



**NORTHERN LION
GOLD CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Northern Lion Gold Corp.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Northern Lion Gold Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 30, 2018

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2017	December 31, 2016
	\$	\$
ASSETS		
Current assets		
Cash	305,797	519,188
Marketable securities (Note 4)	65,877	41,478
Receivables (Note 5)	2,382	6,127
Prepaid expenses	2,153	2,033
Total current assets	376,209	568,826
Non-current assets		
Equipment (Note 7)	1,281	1,829
Exploration and evaluation assets (Note 6)	300,066	-
Total assets	677,556	570,655
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	32,678	100,345
Due to related parties (Note 8)	86,638	99,020
Total liabilities	119,316	199,365
Shareholders' equity		
Share capital (Note 9)	29,519,716	28,611,150
Obligation to issue shares (Note 9)	-	353,638
Share subscriptions receivable (Note 9)	-	(82,500)
Reserves (Note 9)	191,906	204,561
Deficit	(29,153,382)	(28,715,559)
Total shareholders' equity	558,240	371,290
Total liabilities and shareholders' equity	677,556	570,655

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on April 30, 2018

On behalf of the Board of Directors:

"John Lando"
Director

"Lyle Brown"
Director

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

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the year ended December 31,	
	2017	2016
	\$	\$
OPERATING EXPENSES		
Consulting	1,500	30,864
Depreciation (Note 7)	548	785
Filing and regulatory fees	15,188	21,197
Foreign exchange (gain) loss	(1,728)	3,788
Investor relations	-	2,458
Management fees (Note 8)	102,917	37,465
Office and general	17,036	17,001
Professional fees	80,379	68,250
Rent	-	30,000
Travel and related	25,734	-
	<u>(241,574)</u>	<u>(211,808)</u>
Unrealized gain on marketable securities (Note 4)	24,399	31,718
Interest income	-	30
Loss on settlement of accounts payable (Note 9)	(233,303)	(244,396)
Gain on forgiveness of debt	-	7,633
	<u>(208,904)</u>	<u>(205,015)</u>
Loss and comprehensive loss for the year	<u>(450,478)</u>	<u>(416,823)</u>
Basic and diluted loss per common share (Note 10)	(0.05)	(0.28)
Weighted average number of common shares outstanding	8,328,785	1,508,506

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

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year ended December 31,	
	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(450,478)	(416,823)
Items not affecting cash:		
Depreciation	548	785
Unrealized gain on marketable securities	(24,399)	(31,718)
Loss on settlement of accounts payable	233,303	244,396
Gain on forgiveness of debt	-	(7,633)
Changes in non-cash working capital items:		
Receivables	3,745	1,222
Prepaid expenses	(120)	6,396
Accounts payable and accrued liabilities	(10,572)	(7,534)
Due to related parties	74,243	131,699
	<u>(173,730)</u>	<u>(79,210)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditure	<u>(94,066)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	417,500
Proceeds from share subscription receivable	82,500	-
Share issue costs	<u>(28,095)</u>	<u>(5,533)</u>
	<u>54,405</u>	<u>411,967</u>
Change in cash during the year	(213,391)	332,757
Cash, beginning of year	<u>519,188</u>	<u>186,431</u>
Cash, end of year	305,797	519,188
Non-cash transactions		
Shares for debt settlement	358,928	353,638
Shares issued for acquisition of exploration and evaluation assets	196,000	-
Share issue costs in accounts payable and accrued liabilities	-	28,095
Share subscription receivable	-	82,500
Reclassification of expired stock options	12,655	-
Exploration and evaluation expenditures in accounts payable at year end	10,000	-

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

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of Shares Outstanding	Share Capital \$	Share Subscriptions Receivable \$	Obligation to Issue Shares \$	Reserves \$	Deficit \$	Shareholders' Equity \$
Balance at December 31, 2015	1,481,184	28,144,778	-	-	483,285	(28,577,460)	50,603
Stock options expired	-	-	-	-	(278,724)	278,724	-
Obligation to issue shares	-	-	-	353,638	-	-	353,638
Shares issued for cash	5,000,000	500,000	(82,500)	-	-	-	417,500
Share issue costs	-	(33,628)	-	-	-	-	(33,628)
Loss for the year	-	-	-	-	-	(416,823)	(416,823)
Balance at December 31, 2016	6,481,184	28,611,150	(82,500)	353,638	204,561	(28,715,559)	371,290
Shares for settlement of accounts payable	1,781,416	712,566	-	(353,638)	-	-	358,928
Shares issued for cash	-	-	82,500	-	-	-	82,500
Shares issued for acquisition of exploration and evaluation assets	400,000	196,000	-	-	-	-	196,000
Stock options expired	-	-	-	-	(12,655)	12,655	-
Loss for the year	-	-	-	-	-	(450,478)	(450,478)
Balance at December 31, 2017	8,662,600	29,519,716	-	-	191,906	(29,153,382)	558,240

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

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Lion Gold Corp. (the “Company”) was incorporated on November 19, 1980 under the Laws of British Columbia and is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “V.NL” and on the Frankfurt Stock Exchange under the symbol “N3E”. The Company’s head office address is Unit 101B, 8575 Government Street, Burnaby, BC V3N 4V1. The registered and records office address is Suite 2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3.

The Company is a mineral exploration company focused on acquiring, exploring and developing mineral properties in Canada.

At the date of the consolidated financial statements, the Company has not identified a known body of commercial grade mineral on its property. The ability of the Company to realize the costs it has incurred to date on its property is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”)

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiary of the Company as of December 31, 2017 is as follows:

Name of subsidiary	Principal Activity	Incorporation	Interest
Katla Exploration Ltd.	Mineral exploration	Republic of Cyprus	100%

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Financial assets

Financial assets are classified into one of four categories:

- Held-to-Maturity("HTM");
- Fair value through profit or loss ("FVTPL");
- Loans and receivables; and
- Available for Sale ("AFS")

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets - continued

Held to maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available for sale ("AFS")

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

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

This category consists of liabilities carried at amortized cost using the effective interest method.

Financial instruments

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities and amounts due to related party. The Company has designated its cash and marketable securities as fair value through profit or loss, which are measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and amounts due to related party are classified as other financial liabilities, which are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

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

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS marketable securities, impairment losses previously recognized through profit and loss are not reversed through profit and loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated using the declining balance method at the following annual rates:

Computer equipment 30%

The Company's equipment are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred. All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its mineral properties at each statement of financial position reporting date to consider if there is an impairment in value to take into consideration from current exploration results and management's assessment of the exploration results and of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves.

Provision for environmental rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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

The increase in the provision due to the passage of time is recognized as accretion expense.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral properties.

Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the (1) asset's fair value less costs to sell and (2) 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment - continued

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payments is transferred to deficit.

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

Loss per share

The dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes

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

Deferred tax is recognized in respect of temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiary to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is 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 date of the statement of financial position.

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.

Income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

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

- Recoverability of exploration and evaluation assets: Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Significant accounting estimates and judgments - continued

Critical accounting judgments

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Going concern of operations:** The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).
- **Determination of provisions for income taxes and the recognition of deferred income taxes:** In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

3. NEW OR REVISED ACCOUNTING STANDARDS NOT YET ADOPTED

New accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these consolidated financial statements. The new and revised standards are as follows:

- **IFRS 2 – Share Based Payments:** the amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.
- **IFRS 9 – Financial Instruments:** Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect that the adoption of this standard will have a significant effect on the Company's disclosure requirements.
- **IFRS 15 – Clarifications to IFRS 15 "Revenue from Contracts with Customers"** issued. The amendments do not change the underlying principles of the standard, but simply clarify and offer some additional transition relief. The standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect that the adoption of this standard will have any effect on the Company's consolidated financial statements.

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

3. NEW OR REVISED ACCOUNTING STANDARDS NOT YET ADOPTED - continued

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration: addresses how to determine the ‘date of the transaction’ when applying IAS 21. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company’s consolidated financial statements.
- IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company’s consolidated financial statements.
- IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company’s consolidated financial statements.

4. MARKETABLE SECURITIES

Marketable securities are comprised of the following:

	December 31, 2017		December 31, 2016	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
New World Resource Corp. 487,976 common shares (December 31, 2016 487,976 common shares)	65,877	263,507	41,478	263,507

The Company recorded an unrealized gain on its marketable securities of \$24,399 (2016 - \$31,718) due to an increase in fair market value during the year. Subsequent to the year end, all 487,976 common shares of New World Resource Corp. were sold.

5. RECEIVABLES

The Company’s receivables arise from two main sources: goods and services tax and harmonized sales tax (“GST”) receivable due from the Canadian taxation authorities and value added tax (“VAT”) due from the Cypriot taxation authorities.

	December 31, 2017	December 31, 2016
	\$	\$
VAT receivable	1,605	1,896
GST receivable	777	4,231
	2,382	6,127

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6. EXPLORATION AND EVALUATION ASSETS

In March 2017, the Company entered into an option agreement to acquire an undivided 100 % interest in certain mineral claims located in Kamloops, B.C. (the "Riverside Property"). Expenditures for the fiscal year related to exploration and evaluation assets are as follows:

	Riverside Property
	\$
Balance as at December 31, 2016	-
Property acquisition costs	216,000
<i>Exploration expenditures:</i>	
Assays	345
Geological	83,245
Travel	476
Balance as at December 31, 2017	300,066

In order to exercise the option, the Company must:

- Pay \$70,000 cash to the optionor as follows: \$20,000 upon execution (paid); and an additional \$50,000 on or before March 9, 2018;
- Issue 400,000 common shares (issued) at a value of \$196,000 of the Company to the optionor;
- Incur exploration expenditures of \$75,000 (incurred) on the Riverside Property within six months following exchange acceptance, which expenditures constitute a binding obligation on the part of the Company.

In February 2018, the Company entered into an amendment agreement with the optionor to amend the payment terms of the \$50,000 payment originally due on March 9, 2018 as follows:

- \$6,500 payable immediately (paid);
- the remaining \$43,500 on or before March 9, 2019.

7. EQUIPMENT

	Computer equipment
Cost	\$
Balance, December 31, 2015, December 31, 2016 and December 31, 2017	36,897
Accumulated depreciation	
Balance, December 31, 2015	34,283
Depreciation for the year	785
Balance, December 31, 2016	35,068
Depreciation for the year	548
Balance, December 31, 2017	35,616
Carrying amounts	
As at December 31, 2016	1,829
As at December 31, 2017	1,281

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8. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

Summary of key management personnel compensation (includes officers and directors of the Company):

	December 31, 2017	December 31 2016
	\$	\$
Consulting fees	-	22,500
Management fees	64,500	37,465
	<u>64,500</u>	<u>59,965</u>

Amounts owing to related parties (including key management personnel) total \$86,638 (December 31, 2016 - \$99,020).

Pursuant to the shares-for-debt agreement, the Company issued 618,750 common shares to settle \$86,625 of debt relating to unpaid director fees and expenses and other payables. The Company issued the shares at a value of \$247,500, resulting in a loss on settlement of accounts payable of \$160,875.

9. SHARE CAPITAL AND RESERVES

Common Shares

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

During the year ended December 31, 2017:

- (a) the Company entered into certain shares-for-debt agreements. Pursuant to the agreements, the Company issued 897,321 common shares to settle \$125,625 of debt relating to unpaid director and consulting fees and expenses and other payables. The Company issued the shares at a value of \$358,928, resulting in a loss on settlement of accounts payable of \$233,303.
- (b) the Company issued 400,000 common shares with a fair value of totaling \$196,000 to the optionor of the Riverside property (Note 6).

During the year ended December 31, 2016:

- (a) the Company consolidated the issued share capital on the basis of two (2) old common shares for one (1) new common share. Outstanding stock options and warrants were adjusted by the consolidation ratio. All common shares and per common share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.
- (b) the Company entered into certain shares-for-debt agreements, whereby the Company was to issue 884,095 common shares to settle \$109,243 of debt relating to unpaid director and consulting fees and expenses and other payable. As at December 31, 2016, the Company had not issued the shares and recorded an obligation to issue shares. Subsequent to the year end, the Company issued the shares at a value of \$353,638, resulting in a loss on settlement of accounts payable of \$244,396.

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9. SHARE CAPITAL AND RESERVES

Common Shares - continued

(c) the Company completed a non-brokered private placement of 5,000,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of \$500,000. Each unit consists of one common share and one transferable warrant to purchase an additional common share at a price of \$0.20 expiring in 5 years. As of December 31, 2016, proceeds of \$82,500 have not been received. Subsequent to the year end, the Company received the balance of subscriptions receivable.

Stock Options

The Company has a Stock Option Plan whereby the maximum number of common shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within one year of termination of employment, consulting arrangement or holding office as a director or officer of the Company, are subject to vesting provisions as determined by the Board and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

During the year ended December 31, 2017, 7,813 (2016 – 37,031) incentive stock options expired unexercised, and accordingly \$12,655 (2016 – \$278,724) was reversed from reserves to deficit.

A summary of stock option activity is as follows:

	<u>Number of stock options</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at December 31, 2015	44,844	8.50
Expired	<u>(37,031)</u>	9.76
Outstanding at December 31, 2016	7,813	2.56
Expired	<u>(7,813)</u>	2.56
Outstanding at December 31, 2017	<u><u>-</u></u>	-

Warrants

A summary of warrant activity is as follows:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at December 31, 2015	48,438	1.60
Issued	5,000,000	0.20
Expired	<u>(48,438)</u>	1.60
Outstanding at December 31, 2016 and December 31, 2017	<u><u>5,000,000</u></u>	0.20

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9. SHARE CAPITAL AND RESERVES - continued

Warrants - continued

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

Number of Warrants	Exercise Price	Expiry Date
5,000,000	\$0.20	December 30, 2021

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2017 was based on the loss attributable to common shareholders of \$450,478 (2016 – \$416,823) and a weighted average number of common shares outstanding of 8,328,785 (2016 – 1,508,506).

Diluted loss per share did not include the effect of 5,000,000 (2016 – 5,000,000) warrants and nil (2016 – 7,813) options as they are anti-dilutive.

11. MANAGEMENT OF CAPITAL

The Company's capital structure consists of items in equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The fair values of cash and marketable securities are based on level 1 inputs of the fair value hierarchy.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings and related party loans to satisfy its capital requirements and will continue to depend heavily upon equity capital and possible loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in Note 11 above. Accounts payable and accrued liabilities are due within one year.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, marketable securities, and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The majority of the Company's cash is held with major Canadian based financial institutions. Receivables mainly consist of refundable GST from the Government of Canada and VAT from the Cypriot tax authorities.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

Currency Risk

The Company operates in Canada and the Republic of Cyprus and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's cash, receivables, and accounts payable and accrued liabilities are held in several currencies and therefore are subject to fluctuations against the Canadian dollar. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's marketable securities are classified as held for trading and trade on the stock market. The Company closely monitors its marketable securities stock market movements and commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's marketable securities amounting to \$65,877 are subject to fair value fluctuations. As at December 31, 2017, if the fair value of the Company's marketable securities had decreased/increased by 10% with all other variables held constant, loss and comprehensive loss for the year ended December 31, 2017 would have been approximately \$6,500 higher/lower. Similarly, as at December 31, 2017, reported equity would have been approximately \$6,500 lower/higher as a result of a 10% decrease/increase in the fair value of the Company's marketable securities.

Financial Assets

The estimated fair value of financial assets is equal to their carrying values due to the short-term nature of these instruments. The Company's financial assets were held in the following currencies:

Stated in Canadian Dollars				
As at December 31, 2017				
Carrying Value	Canadian Dollar	US Dollar	European Euro	Total
Cash	256,902	11,312	37,583	305,797
Receivables	777	-	1,605	2,382
Marketable securities	65,877	-	-	65,877

Stated in Canadian Dollars				
As at December 31, 2016				
Carrying Value	Canadian Dollar	US Dollar	European Euro	Total
Cash	461,344	12,160	45,684	519,188
Receivables	4,231	-	1,896	6,127
Marketable securities	41,478	-	-	41,478

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Financial Liabilities

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments. The Company's financial liabilities were held in the following currencies:

Stated in Canadian Dollars			
As at December 31, 2017			
Carrying Value	Canadian Dollar	European Euro	Total
Accounts payable	29,258	3,420	32,678
Due to related parties	86,638	-	86,638

Stated in Canadian Dollars			
As at December 31, 2016			
Carrying Value	Canadian Dollar	European Euro	Total
Accounts payable	100,008	337	100,345
Due to related parties	99,020	-	99,020

13. SEGMENTED INFORMATION

The Company operates in one business segment, the exploration of mineral properties. Geographic information is as follows:

	Canada	Republic of Cyprus	Total
December 31, 2017	\$	\$	\$
Equipment	1,281	-	1,281
Exploration and evaluation assets	300,066	-	300,066
Other assets	337,021	39,188	376,209
Total assets	638,368	39,188	677,556

	Canada	Republic of Cyprus	Total
December 31, 2016	\$	\$	\$
Equipment	1,829	-	1,829
Other assets	521,246	47,580	568,826
Total assets	523,075	47,580	570,655

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14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
	\$	\$
Loss for the year	(450,478)	(416,823)
Expected income tax (recovery)	(117,000)	(108,000)
Change in statutory and foreign tax rates, foreign exchange rate and other	(142,000)	26,000
Permanent differences	(3,000)	(3,000)
Wind down of subsidiaries	-	188,000
Share issue cost	-	(9,000)
Adjustment to prior years provision versus statutory tax returns	(19,000)	-
Expiry of non-capital losses	138,000	186,000
Change in unrecognized deductible temporary differences	143,000	(280,000)
Total income tax (recovery)	-	-

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2017	2016
	\$	\$
Deferred Tax Assets		
Exploration and evaluation assets	217,000	233,000
Property and equipment	30,000	28,000
Share issue costs	6,000	7,000
Marketable securities	36,000	29,000
Allowable capital losses	1,957,000	1,885,000
Non-capital losses available for future period	1,649,000	1,570,000
	3,895,000	3,752,000
Unrecognized deferred tax assets	(3,895,000)	(3,752,000)
Net deferred tax assets	-	-

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14. INCOME TAXES - continued

The significant components of the Company's temporary differences and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
	\$		\$	
Exploration and evaluation assets	1,368,000	No expiry date	1,442,000	No expiry date
Capital assets	109,000	No expiry date	107,000	No expiry date
Share issue costs	20,000	2038 - 2041	28,000	2037 - 2040
Marketable securities	264,000	No expiry date	222,000	No expiry date
Allowable capital losses	7,249,000	No expiry date	7,249,000	No expiry date
Non-capital losses available for future period				
Canada	5,442,000	2026 - 2037	4,900,000	2026 - 2036
Cyprus	1,439,000	2018 - 2022	2,369,000	2017 - 2021
Net deferred tax assets	15,891,000		16,317,000	