

Cartier Iron Corporation

Condensed Interim Financial Statements

September 30, 2017

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Financial Statements

These unaudited condensed interim financial statements of Cartier Iron Corporation (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

Cartier Iron Corporation

Statements of Financial Position

(expressed in Canadian dollars)

(unaudited)

	Notes	As at September 30, 2017 \$	As at December 31, 2016 \$
Assets			
Current			
Cash		17,654	132,683
Receivables	4	12,654	11,566
Marketable securities	5	4,900	2,350
Prepaid expenses		21,576	18,180
		56,784	164,778
Investment in associate	6	556,291	533,242
		613,075	698,020
Liabilities			
Current			
Accounts payable and accrued liabilities		904,905	695,492
Due to Eloro Resources Ltd.	8	84,845	-
Due to Champion Iron Mines Limited	9	352,066	346,268
		1,341,817	1,041,760
Shareholders' equity (deficiency)			
Share capital	10	7,289,334	7,290,564
Contributed surplus	10	240,000	240,000
Deficit		(8,258,076)	(7,874,303)
		(728,742)	(343,740)
		613,075	698,021
Going concern	2		
Subsequent events	14		
Approved by the Board:			
	Thomas G. Larsen	Francis Sauve	
	Director	Director	

Cartier Iron Corporation

Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended September 30,		9 months ended September 30,	
		2017 \$	2016 \$	2017 \$	2016 \$
Expenses					
Professional fees		5,000	9,219	15,719	30,454
Consulting fees	13	75,000	90,000	260,526	278,386
General and administrative		61,079	44,495	110,494	185,053
Investor relations		6,000	25,441	23,293	54,311
Travel		7,048	7,213	23,899	21,036
Interest	9	2,307	8,007	5,798	23,846
Gain on statute-barred accounts payable		-	-	-	(48,044)
Increase in fair value of marketable securities		-	-	(2,550)	(2,240)
Refundable tax credit and mining tax credit		-	-	(103,752)	(251,079)
Other recoveries		-	-	(2,711)	-
Exploration and evaluation	7	31,837	-	54,805	-
Impairment of exploration and evaluation	7	-	29,049	21,300	59,097
		188,271	213,423	406,822	350,819
Loss before share of loss of an associate		(188,271)	(213,423)	(406,822)	(350,819)
Dilution gain on change in interest in associate	6	52,409	113,134	87,233	197,592
Share of loss of an associate	6	(22,561)	(70,021)	(64,184)	(94,015)
Loss and comprehensive loss		(158,423)	(170,310)	(383,773)	(247,241)
Loss per common share-basic and diluted		(0.004)	(0.005)	(0.011)	(0.007)
Weighted average number of common basic and diluted		35,572,721	33,844,150	35,572,721	33,844,150

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

Cartier Iron Corporation

Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital \$	Contributed surplus \$	Warrants \$	Deficit \$	Total \$
Balance, December 31, 2016	7,290,564	240,000	-	(7,874,303)	(343,740)
Share issue costs	(1,230)	-	-	-	(1,230)
Income	-	-	-	(383,773)	(383,773)
Balance, September 30, 2017	7,289,334	240,000	-	(8,258,076)	(728,742)
Balance, December 31, 2015	6,606,564	240,000	563,000	(8,678,588)	(1,269,024)
Fair value of expired warrants	563,000	-	(563,000)	-	-
Loss	-	-	-	(247,241)	(247,241)
Balance, September 30, 2016	7,169,564	240,000	-	(8,925,829)	(1,516,265)

Cartier Iron Corporation

Statements of Cash Flows

(expressed in Canadian dollars)

(unaudited)

	9 months ended September 30,	
	2017	2016
	\$	\$
Cash provided by (used in)		
Operating activities		
Loss	(383,773)	(247,241)
Items not affecting cash		
Interest not paid	5,798	23,846
Increase in fair value of marketable securities	(2,550)	(2,240)
Gain on statute-barred accounts payable	-	(48,044)
Impairment of exploration and evaluation	21,300	59,097
Dilution gain on change in interest in associate	(87,233)	(197,592)
Share of loss of an associate	64,184	94,015
Changes in non-cash working capital		
Receivables	(1,088)	99,134
Prepaid expenses	(3,397)	17,686
Accounts payable and accrued liabilities	209,414	168,223
	<u>(177,344)</u>	<u>(33,117)</u>
Financing activities		
Advances from Eloro Resources Ltd.	84,845	-
Share issue costs	(1,230)	-
	<u>83,615</u>	<u>-</u>
Investing activities		
Exploration and evaluation	(21,300)	(68,350)
	<u>(21,300)</u>	<u>(68,350)</u>
Net decrease in cash	(115,028)	(101,467)
Cash, beginning of period	132,683	193,925
Cash, end of period	17,655	92,458

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

Cartier Iron Corporation

Notes to Condensed Interim Financial Statements

September 30, 2017

(expressed in Canadian dollars)
(unaudited)

1. Nature of operations

Cartier Iron Corporation (the "Company") is a public company engaged in the acquisition, exploration and development of mineral resource properties. The Company is incorporated under the laws of Ontario and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

2. Going concern

The Company is in the exploration stage and has no revenue. As at September 30, 2017, the Company had a working capital deficit of \$1,285,033 (December 31, 2016 - \$876,982) and for the 9 months ended September 30, 2017, the Company incurred losses of \$383,773 (2016 - \$247,241) and negative cashflow from operations of \$37,693 (2016 - \$33,117). The working capital deficit and losses limit the Company's ability to fund operations and the acquisition, exploration and development of mineral resource properties. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continued operation of the Company is dependent upon the support of its creditors and the Company's ability to secure advances from related parties and equity financings to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary advances and equity financing, however, there can be no assurance that additional financing will be available.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. Basis of presentation

Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these interim condensed financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2016.

These interim condensed financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2016.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on November 29, 2017.

New standards and interpretations not yet adopted

The following amendment to standards will be effective for periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments ("IFRS 9")

This standard will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The Company has not determined the extent of the impact of IFRS 9 on its financial statements.

The following new standard will be effective for periods beginning on or after January 1, 2019:

IFRS 16, Leases ("IFRS 16")

This standard will replace IAS 17, Leases. IFRS 16 provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from IAS 17. The Company has not determined the extent of the impact of IFRS 16 on its financial statements

4. Receivables

The Company files a Québec Corporation Income Tax Return claiming a refundable tax credit on eligible exploration expenditures incurred in Québec ("Refundable Tax Credits") and a Québec Mining Duties Return claiming a credit on duties refundable for losses ("Credit on Duties"). It is the Company's policy to record an estimate of amounts to be received for unassessed claims for Refundable Tax Credits and Credits on Duties as a receivable and a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. The amount of the unassessed claims is subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

	In respect returns filed for years ended December 31,			
	2016	2015	2014	2013
	\$	\$	\$	\$
Refundable Tax Credits				
As filed	22,476	251,079	177,164	639,693
As assessed	–	251,079	177,248	613,898
Received	–	(251,079)	(177,248)	(613,898)
Included in receivables at September 30, 2017	–	–	–	–
Credit on Duties				
As filed	4,641	71,699	30,254	103,052
As assessed	–	–	23,977	79,775
Received during the period	–	–	(23,977)	(79,775)
Included in receivables at September 30, 2017	–	–	–	–

5. Marketable securities

Marketable securities consist of the following investment in a related party:

	September 30, 2017		December 31, 2016	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Champion Iron Limited	4,900	3,373	2,350	3,373

One director of the Company is a director of Champion Iron Limited.

6. Investment in associate

As at September 30, 2017, the Company held 3,043,500 common shares of Eoro Resources Ltd. ("Eoro")(December 31, 2016 - 3,043,500), representing 9.28% (December 31, 2016 - 10.2%) of the outstanding Eoro common shares. Although the Company holds less than 20% of the voting rights of Eoro, the Company has significant influence in Eoro as three directors of the Company are also directors of Eoro. Accordingly, the Company continues to account for its investment in Eoro as an investment in associate.

	Number of Eoro common shares held	\$
Balance at December 31, 2016	3,043,500	533,242
Dilution gain	–	87,233
Share of loss	–	(64,184)
Balance at September 30, 2017	3,043,500	556,291

The following is a summary of Eoro's balance sheet and reconciliation to carrying amounts as at September 30, 2017:

	\$
Assets	
Cash	427,276
Due from the Company	84,845
Other current assets	384,160
	896,281
Exploration and evaluation	4,242,130
	5,138,411
Liabilities and shareholders' equity	
Current liabilities	813,213
Shareholders' equity	4,325,198
	5,138,411

Reconciliation to carrying amount:

Share percentage ownership of Eloro	9.28%
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	\$
Company's share of net assets of Eloro	476,845
Difference between the Company's share of net assets of Eloro and carrying value	188,318
Carrying value of investment in Eloro	288,127

The following is a summary of the statement of income of Eloro for the 6 months ended September 30, 2017:

	\$
Expenses	
Expenses	426,724
Unrealized loss on marketable securities	40,367
Writedown of exploration and evaluation	54,955
	522,046
Loss	(522,046)
Other comprehensive loss	(5,357)
Income and comprehensive income	(527,403)

At September 30, 2017, the investment in Eloro had a fair value of \$2,526,105.

7. Exploration and evaluation

	December 31, 2016	Exploration expenditures	Impairment	September 30, 2017
	\$	\$	\$	\$
Property				
Gagnon	–	21,300	(21,300)	–

Gagnon, Quebec

The Company has an option from Champion Iron Mines Limited ("Champion"), a wholly-owned subsidiary of Champion Iron Limited, to acquire a 55% interest in Round Lake (formerly known as Penguin Lake, Black Dan and Aubrey-Ernie), Aubertin-Tougaard, Jeannine Lake, Silicate-Brutus and Big Three Lakes in the Fermont Iron Ore District in the Labrador Trough in northeastern Quebec ("Gagnon"). In order to earn a 55% interest, the Company must:

a) make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments \$	Common shares		Exploration expenditures \$
		Number	Fair value \$	
Upon execution of agreement (issued)	–	1,000,000	250,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (paid)	100,000	–	–	–
December 10, 2013 (paid, issued and incurred)	150,000	500,000	80,000	500,000
December 10, 2014 (issued and incurred)	–	500,000	80,000	750,000
Extended from December 10, 2014 to the date that Cartier received its refundable tax credit on eligible expenditures incurred in Québec for the year ended December 31, 2013 (paid)	250,000	–	–	–
December 10, 2015 (paid and issued)	50,000	500,000	12,500	–
December 10, 2016 (incurred)	–	–	–	1,800,000
December 31, 2017	450,000	–	–	–
	1,000,000	2,500,000	422,500	3,050,000

b) repay the Term Loan.

The Company has issued the common shares and incurred exploration expenditures required by the option agreement and in order to earn its 55% interest, the Company must make the remaining option payment of \$450,000 and repay the Term Loan by December 31, 2017.

Upon the Company earning its 55% interest, a joint venture will be formed to incur additional exploration expenditures. If a joint venture partner does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. The other joint venture partner will have the option to reduce the royalty from 1% to 0.5% by making a payment of \$3,000,000.

In the event that the Company or Champion proposes to acquire any property within 10 kilometres of Gagnon, the acquirer must offer the property at cost to the other party for inclusion in Gagnon.

As December 31, 2016 and September 30, 2017, facts and circumstances suggested that the carrying amount of Gagnon may exceed its recoverable amount. As required by International Financial Reporting Standard 6, *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), the Company assessed Gagnon for impairment. The Company concluded that there were a number of indicators of impairment, and accordingly, recorded impairment losses of \$80,578 at December 31, 2016 and \$21,300 at September 30, 2017 to write off Gagnon.

The Company has incurred the following cumulative exploration and evaluation expenditures on Gagnon:

	\$
Balance, December 31, 2016	3,492,255
Exploration expenditures	21,300
Refundable tax credit	(103,752)
Balance, September 30, 2017	3,409,803

Incienso, Chile

On June 16, 2017, the Company signed a letter agreement for an option to earn a 55% interest in Incienso, a gold property comprising 31 mining concessions covering 4,112 hectares located in the Coquimbo District, III Region, Chile.

In order to earn a 55% interest, the Company was to make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments US\$	Number of common shares	Exploration expenditures US\$
Upon signing of letter agreement (paid)	15,000	–	–
Upon signing of definitive agreement and receipt of stock exchange approval	50,000	–	–
1 year after signing of the definitive agreement	50,000	250,000	500,000
2 years after signing of the definitive agreement	75,000	250,000	500,000
3 years after signing of the definitive agreement	125,000	250,000	500,000
4 years after signing of the definitive agreement	150,000	250,000	500,000
	465,000	1,000,000	2,000,000

On August 11, 2017, the Company decided not to proceed with the negotiation and execution of a definitive agreement, thereby terminating the option at no further cost to the Company. Exploration and evaluation expense includes \$31,439 representing the option payment of US\$15,000 and due diligence costs related to Incienso.

8. Due to Eloro Resources Ltd.

The amount due to Eloro is unsecured, non-interest bearing and payable on demand. Three directors of the Company are directors of Eloro.

9. Due to Champion

The amount due to Champion is a term loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due on December 31, 2017 (“Term Loan”). Champion has the right to convert the Term Loan, plus accrued but unpaid interest, into Cartier common shares at a conversion price equal to the lowest subscription price per Cartier common share paid for the most recent capital raising undertaken by Cartier at the time of the conversion, subject to the minimum pricing rules and stock exchange approval.

For the 9 months ended September 30, 2017, the Company recorded interest expense of \$5,798 (2016 - \$23,846) in respect of the Term Loan.

Relationship with Champion

As at September 30, 2017, Champion held 11,519,971 common shares of the Company (December 31, 2016 - 11,519,971), representing 32.4% (December 31, 2016 - 34%) of the outstanding common shares of the Company. The holdings of Champion in the Company are subject to the terms of a pre-emptive rights agreement and an agreement respecting board representation rights and standstill obligations entered into on December 10, 2012.

Until December 31, 2017, Champion shall not sell common shares without the prior written consent of the Company, and thereafter, Champion shall not sell more than 2,000,000 common shares during any 30-day period.

Until December 31, 2017, provided that Champion owns at least 10% of the outstanding common shares of the Company:

- a) The Company shall take all commercially reasonable steps to have a nominee of Champion elected as a director (“Champion Nominee”) the board of directors of the Company (“Board”).
- b) Champion shall not vote against any shareholder resolution recommended by the Board, except in the event that the Champion Nominee dissented when the Board approved a shareholder resolution that proposes to: (i) reduce the voting or dividend rights of the common shares; (ii) issue shares which carry a number of votes proportionately greater than the capital to be represented thereby or which carry dividend rights at a rate which would substantially impair the dividends ordinarily payable on the common shares; and (iii) approve a transaction with an arm’s length third party, which must be passed by at least two-thirds of the votes cast and in respect of which a shareholder has dissent rights.
- c) Champion shall not vote in favour of the election of nominees to the Board who are not proposed by the then Board.
- d) Champion shall not (i) participate in a take-over bid for any securities of the Company; (ii) solicit proxies from any shareholder or attempt to influence the voting by any shareholders other than in support of initiatives recommended by the Board or (iii) seek to influence or control the management, Board or the policies or affairs of Company; or (iv) make any public or private announcement or disclosure with respect to the foregoing.

10. Share capital

Authorized

An unlimited number of Class A preferred shares 5% voting, redeemable, convertible, non-cumulative dividend, which are redeemable at \$0.10 per share and convertible on the basis of one common share for each Class A preferred share.

An unlimited number of common shares.

Issued

	Number of common shares	Amount \$
Balance, December 31, 2016	35,572,721	7,290,564
Share issue costs	—	(1,230)
Balance, September 30, 2017	35,572,721	7,289,334

Stock options

The Company may grant options to its directors, officers, employees and consultants for up to 10% of the number of common shares outstanding. Options granted vest immediately and the maximum term of each option is 5 years. The exercise price shall not be less than the closing price of the common shares on a stock exchange in Canada on the last trading day immediately preceding the date of the grant, less any discount permissible under the rules of the principal stock exchange on which the common shares are listed for trading. In the event that the common shares are not listed for trading on any stock exchange, the exercise price shall be the fair market value as determined by the Board of Directors. As at September 30, 2017, there were 3,557,272 stock options (December 31, 2016 - 3,557,272) authorized to be issued under the stock option plan, of which, 3,025,000 stock options (December 31, 2016 - 3,025,000) were outstanding.

A summary of the Company's stock options is presented below:

	Expiry date	Weighted- average exercise price \$	Number of stock options outstanding and exercisable
Balance, December 31, 2016 and September 30, 2017	July 9, 2020	0.10	3,025,000

11. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, accounts payable and accrued liabilities and due to Champion

The fair values of cash, accounts payable and accrued liabilities and due to Champion at September 30, 2017 approximated their respective carrying value due to their short term to maturity.

Marketable securities

The fair value of marketable securities is estimated based on observable inputs.

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;

Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data

Marketable securities are classified as Level 1 financial assets.

12. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and due from Eloro. The Company's limits its exposure to credit risk on its cash by holding deposits with high credit quality Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. Accounts payable and accrued liabilities are subject to normal trade terms and a \$450,000 option payment and the Term Loan due to Champion are due on December 31, 2017.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

Equity price risk

Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at September 30, 2017 had changed by 25%, with all other variables held constant, the income would have increased or decreased by \$1,225.

Currency risk

Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. As all of the Company's purchases are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash in Canadian dollars.

Interest rate risk

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management

Capital of the Company consists of share capital, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issue of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

13. Related party transactions

	9 months ended September 30,		September 30,	Outstanding at
	2017	2016	2017	December 31,
	\$	\$	\$	2016
				\$
Exploration and evaluation				
Paid or payable to a company, of which, a director is a shareholder	–	13,093	37,527	37,527

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	9 months ended September 30,		September 30,	Outstanding at
	2017	2016	2017	December 31,
	\$	\$	\$	2016
				\$
Consulting fees	255,000	270,000	754,349	566,325

Additional related party transactions are disclosed in notes 5, 6, 7 and 8. These transactions were in the normal course of business.

14. Subsequent events

Acquisition of Big Easy

On November 21, 2017, the Company completed a definitive agreement to acquire a 100% interest in Big Easy consisting of 1 Mineral Rights Licence, which includes 278 mining claims covering 69.5 square kilometres located in Newfoundland and Labrador.

In order to complete the acquisition, the Company must issue common shares and incur exploration expenditures, as follows:

	Common shares	Exploration expenditures US\$
Upon signing of definitive agreement (issued)	500,000	–
November 21, 2018	500,000	500,000
November 21, 2019	500,000	800,000
November 21, 2020	1,000,000	1,200,000
	2,500,000	2,500,000

In the event that the Company does not issue common shares or incur exploration expenditures, the definitive agreement will terminate and the Company will transfer the mining licences and claims to the vendor.

The property is subject to a 3% net smelter royalty (“NSR”). On November 21, the Company exercised an option to reduce the NSR from 3% to 2% by making a payment of \$200,000 with \$25,000 which was paid on November 21, 2017, \$75,000 payable by November 21, 2018 and \$75,000 payable by November 21, 2019. The Company also has options to: (a) reduce the NSR by 0.25% until November 21, 2021 by making a payment of \$250,000 and (b) reduce the NSR by 0.25% until November 21, 2022 by making a payment of \$250,000.

In the event that the Company wishes to sell any or all of the property prior to November 21, 2020, the Company must obtain the permission of the vendor.

With respect to the common shares to be issued to the vendor:

- a) the vendor will not grant a security interest in the common shares;
- b) the vendor has the right to sell tranches of less than 300,000 common shares;
- c) until November 21, 2021, the Company has a right of first refusal in the event that the vendor receives a third party offer to acquire any tranche of more than 300,000 common shares; and
- d) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote against any resolution put before the shareholders of the Company upon the recommendation of the Board of Directors
- e) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote in favour of:
 - (i) the election of board nominees that have not been proposed by the then Board of Directors, or
 - (ii) any shareholder resolution or proposal unless the Board of Directors recommends voting in favour of such shareholder resolution or proposal.

Exploration and evaluation expense includes \$23,365 representing costs incurred before the Company obtained the legal rights to explore the property.

Private placement

On October 31, 2017, the Company announced its intention to complete non-brokered private placements of:

- a) 7,000,000 units at a price of \$0.10 per unit for gross proceeds of \$700,000, with each unit consisting of one common share and one-half warrant. Each whole warrant will entitle the holder to purchase one common share for \$0.20 for 18 months following the closing of the private placement.
- b) 2,000,000 flow-through units at a price of \$0.12 per unit for gross proceeds of \$240,000, with each unit consisting of one common share and one-half warrant. Each whole warrant will entitle the holder to purchase one common share for \$0.25 for 18 months following the closing of the private placement.