0.50 per Common Share until December 31, 2016.

5. Term loans (continued)

2012 Term Loans (continued)

Subsequent to the amendment, during the year ended October 31, 2015, the Company issued 220,000 2012 Units upon conversion of $110,000 principal amount. The carrying amount of the liability at the time of conversion was $75,991. This amount, along with the equity component of convertible debt in the amount of $44,000, were transferred to share capital.

During the year ended October 31, 2016 the Company issued 560,000 2012 Units upon conversion of $280,000 principal amount. The carrying amount of the liability at the time of conversion was $212,893. This amount, along with the equity component of convertible debt in the amount of $112,000, was transferred to share capital.

On December 19, 2016, the Company issued 942 common shares at a fair value of $0.65 per share for consideration of $613 representing interest payable upon the final payout of the 2012 Term Loans.

During the year ended October 31, 2017 the Company recorded nil (2016 – $24,268) in interest and accretion expense in connection with the 2012 Debentures.

2011 Term Loan

In September 2011, the Company signed a Non-Transferable Secured Convertible Debenture ("2011 Debenture") that matured on September 27, 2013 for $200,000, paying 15% interest semi-annually and secured by all of the Company's present and after-acquired personal property. The holder can convert the Debenture to units at any time during the maturity period at $1.00 per unit, each unit consisting of one common share and one common share purchase warrant, which if converted in the first year was exercisable for $1.00 per share, or if in the second year was exercisable for $1.50 per share. The Company paid $31,579 in financing fees in connection with the 2011 Debenture, and allocated $109,845 to the carrying value of the loan and $53,020 to equity on initial recognition. Over the term of the loan this carrying value was accreted to the $200,000 principal amount and corresponding interest and accretion was charged to operations.

During the year ended October 31, 2013 the Company paid $93,000 of the outstanding interest and principal and defaulted on the remaining balance of $137,000.

On February 11, 2015, by agreement with the Debentureholder, the 2011 Debenture was amended as follows:

- The new convertible debenture will have an issue date of January 1, 2015, with a maturity of December 31, 2016.
- The interest owing at December 31, 2014 will be settled with common shares of the Company at a rate of $0.50 per share (settled with share issuance on February 13, 2015).
- Secured through a General Security Agreement against the assets of the Company.
- 13% interest payable semi-annually.
- When interest is due and payable and the Company has unallocated working capital of less than $300,000, the Company may settle such interest by issuing common shares at a rate equal to the greater of (i) 0.50 and (ii) the last closing price of the Company's shares on the TSX Venture Exchange on the day immediately prior to the day such interest is due.
- The holder can convert the convertible debenture into Units (the "2011 Unit") at a conversion price of $0.50 per 2011 Unit on or before December 31, 2015, or $1.00 per 2011 Unit thereafter. Each Unit will consist of one Common Share and one Common Share Purchase Warrant (the "2011 Warrant"). Each 2011 Warrant will be exercisable to acquire one additional Common Share of the Company at an exercise price of $0.50 per Common Share until December 31, 2016.

Due to the significant amendments to the 2011 Debenture, the Company derecognized the carrying amount of the original term loan and allocated $82,200 to the carrying value of the loan and $54,800 to equity. Over the term of the loan this carrying value will be accreted to the $137,000 principal amount and the corresponding interest and accretion will be charged to operations.

On November 19, 2014, the Debentureholder was appointed to the Board of Directors. On June 8, 2015 the Debentureholder resigned from the Board of Directors.

5. Term loans (continued)

2011 Term Loans (continued)

During the year ended October 31, 2016, the Company issued 274,000 2011 Units upon conversion of $137,000 principal amount. The carrying amount of the liability at the time of the conversion was $104,253. This amount, along with the equity component of convertible debt in the amount of $54,800, was transferred to share capital.

During the year ended October 31, 2017 the Company recorded $Nil (2016 – $6,644) in interest and accretion expense. At October 31, 2017, the carrying amount of the liability was $nil (2016 - $Nil).

6. Share capital

a. Authorized

Unlimited common shares without par value.

b. Issued shares

As at October 31, 2017, the Company has 18,132,879 common shares outstanding (October 31, 2016 – 15,562,572).

Effective January 16, 2018, the Company completed a share consolidation on the basis of ten (10) pre-consolidation common shares for one (1) post-consolidation common share. All periods presented have been retrospectively adjusted to reflect this consolidation.

Share issuances during the year ended October 31, 2017

On January 19, 2017, the Company closed a non-flow through private placement of 726,100 units ("Units") in the capital stock of the Company at a price of $0.70 per Unit for gross proceeds of $508,270. Each unit consists of one common share of the Company and one warrant to purchase one additional common share for a period of two years from the date of closing at a price of $0.70 per share in the first year and $0.90 per share in year two. Finder's fees were paid on portions of the Unit offering totaling $19,821 and finder's warrants totaling 45,516 warrants, each warrant issued for a period of two years and exercisable on the same terms as the subscriber Unit warrants. The finder's warrants were valued at $20,956 (see note 6c).

The Company raised $275,000 through the exercise of common share purchase warrants held by several of its current shareholders. Prior to the expiration date on December 31, 2016, the Company received notice of exercise of 550,000 warrants to purchase shares at a price of $0.50 per share, and has issued the shares accordingly.

The Company issued 630,765 flow-through common shares in its capital stock at a price of $0.65 per flow through share for proceeds of $409,997 on December 23 and December 30, 2016, and 662,500 flow-through common shares in its capital stock at a price of $0.80 per flow through share for proceeds of $530,000 on November 8, 2016. Finder's fees totaling $55,100 in cash and 78,010 non-flow through common share purchase warrants were paid in connection with the flow through offerings. The finder's warrants are exercisable for a period of 3 years from the date of closing, with 37,625 exercisable at a price of $0.80 and 40,385 exercisable at $0.65. The finder's warrants were valued at $35,457 (see note 6c).

On December 19, 2016, the Company issued 942 common shares at a fair value of $0.65 per share for consideration of $613 representing interest payable upon the final payout of the 2012 Term Loans.

Share issuances during the year ended October 31, 2016

On September 19, 2016, the Company issued 20,000 common shares upon the exercise of 20,000 warrants priced at $0.50 per share for proceeds of $10,000.

6. Share capital (continued)

b. Issued shares (continued)

On August 19, 2016, the Company issued 20,000 common shares upon the exercise of 20,000 warrants priced at $0.70 per share for proceeds of $14,000.

On August 9, 2016, the Company issued 80,000 common shares upon the exercise of 80,000 warrants priced at $0.70 per share for proceeds of $56,000.

On July 6, 2016, the Company issued 10,000 shares upon the exercise of 10,000 stock options priced at $0.85 per share for proceeds of $8,500.

On May 19, 2016 the Company completed two concurrent non-brokered private placements of units totaling 1,469,000 units in the capital of the Company for gross proceeds of $1,028,300.

The first (Unit A) placement consists of 375,000 units at a price of $0.70 per Unit A for proceeds of $262,500. Each Unit A consists of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at a price of $0.90 per share for a period of two years from closing.

The second (Unit B) placement consists of 1,094,000 units at a price of $0.70 per Unit B for proceeds of $765,800. Each Unit B consists of one common share and one two-year common share purchase warrant entitling the holder to purchase one additional common share at a price of $1.00 per share in the first year and $1.25 cents per share in the second year.

The Company paid aggregate finder's fees of $30,534 to qualified finders on a portion of the placement. A director of the Company participated in the Unit B offering, purchasing 10,000 B units.

On May 10, 2016, the Company issued 100,000 common shares upon the exercise of 100,000 warrants priced at $0.50 per share for proceeds of $50,000.

On May 20, 2016, the Company issued 100,000 common shares upon the exercise of 100,000 warrants priced at $0.50 per share for proceeds of $50,000.

On March 9, 2016 the Company completed a non-brokered private placement of units in the capital of the Company at a price of $0.50 per unit, and issued 2,253,500 units for gross proceeds of $1,126,750. The placement consists of 640,000 flow through units (the "FT Units") and 1,613,500 non-flow through units (the "NFT Units") for gross proceeds of $320,000 and $806,750 respectively. Each FT Unit consists of one flow-through common share ("FT Share") and one two year common share purchase warrant ("Warrant") entitling the holder to purchase one additional non flow-through common share at a price of $0.70 per share in the first year and $0.80 per share in the second year following the closing of the placement. Each NFT Unit consists of one common share and one two year common share purchase warrant entitling the holder to purchase one additional common share at a price of $0.70 per share in the first year and $0.80 per share in the second year following the closing of the placement. A total of 115,000 warrants were issued as finder's fees in connection with the FT Unit and NFT Unit private placements previously described, which were valued at $57,500 (see note 6c). Each non-flow-through warrant is exercisable into one non-flow-through common share at a price of $0.70 per share in the first year and one non-flow-through common share at a price of $0.80 per share in the second year. In addition, a total of $57,500 in cash was also paid as finders fees.

On February 2, 2016 and March 14, 2016 the Company issued 50,000 and 100,000 common shares respectively, upon the exercise of 150,000 warrants priced at $0.50 per share for proceeds of $75,000.

On April 6, 2016 the Company issued 2,488,951 common shares pursuant to the acquisition of the 60% ownership interests of Century in the Ladner Gold Project (Note 4) at a fair value of $0.90 per common share, totaling $2,240,056. This amount has been capitalized as part of the Company's exploration and evaluation assets.

6. Share capital (continued)

b. Issued shares (continued)

On January 11, 2016 the Company issued 56,621 common shares to term loan holders in settlement of interest payment in lieu of cash payment of $28,311.

On January 5, 2016 the Company issued 274,000 2011 Units upon conversion of a total of $137,000 principal of term loan at a conversion price of $0.50 per 2011 Unit. Each 2011 Unit consists of one common share and one common share purchase warrant (the "2011 Warrant"). Each 2011 warrant will be exercisable to acquire one additional common share of the Company at an exercise price of $0.50 per common share until the term loan maturity date of December 31, 2016.

On December 14, 2015 the Company issued 300,738 flow-through units at a price of $0.50 per flow-through unit for gross proceeds of $150,369 in a non-brokered private placement. Each flow-through unit consists of one flow-through common share and one non-flow-through common share purchase warrant, with each warrant exercisable to acquire one additional common shares of the Company at a price of $0.70 per share until the expiry of December 14, 2017.

On December 14, 2015 the Company issued 179,262 units at a price of $0.50 per unit for gross proceeds of $89,631 in a non-brokered private placement. Each unit consists of one common share and one common share purchase warrant, with each warrant exercisable to acquire one additional common share of the Company at a price of $0.70 per share until the expiry date of December 14, 2017.

The Company paid aggregate finder's fees of $10,000 to qualified finders on a portion of the above December 2015 placements.

On November 17, 2015 and January 5, 2016 the Company issued 20,000 and 540,000, respectively, 2012 Units upon conversion of a total of $280,000 principal of term loans at a conversion price of $0.50 per 2012 Unit. Each Unit consists of one common share and one common share purchase warrant (the "2012 Warrant"). Each 2012 Warrant will be exercisable to acquire one additional common share of the Company at an exercise price of $0.50 per Common share until the term loan maturity date of December 31, 2016.

Please refer to the Statement of Changes in Equity for a summary of changes in share capital for the years ended October 31, 2017 and 2016.

c. Warrants

The following table summarizes the Company's warrant transactions:

	Number of warrants	Weighted average exercise price
Balance October 31, 2015	1,481,500	$ 0.70
Issued with unit private placement	4,202,500	0.80
Issued to finders	115,000	0.70
Issued with conversion of term loans (note 5)	834,000	0.50
Exercised	(470,000)	0.50
Expired	(440,000)	1.00
Balance October 31, 2016	**5,723,000**	**0.70**
Issued with unit private placements	726,100	0.70
Issued to finders	123,526	0.70
Bonus warrants issued for loan (note 9)	350,000	0.60
Exercised	(550,000)	0.50
Expired	(955,500)	0.60
Balance October 31, 2017	**5,417,126**	**$ 0.80**

6. Share capital (continued)

c. Warrants (continued)

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

Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
5,417,126	$0.80	0.52 years

* see Note 15

The fair value for the warrants issued to finders during the year ended October 31, 2017 was $56,413, which was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on issue date of $0.71, exercise price of $0.71, a risk free rate of 0.68%, an expected life of 2.61 years, an expected annualized volatility of 115%, and no expectation of dividend payments. Volatility was determined based on historical volatility.

The valuation for the warrants issued to finders during the year ended October 31, 2016 was $57,500, which was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: a risk free rate of 0.53%, an expected life of 2 years, an expected annualized volatility of 144%, and no expectation of dividend payments. Volatility was determined based on historical volatility.

d. Stock options outstanding

The following table summarizes the Company's stock option transactions:

	Number of options	Weighted average exercise price
Balance October 31, 2015	599,500	$ 0.70
Granted	735,000	0.90
Exercised	(10,000)	0.85
Expired	(87,000)	1.10
Balance October 31, 2016	**1,237,500**	**0.80**
Granted	565,000	0.70
Cancelled / forfeited	(77,500)	1.00
Expired	(50,000)	1.10
Balance October 31, 2017	**1,675,000**	**$ 0.70**

6. Share capital (continued)

d. Stock options outstanding (continued)

The following table summarizes the stock options outstanding at October 31, 2017:

Options Outstanding		Exercise Price	Remaining Contractual Life	Number of Options Currently Exercisable
60,000	*	$ 1.00	0.42 years	60,000
175,000		0.50	1.44 years	175,000
6,500		0.50	1.61 years	6,500
85,000		0.50	2.19 years	85,000
43,500		0.50	2.42 years	43,500
70,000		0.50	2.64 years	70,000
15,000	*	0.50	2.85 years	15,000
465,000	*	0.85	3.48 years	465,000
120,000	*	1.10	3.62 years	120,000
90,000	*	0.90	3.75 years	90,000
50,000	*	0.60	4.18 years	50,000
50,000	*	0.60	2.18 years	50,000
30,000	*	0.70	2.21 years	22,500
365,000		0.70	4.22 years	365,000
50,000	*	0.75	4.34 years	50,000
1,675,000		**$ 0.70**	**3.19 years**	**1,667,500**

* see Note 15

7. Share-based payments

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which provide that options granted under the Plan: 1) may in aggregate not exceed 10% of the Company's issued and outstanding common shares; 2) can have a maximum term of five (5) years; and 3) must be granted with an exercise price of not less than the market price of the shares (the closing market price on the last day shares are traded prior to the grant date).

During the year ended October 31, 2017, there were 565,000 (2016 – 735,000) stock options granted by the Company, exercisable at prices between $0.60-$0.75 (2016 - $0.80-$1.10) per share for a period of 5 (2016-5) years, of which 30,000 (2016 – 80,000) stock options were granted to investor relations consultants that vest over 12 months.

The option valuation for the options granted in the year ended October 31, 2017 was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on grant date of $0.70 (2016 - $0.89), exercise price of $0.70 (2016 - $0.89), a risk-free rate of 0.69% (2016-0.53%), an expected life of 5 (2016-4.84) years, an expected annualized volatility of 120% (2016-123%) and no expectation of dividends payments. Volatility for both periods was determined based on historical volatility.

Using the above assumptions, the fair value of options granted during the year ended October 31, 2017 was $302,775 (2016 – $539,639) and the fair value of options vested during the year ended October 31, 2017 was $314,964 (2016 - $521,836).

8. Related party transactions

At October 31, 2017 included in accounts payable and accrued liabilities is $223,144 (2016 – $323,098) owed to current and former officers and directors for salary capitalized to exploration and evaluation assets, consulting fees and reimbursement of expenses.

Amounts due to/from related parties are non-interest bearing, unsecured and have no fixed terms of repayment unless otherwise noted. Fair value cannot be readily determined.

Key management includes the Company's directors and officers. Compensation awarded to key management includes:

For the years ended	October 31, 2017	October 31, 2016
Salaries capitalized to evaluation and exploration assets, consulting fees, and professional fees	$ 286,500	$ 169,000
Share-based payments	114,509	245,368
	$ 401,009	$ 414,368

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

9. Loans payable

During the year ended October 31, 2015 a former director of the Company loaned the Company $200,000. The loan bears interest at 13% per annum, compounded and payable quarterly. The loan matured on December 31, 2016. The loan is secured by the Company's present and after acquired personal property, including the acquisition agreement with Century's receiver (note 4). In consideration for the loan, warrants were issued to the lender to purchase 400,000 common shares of the Company until December 31, 2016 at a price of $0.50 per share. In addition, the Company incurred $15,000 in financing costs in connection with this loan. During the year ended October 31, 2016, the Company paid accrued interest of $26,000 to the lender.

During the year ended October 31, 2015 a director of the Company loaned the Company $10,000. The loan bears interest at 13% per annum, compounded and payable quarterly. The loan matured on December 31, 2016. As consideration for the loan, warrants were issued to the lender to purchase 20,000 common shares of the Company until December 31, 2016 at a price of $0.50 per share. On February 24, 2016, the Company repaid the principal amount of $10,000 plus accrued interest to the lender.

The fair value of the 420,000 warrants have been valued at $107,448 using the Black-Scholes option pricing model based on the following assumptions: a risk-free rate of 0.54%, an expected life of 1 year, an expected annualized volatility of 138.17% and no expectation of dividends payments. Volatility was determined based on historical volatility.
The aggregate financing costs of $122,448 have been recorded against the carrying amount of the loans, which have been accreted over the term of the loan.

During the year ended October 31, 2017, the Company arranged a third-party loan for $210,000 to repay the $200,000 loan payable outstanding at December 31, 2016. The loan has a term of one year, will bear interest at a rate of 13% per annum compounded quarterly with the first payment due March 31, 2017, and is secured by a general security agreement over the assets of the Company. The Company issued 350,000 bonus common share purchase warrants exercisable at $0.60 per share for a period of one year to the lender in connection with the loan. The fair value of the warrants is $75,315 which was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on issue date of $0.60, a risk-free rate of 0.70%, an expected life of 1 year, an expected annualized volatility of 92.53%, and no expectation of dividend payments. Volatility was determined based on historical volatility. This financing cost has been recorded against the carrying amount of the loan, which will be accreted over the term of the loan.

Interest and accretion of $2,147 (2016 – $104,939) was recognized in exploration and evaluation assets during the year as one of the loans was used to exercise the Tamerlane Option. The remaining interest and accretion of $84,658 (2016 – $2,594) was recognized in net loss.

10. Capital disclosures

The Company's objectives when managing capital are to:

(i) Maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
(ii) Continue the development and exploration of its resource property; and
(iii) Support expansion plans.

In the management of capital, the Company includes shareholders' equity, term loans and the current portion of loans, if any.

The Company manages its capital structure and makes adjustments to it when the economic and risk conditions of the underlying assets require change. In order to maintain or adjust the capital structure, the Company may issue new shares or issue new debt. The Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operations and growth objectives. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed restrictions.

11. Financial instruments and risk management

Fair value

The Company categorizes its fair value measurements for financial assets and financial liabilities at fair value according to a three level hierarchy which prioritizes the inputs used in the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the overall fair value measurement. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

Level 1: Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Company did not have any financial instruments carried at fair value at October 31, 2017 and October 31, 2016.

Risk management

The Company is exposed, in varying degrees, to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management procedures are established to identify and analyze the risks faced by the Company.

The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk: Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's cash is deposited at a high credit-worthy financial institution. All of the Company's amounts receivable is with the federal government of Canada and the reclamation bonds are with the provincial government of British Columbia.

Market risk: Market risk includes currency risk, interest rate risk and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of resources. The Company does not currently hold any financial instruments that mitigate this risk.

Liquidity risk: Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company expects to satisfy current obligations of $1,836,426 (2016 - $1,498,666) by continuing to finance its activities by raising funds from private equity investments. Even if it has succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and believes that liquidity risk is high. At October 31, 2017, the Company's accounts payable and accrued liabilities are due on demand or within 30 days, the loans payable are due in December 2017.

12. Income Taxes

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

	2017	2016
Loss for the year before taxes	$ (1,174,937)	$ (1,337,371)
Statutory Canadian corporate tax rate	26%	26%
Anticipated tax expense (recovery)	$ (305,484)	$ (347,716)
Difference resulting from:		
Items not deductible for tax purposes	84,634	135,744
Effect of tax rate change	(28,952)	-
Tax benefits not recognized	249,802	211,972
Deferred income tax recovery	$ -	$ -

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

	October 31, 2017	October 31, 2016
Non-capital loss carry forwards	$ 1,750,000	$ 1,465,000
Exploration and development deductions	(1,313,000)	(1,072,000)
Loans payable	(5,000)	(1,000)
Decommissioning provision	59,000	-
Share issue costs and other	36,000	26,000
	527,000	418,000
Unrecognized deferred tax assets	(527,000)	(418,000)
Net deferred tax asset	$ -	$ -

The Company has available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized the non-capital losses in the amount of $6,483,000 expire as follows:

2026	$ 34,000
2027	300,000
2028	230,000
2029	967,000
2030	356,000
2031	325,000
2032	926,000
2033	600,000
2034	390,000
2035	520,000
2036	993,000
2037	842,000
Total	$ 6,483,000

At October 31, 2017, the Company has unclaimed resource deductions in the amount of $3,666,000 (2016 - $3,104,000) which may be deducted against future taxable income on a discretionary basis.

13. Commitments

Flow-through share subscription agreements

The Company entered into flow-through share subscription agreements during the year ended December 31, 2008 whereby it was committed to incur on or before December 31, 2009 a total of $600,000 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada, of which $290,723 was not fulfilled. An amount totaling $187,400 has been accrued for the indemnification of shareholders for taxes and penalties related to the unspent portion of the commitment.

The Company entered into flow-through share subscription agreements during the year ended December 31, 2009 whereby it was committed to incur on or before December 31, 2010 a total of $575,000 of qualifying CEE, of which $113,764 was not fulfilled. An amount totaling $70,800 has been accrued for the indemnification.

In addition, Part XII.6 taxes and related interest and penalties of $116,000 were accrued on the unfulfilled commitments.

During the year ended October 31, 2016, the Company raised $470,369 from flow-through financing which has been incurred on qualifying CEE during the year.

During the year ended October 31, 2017, the Company raised $939,997 from flow-through financing which has been incurred on qualifying CEE during the year.

14. Supplemental cash flow information

		October 31, 2017		October 31, 2016
Cash paid during the period for interest	**$**	**13,822**	$	29,475
Cash received during the period for interest	**$**	**-**	$	1,431

Non-cash financing transactions:		**October 31, 2017**		October 31, 2016
Shares issued on conversion of term loans	**$**	**-**	$	317,146
Shares issued to settle term loans interest	**$**	**-**	$	28,311
Shares issued for exploration & evaluation assets	**$**	**-**	$	2,240,056
Warrants issued for loans payable	**$**	**75,315**	$	-
Warrants issued to finder	**$**	**56,413**	$	57,500
Accretion of financing costs included in exploration and evaluation assets	**$**	**2,147**	$	80,364

Included in accounts payable and accrued liabilities is $546,403 (2016 - $443,428) related to investment in exploration and evaluation assets.

Included in prepaid expenses is $4,278 (2016 - $39,444) related to investment in exploration and evaluation assets.

During the year ended October 31, 2017, the Company recognized a decommissioning provision of $220,000 in exploration and evaluation assets (2016 – nil).

15. Subsequent events

Private Placements

Non-flow through

In February 2018 the Company closed a non-flow through private placement of 5,000,000 units in the capital stock of the Company at a price of $0.25 per unit for gross proceeds of $1,250,000. Each unit consists of one common share of the Company and one-half of one common share purchase, with each whole purchase warrant entitling the holder to purchase one additional common share at a price of $0.35 per share for a period of two years from the date of closing.

Finder's fees of $32,000 and finder's warrants totaling 80,000 warrants were paid on portions of the unit offering totaling. Each warrant issued for a period of two years and exercisable on the same terms as the subscriber unit warrants.

Flow-through

In February 2018 the Company issued 713,427 flow-through common shares in its capital stock at a price of $0.35 per flow through share for proceeds of $249,700. Finder's fees in the amount of $8,000 were paid.

Expiry of Warrants

830,000 warrants expired unexercised subsequent to the year end.

Stock options

On January 16, 2018, 750,000 stock options with an exercise price of $0.255 per share were granted to a consultant, with an expiry term of five years.

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On December 27, 2017, 535,000 stock options previously issued to directors, officers and consultants, with an exercise price ranging from $0.50 to $1.10 per share and remaining terms from 2 to 4.5 years were cancelled.