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KESSELRUN RESOURCES LTD.
ANNUAL FINANCIAL STATEMENTS
(expressed in Canadian Dollars)
FOR THE YEARS ENDED
JULY 31, 2017 & 2016

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kesselrun Resources Ltd.

We have audited the accompanying financial statements of Kesselrun Resources Ltd., which comprise the statements of financial position as at July 31, 2017 and 2016, and the statements of loss and comprehensive income (loss), cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kesselrun Resources Ltd. as at July 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 28, 2017

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KESSELRUN RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note		July 31, 2017		July 31, 2016
ASSETS					
Current					
Cash		$	240,974	$	536,370
GST receivable			19,972		13,880
Prepaid expenses			71,575		25,593
Marketable securities	8		2,867,000		-
Total current			3,199,521		575,843
Exploration and evaluation assets	6		2,088,416		1,354,553
Debentures receivable	7		-		1
Total assets		$	5,287,937	$	1,930,397
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable		$	3,303	$	7,554
Accrued liabilities			11,132		25,874
Due to related parties	10		97,364		1,238
Note payable	10		291,151		-
Total liabilities			402,950		34,666
Shareholders' equity					
Share capital	9		5,918,427		5,881,940
Share-based payment reserve	9		438,910		442,639
Deficit			(1,472,350)		(4,428,848)
Total shareholders' equity			4,884,987		1,895,731
Total liabilities and shareholders' equity		$	5,287,937	$	1,930,397

Nature and continuance of operations (Note 1)
Subsequent Events (Note 12)

Approved on behalf of the Board of Directors:

/s/ Joao (John) da Costa	*/s/ Michael John Thompson*
Director	Director

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

KESSELRUN RESOURCES LTD.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Note	Year ended July 31, 2017	2016
Expenses:			
Accounting and audit	10	$ 38,870	$ 31,640
Administration	10	24,000	24,000
Advertising and promotion		15,319	8,363
Consulting	10	109,874	114,000
Filing fees		21,772	22,227
Legal fees		2,510	20,147
Meals and entertainment		5,377	3,632
Office expenses		8,954	7,295
Project investigation costs	10	1,150	1,000
Share-based compensation	9	918	141,791
Travel		7,535	4,399
Total expenses		(236,279)	(378,494)
Other items:			
Interest income	7	213,990	101,900
Interest on notes payable	10	(11,151)	-
Gain on conversion of debentures	7	3,224,938	-
Settlement of flow-through share premium liabilities		-	17,780
Unrealized loss on investment	8	(235,000)	-
Income (loss) and comprehensive income (loss) for the period		$ 2,956,498	$ (258,814)
Income (loss) per share, basic		$ 0.08	$ (0.01)
Income (loss) per share, diluted		$ 0.07	$ (0.01)
Weighted average number of common shares outstanding:		36,838,801	26,884,842

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

KESSELRUN RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended July 31, 2017	2016
Cash flows used in operating activities		
Income (loss) for the year	$ 2,956,498	$ (258,814)
Items not affecting cash used in operations		
Accrued interest	11,151	-
Share-based compensation	918	141,791
Interest income earned	(213,990)	(101,900)
Settlement of flow-through share premium liabilities	-	(17,780)
Loss on investment	235,000	-
Gain on conversion of debentures	(3,224,938)	-
Changes in non-cash working capital items		
GST receivables	(6,092)	(12,119)
Prepaid expenses	(45,982)	(15,593)
Accounts payable	(4,251)	7,215
Accrued liabilities	(14,742)	13,474
Net cash used in operating activities	(306,428)	(243,726)
Cash flows provided by (used in) investing activities		
Exploration and evaluation assets	(709,863)	(74,553)
Cash received on settlement, net of legal fees	122,939	-
Interest received from debentures	213,990	101,900
Net cash provided by (used in) investing activities	(372,934)	27,347
Cash flows provided by financing activities		
Issuance of common shares for cash, net of issuance costs	-	616,023
Due to related parties	96,126	1,168
Notes payable	280,000	-
Exercise of warrants	7,840	-
Net cash provided by financing activities	383,966	617,191
Increase (decrease) in cash	(295,396)	400,812
Cash, beginning	536,370	135,558
Cash, ending	$ 240,974	$ 536,370

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

KESSELRUN RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Note	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
Balance, July 31, 2015		24,835,750	$ 4,255,313	$ 289,232	$ (4,170,034)	$ 374,511
Private placements		7,849,333	677,400	-	-	677,400
Flow-through share premium liabilities		-	(17,780)	-	-	(17,780)
Share issuance costs – cash		-	(61,377)	-	-	(61,377)
Share issuance costs – warrants		-	(11,616)	11,616	-	-
Acquisition of exploration and evaluation assets		4,000,000	1,040,000	-	-	1,040,000
Share-based compensation		-	-	141,791	-	141,791
Net and comprehensive loss for the year		-	-	-	(258,814)	(258,814)
Balance, July 31, 2016		36,685,083	5,881,940	442,639	(4,428,848)	1,895,731
Acquisition of exploration and evaluation assets	6,9	200,000	24,000	-	-	24,000
Exercise of warrants	9	78,400	12,487	(4,647)	-	7,840
Share-based compensation	9	-	-	918	-	918
Net and comprehensive income for the year		-	-	-	2,956,498	2,956,498
Balance, July 31, 2017		36,963,483	$ 5,918,427	$ 438,910	$ (1,472,350)	$ 4,884,987

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Kesselrun Resources Ltd. (the "Company"), was incorporated under the *Business Corporations Act* (British Columbia) on May 18, 2011. The Company is engaged in the acquisition, exploration, and development of mineral properties. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and on OTC Pink.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2017, the Company has not advanced its mineral properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/ or raise equity capital or borrowings sufficient to meet current and future obligations. As at July 31, 2017, the Company held 4,700,000 common shares of First Mining Finance Corp. ("First Mining") valued at $2,867,000 (Notes 7 and 8). The shares are free-trading and do not hold any significant restrictions; as such the Company has enough liquid assets to continue its exploration activities and day-to-day operations for the next 12-month period.

The Company's head office and principal address is 1158 Russell Street, Unit D, Thunder Bay, ON P7B 5N2.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 28, 2017, by the directors of the Company.

a) Statement of Compliance and Basis of Presentation

These financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Measurement and Use of Estimates

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except the Company's equity investments, which are recorded at fair value. All amounts are expressed in Canadian dollars, the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Company recognizes its financial assets and liabilities when it becomes a party to the contractual provisions of the instrument. At initial recognition, the financial assets and liabilities are recorded at fair value plus transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss.

All financial assets, except for those at fair value through profit and loss, are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within "Investment gain", except for impairment of receivables which is presented in operating expenses, if applicable.

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Equity investments fall into this category of financial instruments.

Assets in this category are measured at fair value with gains or losses and unrealized fair value variation of equity investments recognized in "Investment gain (loss)" as part of the Company's Statement of Operations. The fair value of financial assets in this category is determined by reference to active market transactions.

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

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities. All interest-related charges are reported in profit or loss, if applicable.

The Company's financial liabilities include accounts payable and accrued liabilities, amounts due to related parties and note payable.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option. Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. Costs incurred once the Company has obtained the legal rights to explore an area are capitalized.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation expenditures (continued)

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Although the Company has taken steps that it considers adequate to verify title to exploration and evaluation assets which it has an interest in, these procedures do not guarantee the Company's title.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration 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.

As at July 31, 2017 and 2016, the Company had not recognized any provisions for restoration and environmental obligations.

Income taxes

Income tax is recognized in net loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the 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.

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the market price of the Company's common shares is initially recorded as a liability ("flow-through share premium liability"). Provided that the Company has renounced the related expenditures, or that there is a reasonable expectation that it will do so, the flow-through share premium liability is reduced on a pro-rata basis as the expenditures are incurred. If such expenditures are capitalized, a deferred tax liability is recognized. To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

Share-based payment transactions

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 goods or services received or 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 corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Earnings per share

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income (loss) attributable to common shareholders equals the reported income (loss) attributable to owners of the Company. Diluted income (loss) 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 loss 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.

New accounting standards and interpretations

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company's financial statements. The following standard is relevant to the Company's financial statements:

IFRS 9 - Financial instruments
In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Early implementation is allowed.

The Company intends to adopt the new IFRS standard when it becomes effective. Management does not expect a material impact on its financial statements arising from this standard.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- the classification/allocation of expenses as exploration and evaluation expenditures or operating expenses;
- classification and measurement of the Company's equity investments;
- the determination that the Company will continue as a going concern for the next year; and
- the determination whether there have been any events or changes in circumstances that indicate the impairment of its exploration and evaluations assets.

Key sources of estimation uncertainty include the following:

- the recoverability of the carrying value of exploration and evaluation assets;
- the recoverability and measurement of deferred tax assets;
- provisions for restoration and environmental obligations and contingent liabilities; and
- measurement of share-based transactions.

5. FINANCIAL INSTRUMENTS AND RISKS

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.
Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash and equity investments as measured at fair value in the statement of financial position using level 1 inputs. Accounts payable, due to related parties and note payable are classified as other liabilities, and their fair values approximate their carrying values due to the short terms to maturity. There were no transfers between levels during the year ended July 31, 2017.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:
Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of

5. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Risk management (continued)

financial position and arises from the Company's cash, which is held with a high-credit quality financial institution and amounts receivable from the Government of Canada. As such, the Company's credit risk exposure is minimal.

Market risk:
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. *Interest rate risk:*
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal interest rate risk as it has no interest accumulating financial assets that may become susceptible to interest rate fluctuations.

ii. *Currency risk:*
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has minimal financial risk arising from fluctuations in foreign exchange rates as the Company does not own foreign currency denominated financial assets or liabilities.

iii. *Equity price risk:*
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is exposed to equity price risk as a result of its investments in marketable equity securities.

Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As of July 31, 2017, the Company had cash of $240,974 to settle current liabilities of $402,950, which had contractual maturities of less than 30 days and were subject to normal trade terms.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

As of July 31, 2017, the Company's interest in exploration and evaluation assets consisted of the Bluffpoint Property and the Huronian Property. The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation projects:

Exploration and evaluation assets at July 31, 2017

	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2016	$ 244,060	$ 1,040,000	$ 1,284,060
Additions during the year	-	44,966	44,966
Acquisition costs, July 31, 2017	244,060	1,084,966	1,329,026
Deferred exploration costs, July 31, 2016	70,493	-	70,493
Additions during the year:			
Assaying	19,690	16,262	35,952
Camp and travel	39,785	59,575	99,360
Claim maintenance	-	1,617	1,617
Equipment use / rental	124,840	128,689	253,529
Geology	254,547	243,892	498,439
Grants received	(100,000)	(100,000)	(200,000)
Deferred exploration costs, July 31, 2017	409,355	350,035	759,390
Total exploration and evaluation assets, July 31, 2017	$ 653,415	$ 1,435,001	$ 2,088,416

Exploration and evaluation assets at July 31, 2016

	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2015	$ 240,000	$ -	$ 240,000
Additions during the year	4,060	1,040,000	1,044,060
Acquisition costs, July 31, 2016	244,060	1,040,000	1,284,060
Deferred exploration costs, July 31, 2015	-	-	-
Additions during the year:			
Camp and travel	11,763	-	11,763
Equipment use / rental	11,762	-	11,762
Geology	46,968	-	46,968
Deferred exploration costs, July 31, 2016	70,493	-	70,493
Total exploration and evaluation assets, July 31, 2016	$ 314,553	$ 1,040,000	$ 1,354,553

Bluffpoint Project

The Company has a 100% interest in certain mining claims located in Bluffpoint Lake Township, with portions extending into the townships of Lawrence Lake, Napanee Lake and Barker Bay in the Kenora Mining Division of Northwestern Ontario (the "Bluffpoint Project").

The Bluffpoint Project is subject to a 2% Net Smelter Royalty ("NSR"), of which 1% may be purchased by the Company at any time for the payment of $1,000,000. If the optionors decide to dispose of their remaining 1% NSR, the Company has the first right of refusal to acquire the remaining 1% NSR on the same terms and conditions that the optionors propose to dispose of their NSR.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Huronian Gold Project

The Company entered into a purchase agreement to acquire a 100% interest in the Huronian Gold Project ("Huronian Project").

In consideration for the purchase, the Company agreed to issue 4,000,000 common shares, which were contingent upon approval from TSX-V. The Company received the approval from TSX-V on July 13, 2016, and issued 4,000,000 shares of its common stock on July 20, 2016. The shares had a fair value of $1,040,000 (Note 9).

Huronian Project is subject to a NSR as detailed in the table below:

Township/Area	Claim Type	Claims	Total NSR
Moss	Unpatented	96	2.0%
Moss	Unpatented	57	2.5%
Moss	Patented	2	2.0%
Moss	Patented	2	2.5%
Total		157	

The Company retains a right to purchase up to 50% of the NSR by paying up to $2,000,000. In addition, the Company retains a right of first refusal to acquire the NSR at the same terms and prices that would be set out in any arm's length third party offer.

On February 15, 2017, the Company entered into a purchase agreement to acquire a 100% interest in a mining claim adjacent to the Huronian Project. In consideration for the purchase, the Company agreed to pay $20,000 cash and to issue 200,000 shares of the Company's shares. The transaction was contingent upon approval from TSX-V, which was received on March 1, 2017. The Company issued 200,000 shares of its common stock on March 3, 2017, when the shares were valued at $0.12 per share for a total fair value of $24,000 (Note 9). The claim is subject to a 2%NSR, of which 1% may be purchased by the Company at any time for the payment of $1,000,000.

7. DEBENTURES RECEIVABLE

During the year ended July 31, 2017, the Company held a $2,000,000 unsecured convertible debenture (the "Debenture") of Tamaka Gold Corporation ("Tamaka"). Since Tamaka was a private corporation at the time of the transaction, the market value of the Debenture could not be reasonably estimated; as such the Company recorded the Debenture at $1, its estimated fair value.

The Debenture was due on August 15, 2021, was unsecured and earned interest at a fixed rate of 10% per annum. At the election of Tamaka, up to 50% of the interest could have been paid by the issuance of additional debentures of Tamaka. The Debenture was subject to certain restrictions on transfer and a right of first refusal in favour of Tamaka.

The table below lists the interest payments the Company received on the Debenture:

Payment Date	Debenture, Principal	Interest Payment Received	
		Cash	Debenture
December 31, 2014	$ 2,000,000	$ 38,164	$ 38,000
December 31, 2015	2,038,000	101,900	101,900
December 31, 2016	2,139,900	213,990	-
Total	$ 2,139,900	$ 354,054	$ 139,900

On June 17, 2016, Tamaka became a wholly-owned subsidiary of First Mining (the "Acquisition"). Under the terms of the Debenture, a change of control of Tamaka resulted in an automatic conversion of the Debenture into common shares of Tamaka effective immediately prior to the closing of the Acquisition.

(Expressed in Canadian Dollars)

7. DEBENTURES RECEIVABLE (CONTINUED)

First Mining asserted that on Acquisition, no change of control had occurred. On October 11, 2016, the Company filed a Notice of Application with the Ontario Superior Court of Justice in connection with the Debenture totalling $2,237,540, consisting of $2,139,900 principal and $97,640 interest accrued up to June 16, 2016.

On June 30, 2017, the Company and First Mining reached an agreement to the terms of the settlement whereby First Mining agreed to issue to the Company 4,700,000 common shares of First Mining (the "FM Shares"), and make a one-time payment of $200,000.

The Company recorded $3,224,938 gain on conversion of debentures, which consisted of the following:

	Amount
Fair market value of 4,700,000 common shares of First Mining (at $0.66 per share)	$ 3,102,000
Cash consideration awarded as part of settlement	200,000
Legal fees	(77,061)
Fair market value of the Debenture	(1)
	$ 3,224,938

8. MARKETABLE SECURITIES

The Company's marketable securities consist of FM Shares.

At initial recognition, the Company recorded $3,102,000 as fair market value of the FM Shares. At July 31, 2017, due to the decrease in the market price of FM Shares, the Company revalued its investment in FM Shares to $2,867,000. The Company records its marketable securities as fair value through profit and loss ("FVPL").

9. SHARE CAPITAL

Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Share issuances

During the year ended July 31, 2017:

During the year ended July 31, 2017, the Company had the following transactions which resulted in issuance of its common stock:

- On September 1, 2016, the Company issued 78,400 shares of its common stock on exercise of broker warrants at $0.10 per share for gross proceeds of $7,840.

- On March 3, 2017, the Company issued 200,000 shares of its common stock as consideration for the acquisition of the key mining claim adjacent to the Company's Huronian Project. The shares were valued at $0.12 per share for a total fair value of $24,000 (Note 6).

During the year ended July 31, 2016:

During the year ended July 31, 2017, the Company had the following transactions which resulted in issuance of its common stock:

- On April 8, 2016, the Company completed a non-brokered private placement financing (the "April Offering") by issuing 4,400,000 non-flow-through units (the "NFT Units") at a price of $0.05 per NFT Unit and 600,000 flow-through shares (the "FT Shares") at $0.05 per FT share for gross proceeds of $250,000.

9. SHARE CAPITAL (CONTINUED)

Share issuances (continued)

Each NFT Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into an additional common share at a price of $0.10 per share for a period of two years expiring April 8, 2018. In connection with the April Offering, the Company paid finders' fees comprised of $17,500 in cash and 196,000 warrants (the "Finder's Warrants"). Each Finder's Warrant entitles the holder to purchase one common share at a price of $0.10 for a period of two years expiring April 8, 2018. The fair value of $11,616 was estimated for the finders' warrants using the Black-Scholes option pricing model with the following assumptions: expected life of two years; a volatility of 168%; a risk free interest rate of 0.56%; and a dividend yield of Nil. Other share issuance costs incurred in connection with this offering totaled $2,000. A flow-through share premium liability of $17,780 has been recognized in connection with the issuance of the FT shares.

- On June 14, 2016, the Company completed a non-brokered private placement financing (the "June Offering") by issuing 2,849,333 flow-through units (the "FT Units") at a price of $0.15 per FT Unit for gross proceeds of $427,400. Each FT Unit is comprised of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant is exercisable into an additional non-flow-through common share at a price of $0.20 per share for a period of twelve months expiring June 14, 2017. In connection with the June Offering, the Company paid cash finder's fee totaling $38,990. Other share issuance costs incurred in connection with this offering totaled $2,887. Since the FT Units issued as part of June Offering were not issued at a premium, the Company did not recognize a flow-through share premium liability associated with these FT Units.

- On July 20, 2016, the Company issued 4,000,000 shares of its common stock in consideration for the acquisition of the Huronian Project. The shares were valued at $0.26 per share for a total fair value of $1,040,000 (Note 6).

Stock options

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may, from time to time, in its discretion and in accordance with TSX-V requirements, grant options to directors, officers and technical consultants for up to 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On April 13, 2016, the Company granted 300,000 stock options to its consultant at a price of $0.06 per share expiring April 13, 2021. The options vested over a period of 12 months at a rate of 75,000 options per quarter beginning on July 13, 2016. At July 31, 2017, due to the fluctuation in market price of the Company's common stock during the year ended July 31, 2017, the Company recorded a recovery of share-based compensation of $4,022 associated with these options. During the year ended July 31, 2016, the Company recognized $59,611 as share-based compensation associated with these options.

On May 31, 2016, the Company granted 595,000 stock options to its consultant at a price of $0.11 per share expiring May 31, 2021. The options vested over a period of 12 months at a rate of 148,750 options per quarter beginning on August 31, 2016. At July 31, 2017, due to the fluctuation in market price of the Company's common stock during the year ended July 31, 2017, the Company recorded a share-based compensation of $4,940 associated with these options. During the year ended July 31, 2016, the Company recognized $65,975 as share-based compensation associated with these options.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (CONTINUED)

Stock options (continued)

A summary of the changes in the number of stock options outstanding for the years ended July 31, 2017 and 2016 are as follows:

	Year ended July 31, 2017		Year ended July 31, 2016	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning	2,895,000	$ 0.10	2,000,000	$ 0.18
Options granted	-	-	1,045,000	0.09
Options cancelled or expired	(1,050,000)	(0.10)	(150,000)	(0.60)
Options outstanding, ending	1,845,000	$ 0.10	2,895,000	$ 0.10
Options exercisable, ending	1,845,000	$ 0.10	2,075,000	$ 0.10

Details of options outstanding as at July 31, 2017, are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding	Number of options exercisable
$0.60	December 5, 2017	0.60	100,000	100,000
$0.05	March 26, 2020	2.91	700,000	700,000
$0.06	April 13, 2021	3.96	300,000	300,000
$0.08	May 3, 2018	1.01	150,000	150,000
$0.11	May 31, 2021	4.09	595,000	595,000
			1,845,000	1,845,000

At July 31, 2017, the weighted average remaining contractual life of the stock options outstanding was 2.93 years.

Share purchase warrants

The changes in the number of warrants outstanding for the years ended July 31, 2017 and 2016 are as follows:

	Year ended July 31, 2017		Year ended July 31, 2016	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning	3,820,667	$ 0.14	-	$ -
Warrants granted	-	-	3,820,667	0.14
Warrants expired	(1,424,667)	0.20	-	-
Warrants exercised	(78,400)	0.10	-	-
Warrants outstanding, ending	2,317,600	$ 0.10	3,820,667	$ 0.14

Details of share purchase warrants outstanding as at July 31, 2017, are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of warrants outstanding
$0.10	April 08, 2018	0.69	2,317,600
			2,317,600

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (CONTINUED)

Share purchase warrants (continued)

At July 31, 2017, the weighted average remaining contractual life of the warrants issued and outstanding was 0.69 years.

Share-based payment reserve

The share-based payment reserve includes items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amounts are transferred to share capital.

At July 31, 2017, the Company transferred $4,647 to share capital, which was associated with exercise of broker warrants to acquire 78,400 common shares of the Company issued as part of April 8, 2016, private placement.

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and responsibility for planning and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company incurred the following transactions with related parties, including key management personnel, that are not disclosed elsewhere in the financial statements:

	Year ended July 31,	
	2017	**2016**
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 3)	$ 887,292	$ 74,553
Project investigation costs incurred to a private company controlled by certain directors and officers of the Company	$ 1,150	$ 1,000
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	$ 72,000	$ 72,000

Amounts due to related parties consist of amounts owed directly to the officers and directors of the Company and to private companies controlled by the officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand. At July 31, 2017, the amount payable to related parties was $97,364 (July 31, 2016 - $1,238).

During the year ended July 31, 2017, the Company entered into two separate loan agreements (the “Loan Agreements”) with Fladgate Exploration Consulting Corporation, a company controlled by certain directors and officers of the Company, for a total of $480,000 (the “Loans”). The Loans are unsecured, due on demand and accumulate interest at a rate of 8% per annum compounded monthly. On July 17, 2017, the Company repaid $200,000.

During the year ended July 31, 2017, the Company accrued $11,151 in interest.

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rate is as follows:

	Year ended July 31, 2017	2016
Net income (loss) before tax	$ 2,956,498	$ (258,814)
Statutory income tax rate	26%	26%
Expected income tax (tax recovery)	769,000	(67,000)
Effect of non-deductible (non-taxable) items	(110,000)	37,000
Adjustment to prior year tax provision	(544,000)	(16,000)
Change in unrecognized deferred tax assets	(115,000)	46,000
Income tax recovery	$ -	$ -

The Company's deferred tax assets and liabilities are comprised of the following:

	Year ended July 31, 2017	2016
Deferred tax assets:		
Exploration and evaluation assets	$ 210,000	$ 228,000
Non-capital losses	282,000	392,000
Marketable securities	31,000	-
Share issuance costs	10,000	28,000
	533,000	648,000
Unrecognized deferred tax assets	(533,000)	(648,000)
Net deferred tax asset	$ -	$ -

The Company has non-capital losses of approximately $1,100,000 which may be used to reduce future taxable income and expire in the years 2031 – 2035.

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

12. SUBSEQUENT EVENTS

Subsequent to July 31, 2017, the Company issued 300,000 common shares on exercise of warrants for total proceeds of $30,000.

Subsequent to July 31, 2017, the Company sold 200,000 FM Shares for proceeds of $101,490.