



Adex Mining Inc.
Consolidated Financial Statements
December 31, 2017

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Adex Mining Inc. (the "Company" or "Adex") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The consolidated financial statements have been audited by PricewaterhouseCoopers LLP. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

DATED this 25h day of April 2018.

ADEX MINING INC.

Per: (signed) "Linda Lam Kwan"

Name: Linda Lam Kwan

Title: Chief Executive Officer

Per: (signed) "Olga Balanovskaya"

Name: Olga Balanovskaya

Title: Chief Financial Officer



April 25, 2018

Independent Auditor's Report

To the Shareholders of Adex Mining Inc.

We have audited the accompanying consolidated financial statements of Adex Mining Inc. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity (deficit) for the years then ended, and related notes, which comprise 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.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 auditor's 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.

*PricewaterhouseCoopers LLP
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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Adex Mining Inc. and its subsidiary as at December 31, 2017 and December 31, 2016 and their financial performance and their 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 to the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Adex Mining Inc. and its subsidiary's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

ADEX Mining Inc.
Consolidated Statements of Financial Position

| As at (In Canadian dollars) | December 31 2017 \$ | December 31 2016 \$ |
|---|---------------------------|---------------------------|
| Assets | | |
| Current | | |
| Cash | 94,936 | 35,606 |
| HST and other receivables | 11,837 | 19,723 |
| Prepaid expenses | 80,965 | 130,185 |
| | 187,738 | 185,514 |
| Non-current | | |
| Funds held by Province of New Brunswick (note 4) | 1,028,792 | 1,021,928 |
| Tailings impoundment facility (note 5) | 749,206 | 788,638 |
| Property, plant and equipment, net (note 6) | 23,428 | 29,439 |
| Total Assets | 1,989,164 | 2,025,519 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals (note 10) | 816,095 | 605,480 |
| Loan payable (note 9) | 1,254,500 | 537,080 |
| Income tax payable (note 10) | - | 41,871 |
| Total Liabilities | 2,070,595 | 1,184,431 |
| Shareholders' equity/(deficit) (note 7) | | |
| Share capital | 55,889,583 | 55,889,583 |
| Contributed surplus | 2,879,322 | 2,879,322 |
| Deficit | (58,850,336) | (57,927,817) |
| Total liabilities and shareholders' equity/(deficit) | 1,989,164 | 2,025,519 |

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

Nature of operations and going concern - note 1

Commitments and contingencies - note 10

Subsequent events - note 14

Approved on behalf of the board:

(signed) "Norm Betts"
Director

(signed) "Linda Lam Kwan"
Director

ADEX Mining Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the year ended
(In Canadian dollars)

December 31

| | 2017 | 2016 |
|---|----------------|-------------------|
| | \$ | \$ |
| Expenses | | |
| Administrative and general (notes 8 and 9) | 575,950 | 618,992 |
| Mineral property expenses | 336,636 | 326,646 |
| Provision for impairment (note 5) | - | 13,467,508 |
| Total expenses | 912,586 | 14,413,146 |
| Finance cost (note 9) | 74,102 | 12,125 |
| Foreign exchange (note 9) | (63,679) | 26,774 |
| Interest earned on funds on deposit | (490) | (590) |
| Total finance cost (income) | 9,933 | 38,309 |
| Loss before income taxes | 922,519 | 14,451,455 |
| Income taxes | - | - |
| Net loss and comprehensive loss | 922,519 | 14,451,455 |
| Weighted average number of shares outstanding | 677,211,441 | 677,211,441 |
| Basic and diluted loss per share | 0.00 | 0.02 |

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

ADEX Mining Inc.
Consolidated Statements of Cash Flows

| For the year ended (In Canadian dollars) | December 31 | |
|---|---------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Operating activities | | |
| Net loss for the period | (922,519) | (14,451,455) |
| Items not affecting cash: | | |
| Depreciation of Tailings impoundment facility | 39,432 | 13,467,508 |
| Depreciation of property, plant and equipment | 6,011 | 6,011 |
| | (877,076) | (977,936) |
| Change in non-cash working capital | | |
| HST and other receivables | 7,886 | 18,976 |
| Prepaid expenses | 49,220 | 29,864 |
| Income taxes payable | - | (7,361) |
| Accounts payable and accruals | 168,744 | 242,517 |
| Cash used in operating activities | (651,226) | (693,940) |
| Investing activities | | |
| Increase in funds held by Province of New Brunswick | (6,864) | (5,073) |
| Additions to mineral properties | - | (44,865) |
| Cash used in investing activities | (6,864) | (49,938) |
| Financing activities | | |
| Loan proceeds | 717,420 | 537,080 |
| Loan repayment | - | - |
| Cash used in financing activities | 717,420 | 537,080 |
| Change in cash | 59,330 | (206,798) |
| Cash, beginning of the year | 35,606 | 242,404 |
| Cash, end of the year | 94,936 | 35,606 |

ADEX Mining Inc.

Consolidated Statements of Changes in Equity/(Deficit)

(In Canadian dollars)

| | Contributed | | | |
|-----------------------------------|---------------|-----------|--------------|--------------|
| | Share capital | Surplus | Deficit | Total |
| | \$ | \$ | \$ | \$ |
| Balance, January 1, 2016 | 55,889,583 | 2,879,322 | (43,476,362) | 15,292,543 |
| Net loss and comprehensive loss | - | - | (14,451,455) | (14,451,455) |
| Balance, December 31, 2016 | 55,889,583 | 2,879,322 | (57,927,817) | 841,088 |
| Balance, January 1, 2017 | 55,889,583 | 2,879,322 | (57,927,817) | 841,088 |
| Net loss and comprehensive loss | - | - | (922,519) | (922,519) |
| Balance, December 31, 2017 | 55,889,583 | 2,879,322 | (58,850,336) | (81,431) |

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

Adex Mining Inc.

Notes to the consolidated financial statements

December 31, 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

Adex Mining Inc. (the "Company") holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the "Property" or "Mount Pleasant") where the Company is developing a potential polymetallic mine focusing on tin, indium, zinc, molybdenum and tungsten. Within the mineral rights area the Company owns approximately 405 hectares of land, plus the buildings, machinery and equipment on site which comprise the dormant Mount Pleasant mine. The Company is incorporated and domiciled in Canada and is a reporting issuer with its common shares publicly traded on the TSX-Venture exchange under the stock symbol "ADE". The principal head office of the Company is located at Suite 850, 36 Toronto Street, Toronto, Ontario, Canada M5C 2C5.

The Company has interests in resource properties which it is in the process of exploring and developing and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. For the year ended December 31, 2017, cash used in operations by the Company was \$651,226 and the Company carried an accumulated deficit of \$58,850,336. Furthermore, the Company had not generated revenue from operations. Based on the budget of minimum expenditures for fiscal 2018, management has identified that the Company does not have sufficient cash to meet the required operating expenditures through the end of fiscal 2018.

These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. In view of these circumstances, the Company requires financing to complete its planned exploration and evaluation program on the Mount Pleasant Property, and will continue to explore financing alternatives to raise capital.

On July 8, 2016, Great Harvest Canadian Investment Company Limited ("Great Harvest"), the controlling shareholder of the Company, and the Company entered into a loan agreement whereby Great Harvest extended a loan to the Company in the amount of US\$1,000,000. The loan could be advanced in one or more instalments. The first instalment of US\$200,000 was received on July 29, 2016; the second instalment of US\$200,000 was received on October 11, 2016; the third instalment of US\$200,000 was received on February 27, 2017; the fourth instalment of US\$150,000 was received on May 17, 2017; the fifth instalment of US\$100,000 was received on September 5, 2017 and the sixth instalment was received on November 14, 2017. The loan is unsecured and bears interest at the rate of 8% per annum. The loan and interest, which became due and payable on July 10, 2017, was extended to December 31, 2018.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing.

These consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of December 31, 2017.

These consolidated financial statements have been approved by the Board of Directors on April 25, 2018. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year.

Principles of consolidation

The consolidated financial statements include the accounts of the Company's wholly owned subsidiary Adex Minerals Corp. ("AMC"). All inter-company accounts and transactions have been eliminated on consolidation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The Company is deemed to have one segment for reporting being the operations at the Company's Mt. Pleasant project.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss and comprehensive loss.

Property, plant and equipment

Property, plant & equipment is carried at cost, less accumulated amortization and asset impairment losses. Computer equipment comprises computer hardware and is amortized on a straight-line basis over 24 months. Automobiles are amortized on a straight-line basis over 24 months. Facility refurbishments are amortized over the estimated life span of the refurbished facility. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Leases

Leases that transfer substantially all of the benefits and risks of ownership to the Company are accounted for at the commencement of the lease term as finance leases and recorded as assets at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments, together with an offsetting liability. Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Exploration and evaluation expenditures

The Company capitalizes exploration and evaluation expenditures. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

The Company expenses mine site care and maintenance costs as incurred. Care and maintenance expenditures include site security, environmental monitoring and general repairs as required to ensure the property is safeguarded against loss and liability.

Environmental expenditures and rehabilitation

The operations of the Company may, in the future, be occasionally affected by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation.

Provisions for environmental rehabilitation include decommissioning and restoration costs when the Company has an obligation to dismantle and remove infrastructure and residual materials as well as to restore the disturbed area. Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the disturbance occurs based on the net present value of estimated future costs. The provision for environmental rehabilitation is reviewed and adjusted each period to reflect developments which could include changes in closure dates, legislation, discount rate or estimated future costs.

The amount recognized as a liability for environmental rehabilitation is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of property, plant and equipment and is depreciated over the life of the corresponding asset. The impact of amortization or unwinding of the discount rate applied in establishing the net present value of the provision is recognized in financing expense. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, "Property, Plant and Equipment". Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying amount is taken immediately to the income statement.

If the change in estimate results in an increase in the rehabilitation provision and therefore an addition to the carrying amount of the asset, the entity is required to consider whether the new carrying amount is recoverable, and if this is an indication of impairment of the asset as a whole. If indication of impairment of the asset as a whole exists, the Company tests for impairment in accordance with IAS 36, "Impairment of Assets". If the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to the income statement. For closed sites, changes to estimated costs are recognized immediately in the income statement. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated cost of outstanding rehabilitation work at each statement of financial position date and any increase in overall cost is expensed.

Impairment of non-financial assets

The Company assesses the carrying amount of non-financial assets including property, plant and equipment at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs of disposal of the asset. The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset. Where neither exists, fair value is based on the best information available to estimate the amount the Company could obtain from the sale of the asset in an arm's length transaction. This is often accomplished by using a discounted cash flow technique.

Impairment is assessed at the cash-generating unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. The assets of the corporate head office are allocated on a reasonable and consistent basis to CGUs or groups of CGUs. The carrying amounts of assets of the corporate head office that have not been allocated to a CGU are compared to their recoverable amounts to determine if there is any impairment loss.

If, after the Company has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Company reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at December 31, 2017.

Share based payments

The Company has a stock option plan that is described in Note 7. The granting of stock options represents a benefit given to employees of the Company, which include others providing similar services, and non-employees and constitutes additional compensation to be borne by the Company.

Share based payments issued to employees are valued at the date of the grant using the Black Scholes option pricing model and are included in the Consolidated Statements of Loss and Comprehensive Loss over each tranche's vesting period and credited to the contributed surplus unless it can be directly attributed to exploration and evaluation activities, in which case it is deferred.

Share based payments issued to non-employees are valued at the fair value of the goods and services received, unless they cannot be reliably measured, then the Black Scholes option pricing model is used. The expense is included in the Consolidated Statements of Loss and Comprehensive Loss over each tranche's vesting period which represents the period over which the services have been received and credited to the contributed surplus unless it can be directly attributed to exploration and evaluation activities, in which case it is deferred.

Share based payments issued to other entities for acquisition of properties are valued at the bid price on the date of the agreement and included in equity on that day, where the fair value of the goods and services received could not be reliably measured.

Income taxes

The income tax expense or benefit for the reporting period consists of two components: current and deferred taxes.

The current income tax payable or recoverable is calculated using the tax rates and legislation that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recoverable in respect of prior periods.

Current tax assets and liabilities are offset when they relate to the same jurisdiction, the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are determined using the statement of financial position liability method based on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. In calculating the deferred tax assets and liabilities, the tax rates used are those that have been enacted or substantively enacted by each reporting date in each of the jurisdictions and that are expected to apply when the assets are recovered or the liabilities are settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred tax liabilities are recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences with the exception of the following items:

- Temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the Company is able to control the timing of the reversal of temporary differences and such reversals are not probable in the foreseeable future;
- Temporary differences associated with goodwill;
- Temporary differences that arise on the initial recognition of assets and liabilities in a transaction that is not a business combination and has no impact on either accounting profit or taxable profit; and
- Deferred tax assets are only recognized to the extent that it is probable that sufficient taxable profits exist in future periods against which the deductible temporary differences can be utilized.

The probability that sufficient taxable profits exist in future periods against which the deferred tax assets can be utilized is reassessed at each reporting date. The amount of deferred tax assets recognized is adjusted accordingly.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and where the Company has the legal right to offset them.

Current and deferred taxes that relate to items recognized directly to equity are also recognized in equity. All other taxes are recognized in income tax expense in the consolidated statements of loss and comprehensive loss.

Loss per share

Basic loss per share amounts are calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury method, which assumes that all outstanding stock option grants and warrants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

Financial instruments

Financial instruments are defined as any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value, plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. In a purchase or sale of financial assets, recognition and derecognition occurs when using trade date accounting or settlement date accounting.

Financial assets are subsequently measured after initial recognition at fair value, except for financial assets classified as held-to-maturity investments or loans and receivables, which are subsequently measured at amortized cost using the effective interest method.

Financial liabilities measured at fair value through profit or loss are subsequently measured after recognition at fair value. All other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial assets are derecognized when:

- the contractual rights to the cash flows from the financial asset expire;
- the contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party with material delay is assumed by the Company; or
- when the Company transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations are discharged, cancelled, or expire.

The Company has made the following classifications:

- Cash and Funds held by the Province of New Brunswick are classified as loans and receivables and are measured at amortized cost. Receivables are classified as loans and receivables and are recorded at their initial fair values. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and debt are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the IASB and the IFRIC Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

IFRS 9, *Financial Instruments* ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39") that related to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the impairment. For financial liabilities, the standard retains most of the IAS 39 requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has assessed that IFRS 9's impact will not be material to the financial statements.

IFRS 16, *Leases*, which replaces IAS 17, *Leases*, requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is yet to assess IFRS 16's full impact.

3. ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated 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 impacts of such estimates are pervasive throughout the consolidated 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 the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet 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:

Impairment of long-lived assets

When there are indications that an asset or a reversal of a previously taken impairment may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of recoverable amount and fair value less costs of disposal. Determining the recoverable amount requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. The Company has determined that there are no impairment indicators or reversal of impairment indicators of non-financial assets during the year ended December 31, 2017.

Provision for environmental rehabilitation

Part of the land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property and is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and provide the Ministry of Environment with monthly water quality monitoring reports and the results of water sampling and testing, and in perpetuity, to treat the water run-off. As the Company's activities currently don't affect the nature and amount of this run-off, the Company treats these costs as a period expense and has made no provision for this on-going activity.

4. RECLAMATION BONDS AND ASSET RETIREMENT OBLIGATIONS

The land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property. This obligation is secured by a form of lien titled "collateral mortgage" to the Province of New Brunswick for \$2 million on 22 hectares of land on which the mine site and primary buildings are located.

Reclamation bonds consisted of Province of New Brunswick, 8.5% bonds which matured June 28, 2013. The bonds were pledged as security under environmental regulations with the Province of New Brunswick to ensure adequate funding is available for perpetuity to treat the acid water run-off from the abandoned Mount Pleasant mine workings. The bonds were held for the benefit of the Company, and interest was paid bi-annually into a cash-on-deposit account, and was disbursed at the discretion of the Ministry of Finance of the Province of New Brunswick. Upon maturity of the bonds at June 28, 2013, the funds continue to be held on account with the N.B government and will be redeployed as per the requirements of the Department of Environment.

The Company's Mount Pleasant property is governed by an Approval to Operate, which was granted by the New Brunswick Ministry of Environment ("the Department") in November 2007 and was valid until September 2012. The approval to operate was renewed as of October 1, 2012, updated on July 16, 2014 and was valid until September 30, 2017. The approval to operate was renewed as of October 1, 2017 and is valid until September 30, 2022. Under the terms of the Approval to Operate, the Company has been granted permission by the Ministry of Environment to operate the Property, Tailings Impoundment Facility and Mine Water Treatment Plant on a "Care and Maintenance" basis and the Company is also required to submit an environmental effect monitoring report to the Province of New Brunswick no later than March 31, 2019. However, the Company is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and the Company provides the Ministry of Environment with monthly water quality monitoring reports and the results of its monthly water sampling and testing. Under the Approval to Operate, the Company is permitted to carry out exploration activities and metallurgical test work on its Mount Pleasant property. Consequently, the current security posted with the Province of New Brunswick is sufficient for the Company to continue exploration activities and metallurgical test work at the Property. However, the Company may face a review of its posted security by the Ministry of Environment when the Company advances to feasibility studies on its mineral deposits or commences the dewatering of the past-producing underground tungsten mine located on the Mount Pleasant property. Dewatering activities will also trigger a provincial Environmental Impact Assessment ("EIA") and may require the Company to upgrade its current Mine Water Treatment Plant. Under the Approval to Operate, the Company was required to register a project under the EIA Regulation for the dewatering/reopening of the mine or for the construction of a new or upgraded minewater treatment plant by July 31, 2015, later extended to March 31, 2016. On April 4, 2016, the Company was able to obtain a further extension of 60 days subject to continuing consultations with the provincial Ministry of Environment relating to the submission of the EIA. The current EIA has expired; however, the Company is continuing discussions with the relevant authorities to obtain an update to the EIA requirements. In the meantime, the Company continues providing monthly water quality monitoring reports and continues to monitor the developments in order to ascertain any changes that may be required with respect to the existing security, or any obligations that may arise under an EIA.

5. EXPLORATION AND EVALUATION

| Mount Pleasant Property, New Brunswick | Exploration and evaluation \$ | Tailings impoundment facility upgrade \$ | Total \$ |
|---|-------------------------------------|--|--------------|
| Balance, January 1, 2016 | 13,435,664 | 775,617 | 14,211,281 |
| Additions | 31,844 | 13,021 | 44,865 |
| Additions | (13,467,508) | - | (13,467,508) |
| Balance, December 31, 2016 | - | 788,638 | 788,638 |
| Additions | - | - | - |
| Depreciation for the year | - | 39,432 | 39,432 |
| Balance, December 31, 2017 | - | 749,206 | 749,206 |

The Company holds a 100% interest in the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area. Within the mineral rights area, the Company owns approximately 405 hectares of land.

In 2016, the Company reviewed the impairment indicators as outlined in IFRS 6 and determined that there were indicators of impairment of the Mount Pleasant Mine project. The company, therefore, made the decision to record a provision for an impairment loss in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2016. The Company will continue to monitor the situation and should circumstances indicate that the fair value of the project is greater than its carrying value the Company will reverse the impairment loss, in whole or in part, and will recognize the reversal in the consolidated statement of loss and comprehensive loss.

The Company determined that Tailings impounded facility upgrade as a separate asset should be amortized over the estimated useful life of 20 years. For the year ended December 31, 2017, the amount of amortization charged to mineral property expense for the Tailings Impounded Facility was \$39,432 (\$Nil for the year ended December 31, 2016).

6. PROPERTY PLANT AND EQUIPMENT

| Cost | Equipment and Facility refurbishments \$ | Computer equipment \$ | Automobiles \$ | Total \$ |
|----------------------------------|---|-----------------------------|-------------------|-------------|
| Balance as at January 1, 2016 | 142,503 | 66,299 | 51,498 | 260,300 |
| Additions | - | - | - | - |
| Balance as at December 31, 2016 | 142,503 | 66,299 | 51,498 | 260,300 |
| Additions | - | - | - | - |
| Balance as at September 30, 2017 | 142,503 | 66,299 | 51,498 | 260,300 |

| Accumulated depreciation | Equipment and Facility refurbishments \$ | Computer equipment \$ | Automobiles \$ | Total \$ |
|---------------------------------|---|-----------------------------|-------------------|-------------|
| Balance as at January 1, 2016 | 107,053 | 66,299 | 51,498 | 224,850 |
| Depreciation for the year | 6,011 | - | - | 6,011 |
| Balance as at December 31, 2016 | 113,064 | 66,299 | 51,498 | 230,861 |
| Depreciation for the year | 6,011 | - | - | 6,011 |
| Balance as at December 31, 2017 | 119,075 | 66,299 | 51,498 | 236,872 |

| Carrying amounts | Equipment and Facility refurbishments \$ | Computer equipment \$ | Automobiles \$ | Total \$ |
|-------------------------|---|-----------------------------|-------------------|-------------|
| As at January 1, 2016 | 34,450 | - | - | 35,450 |
| As at December 31, 2016 | 29,439 | - | - | 29,439 |
| As at December 31, 2017 | 23,428 | - | - | 23,428 |

For the year ended December 31, 2017, the amount of amortization charged to mineral property expense is \$6,011 (\$6,011 for the year ended December 31, 2016).

7. SHAREHOLDERS' EQUITY / (DEFICIT)

Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at December 31, 2017, the Company had 677,211,441 common shares, of no par value, issued and outstanding.

| | Number of shares | Amount \$ |
|--|--------------------|-------------------|
| Balance, December 31, 2015, December 31, 2016 and December 31, 2017 | 677,211,441 | 55,889,583 |

- (a) On October 19, 2010 the Company completed a private placement (the "Private Placement") transaction with Great Harvest of 40,000,000 units (the "Units") at a price of \$0.12 per unit, with each Unit consisting of one common share of Adex and one common share purchase warrant (a "Series A Warrant"), raising gross proceeds of \$4.8 million. On May 17, 2011, 40,000,000 Series A warrants were exercised, providing gross proceeds of \$7,200,000.

Other transactions contemplated in the Private Placement agreement with Great Harvest include requiring Great Harvest, subject to (i) the results of the definitive feasibility study (“DFS”) being satisfactory to Great Harvest and (ii) the then capital requirements of the Company as determined at the relevant time by the board of directors of the Company, to provide or arrange for the provision to the Company of loan facilities (the “Facilities”) in an aggregate amount of up to \$50,000,000 to be used for the commercial development of the Property, on such terms and conditions as may be agreed upon between the Company and the relevant financier(s). If an aggregate minimum of \$10 million of the Facilities are made available to be drawn down by the Company within 180 days of the delivery to Great Harvest of the report of the results of the Feasibility Study, Great Harvest will have the right (the “Share Purchase Right”) to purchase, within 40 days of the Facilities being available to be drawn down by the Company, 1.2 common shares for each dollar of the facilities made available to be drawn down by the Company within one year of the completion of the Feasibility Study. The exercise price per common share pursuant to the Share Purchase Right will be equal to the volume weighted average trading price of the common shares on the TSX Venture Exchange (the “TSXV”) for the five trading days ending the day immediately prior to the Facilities being available to be drawn down by the Company less the maximum discount there from permitted by the TSXV. The maximum number of common shares issuable pursuant to the Share Purchase Right is 60,000,000. The issuance of common shares pursuant to the exercise of the Share Purchase Right will be subject to further approval of the TSXV to be obtained following the Share Purchase Right becoming exercisable.

In connection with the above Private Placement, the agent to the transaction will be paid by the Company an additional cash finder’s fee equal to 1.5% of the principal amount of each loan made available by Great Harvest or a third party financier arranged for by Great Harvest to be drawn down by the Company, to a maximum of \$750,000.

- (b) On February 11, 2015, the Company successfully completed its \$5,000,000 offering of rights to acquire common shares of the Company in each of the Provinces of British Columbia, Alberta, Ontario, Nova Scotia and New Brunswick. As a result of the exercise of Rights and subscriptions for Common Shares, the Company has issued 500,000,000 new Common Shares at a price of \$0.01 per common share to raise aggregate gross proceeds of \$5,000,000 and total share issue cost of \$279,753. Great Harvest controls approximately 81.88% of the issued and outstanding common shares of the Company.

Contributed Surplus

| | Amount \$ |
|---|--------------|
| Balance, December 31, 2015, December 31, 2016 and December 31, 2017 | 2,879,322 |

Stock options

On April 26, 2007, the shareholders approved a rolling stock option plan (the “Stock Option Plan”) for the Company. The Stock Option Plan has been re-approved annually.

The Stock Option Plan allows the Company to issue options to a maximum of 10% of the issued and outstanding common shares of the Company. Options will be exercisable over periods of up to ten years as determined by the Board. Options are required to have an exercise price of no less than the closing market price of the common shares of the Company on the last trading day immediately preceding the date of the grant of the stock option less any discounts from the market price allowed by the TSXV.

During 2016, 2,770,000 common share options with an exercise price of \$0.05 per common share expired unexercised.

The following summary sets out the activity in outstanding common share stock options for the year ended December 31, 2017:

| | Options # | Weighted- average exercise price \$ |
|--|--------------|--|
| Outstanding, January 1, 2016 | 7,470,000 | 0.05 |
| Options expired unexercised | (2,770,000) | 0.05 |
| Outstanding, December 31, 2016 | 4,700,000 | 0.05 |
| Options expired unexercised | - | 0.05 |
| Outstanding, December 31, 2017 | 4,700,000 | 0.05 |
| Options exercisable at December 31, 2017 | 4,700,000 | 0.05 |

The details of stock options outstanding at December 31, 2017 are as follows:

| Number of stock options | Number exercisable | Remaining contractual life | Exercise price per share | Expiry date |
|----------------------------|-----------------------|-------------------------------|-----------------------------|-------------------|
| 4,700,000 | 4,700,000 | 1 year | \$0.05 | December 31, 2018 |

Options that have been issued and remain outstanding vest over one year from the date of grant, in equal quarterly installments commencing three months following the date of grant.

The weighted average fair value of the options outstanding is \$0.05 per option.

8. ADMINISTRATIVE AND GENERAL EXPENSES

The following table illustrates spending activity related to administrative and general expenses for the year ended December 31, 2017:

| | For the year ended December 31 | |
|---|-----------------------------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Wages, benefits and consulting (note 9) | 205,853 | 266,171 |
| Professional fees (legal & audit) | 80,635 | 39,254 |
| Directors fees (note 9) | 156,728 | 170,378 |
| Travel | 11,857 | - |
| Office rent | 10,078 | 11,415 |
| Shareholder communications & promotion | 8,286 | 6,219 |
| Annual meeting costs | 21,451 | 23,480 |
| Office costs | 29,514 | 37,256 |
| Regulatory and filing fees | 19,742 | 35,700 |
| Insurance | 26,550 | 28,021 |
| Interest and penalties | 5,256 | 1,098 |
| | 575,950 | 618,992 |

9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel remuneration

Key management personnel remuneration is comprised of the Company's President and Chief Executive Officer and Chief Financial Officer.

For the year ended December 31, 2017 the Company incurred related party expenses of \$205,853 (\$261,000 during the year ended December 31, 2016). These expenses related to the payment of wages, benefits and consulting fees to the Company's senior officers. As at December 31, 2017, the Company owed \$375,000 to the President and Chief Executive Officer for unpaid consulting fees.

Related party transactions

During the year ended December 31, 2017, the Company incurred directors' fees of \$156,728 (directors' fees of \$170,378 during the year ended December 31, 2016). These amounts were expensed in the period incurred as administrative and general expenses.

Great Harvest, the Company's largest shareholder with 81.88% of the Company's common shares, is controlled by two of the Company's directors, one of whom also acts as the President and Chief Executive Officer. During the years ended December 31, 2017 and 2016, the Company did not incur expenses from Great Harvest for travel, administrative and project expenses.

All trade balances due to related parties, except for loans from Great Harvest, bear no interest and have no fixed terms of repayment.

All trade transactions with related parties are in the normal course of business and recorded at fair value.

On July 8, 2016, Great Harvest and the Company entered into a loan agreement whereby Great Harvest extended a loan to the Company in the amount of US\$1,000,000. The loan could be advanced in one or more instalments. The first instalment of US\$200,000 was received on July 29, 2016; the second instalment of US\$200,000 was received on October 11, 2016; the third instalment of US\$200,000 was received on February 27, 2017; the fourth instalment of US\$150,000 was received on May 17, 2017, the fifth instalment of US\$100,000 was received on September 5, 2017 and the sixth instalment was received on November 14, 2017. The loan is unsecured and bears interest at the rate of 8% per annum. The loan and interest, which became due and payable on July 10, 2017, was extended to December 31, 2017 and then to December 31, 2018.

As at December 31, 2017, the Company accrued \$86,227 for interest on the outstanding loan.

10. ACCOUNTS PAYABLE AND ACCRUALS AND COMMITMENTS AND CONTINGENCIES

| As at | December 31 2017 | December 31 2016 |
|---------------------|---------------------|---------------------|
| | \$ | \$ |
| Accounts payable | 626,753 | 434,907 |
| Accrued liabilities | 189,342 | 170,573 |
| Income tax payable | - | 41,871 |
| Loan payable | 1,254,500 | 537,080 |
| | 2,070,595 | 1,184,431 |

The Company had the contractual obligation until October 30, 2017 which was offset by sublet agreement dated September 22, 2015. The Company sublet the leased premises to the subtenant with the prior written consent of the landlord. From October 1, 2015 until October 30, 2017 the subtenant paid rent to the Company and observed and performed the Company's covenants, conditions and agreements contained in the initial lease agreement, and that the landlord was entitled to all remedies in respect of non-payment of rent and breaches of covenants, conditions and agreements as if the subtenant was the original tenant named in the lease agreement.

At December 31, 2017, the Company had an outstanding claim regarding outstanding invoice amounts to Samuel Engineering Inc of US\$105,000. In January 2018, the claim was settled between the parties and the Company paid the balance in full. On February 7, 2018, Samuel Engineering signed full and final release and the litigation was dismissed.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

The Company's financial instruments are classified into the following categories: loans and receivables, held to maturity and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

| | December 31, 2017 | | December 31, 2016 | |
|--|----------------------|------------------|----------------------|------------------|
| | Carrying value \$ | Fair Value \$ | Carrying value \$ | Fair Value \$ |
| Assets | | | | |
| Loans and receivables ⁽¹⁾ | 1,124,997 | 1,124,997 | 1,077,257 | 1,077,257 |
| Liabilities | | | | |
| Other financial liabilities ⁽²⁾ | 2,070,595 | 2,070,595 | 1,142,560 | 1,142,560 |

(1) Consists of cash, funds held by the Province of New Brunswick and interest receivable.

(2) Includes accounts payable and accruals and loan payable in 2017.

The fair values of the Company's financial instruments are not materially different from their carrying value.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal. A change in interest rates would have minimal effect on the value of, and/or the proceeds from, the Company's funds held by the Province of New Brunswick.

(ii) Sensitivity analysis

IFRS requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis discloses the possibility of an effect on the reported loss at December 31, 2017 assuming that a reasonably possible change in the relevant risk variable has occurred at December 31, 2017 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities (where available) or historical data.

The Company holds investments in cash and funds held by the Province of New Brunswick which are subject to variable interest rates. Any changes in interest rates will not give rise to significant changes to the net loss.

At December 31, 2017, a change in the value of tungsten, molybdenum, tin, indium or zinc would not change the recognized value of any of the Company's financial instruments.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables. The Company endeavours to mitigate credit risk by holding its cash and cash equivalents with major commercial banks with strong credit ratings. The carrying amounts of financial assets recorded in the unaudited condensed consolidated interim financial statements represent the Company's maximum exposure to credit risk.

The Company maintains a cash balance on deposit with the Province of New Brunswick (see Note 4) and does not consider this as a significant credit risk.

(c) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities as they come due and to execute on its business plan. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. At December 31, 2017, the Company had a cash balance of \$94,936 (December 31, 2016 – \$35,606).

The Company has forecasted cash flows for its 2018 fiscal year. The forecast is based on management's best estimates of operating conditions in the context of current economic conditions and today's capital market climate.

The Company is currently focused on exploring and developing its Mount Pleasant Property and has not generated revenue or cash flow from this project. The Company's sole source of funding to this point has been the issuance of equity and related party debt securities. The Company has limited financial resources and no current source of recurring revenue and continues to rely on the issuance of shares or other sources of financing to generate the funds required to complete the re-development, commissioning and commencement of production of the Mount Pleasant property and corporate expenditures. Should additional funding be required to complete the construction, commissioning or operations of the Mount Pleasant property there is no assurance that such additional funding will be available to the Company. Should such funding be required, failure to obtain funding could result in delay or indefinite postponement of the development of the Mount Pleasant property.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

(e) Commodity price and exchange rate fluctuations

The feasibility of mineral exploration is significantly affected by changes in the market price of the minerals expected to be produced. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of minerals and stability of exchange rates can all cause significant fluctuations in mineral prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

12. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain adequate levels of funding to support evaluation and development projects, to expand regional exploration activities within the Property and to maintain corporate and administrative functions.

At December 31, 2017 the Company's capital consists of a deficit in the amount of \$81,431 (December 31, 2016 - Equity- \$841,088).

The Company manages its capital structure in a manner that provides sufficient funding for project evaluation and development and operational activities. Funds are primarily secured through the issue and sale of common shares. There can be no assurances that the Company will be able to continue to provide adequate funds in this manner.

The Company maintains minimal surplus capital and therefore does not have significant non-cash investments. All working capital for immediate needs is invested in liquid and highly rated financial instruments, such as money market funds with major Canadian financial institutions. At December 31, 2017, the Company had cash of \$94,936 (at December 31, 2016 the balance of cash was \$35,606).

13. INCOME TAXES

The major components of income tax expense for the years ended December 2017 and 2016 are:

Consolidated statement of comprehensive income

The major components of the income tax expense are as follows:

| | 2017 | 2016 |
|---------------------------|----------|----------|
| | \$ | \$ |
| Current income tax | - | - |
| Deferred income tax | - | - |
| Income tax expense | - | - |

A reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2016 and December 31, 2015 is as follows:

| | 2017 | 2016 |
|--|------------------|-------------|
| | \$ | \$ |
| Accounting loss before income tax | 922,519 | 14,451,456 |
| Canadian statutory income tax rate | 26.50% | 26.50% |
| | 244,468 | 3,829,636 |
| Stock based compensation | - | - |
| Tax effect of unrecognized temporary differences | (244,468) | (3,829,636) |
| Total income tax recovery (expense) | - | - |

The tax benefit of the following unused tax losses and deductible temporary differences has not been recognized in the financial statements due to the unpredictability of future earnings.

| | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Deductible temporary differences | | |
| Non-capital losses carried forward | 18,415,000 | 17,487,000 |
| Net-capital losses | - | - |
| Mineral property tax value in excess of book value | 17,595,878 | 17,545,235 |
| Investment tax credits | 144,112 | 144,112 |
| Share issuance costs | 111,900 | 168,000 |
| | 36,266,890 | 35,344,347 |

At December 31, 2017, the Company has share issuance expenses of approximately \$111,900 (December 31, 2016- \$168,000) deductible from 2018 to 2019 and Canadian non-capital losses of approximately \$18,415,000 (December 31, 2016 - \$17,487,000) expiring as follows:

| | \$ |
|------|------------|
| 2025 | 391,000 |
| 2026 | 1,572,000 |
| 2027 | 2,057,000 |
| 2028 | 1,273,000 |
| 2029 | 1,724,000 |
| 2030 | 2,553,000 |
| 2031 | 1,763,000 |
| 2032 | 1,721,000 |
| 2033 | 1,866,000 |
| 2034 | 218,000 |
| 2035 | 1,322,000 |
| 2036 | 1,027,000 |
| 2037 | 928,000 |
| | 18,415,000 |

The Company also has \$144,112 of investment tax credits which expire in 2029 and 2030.

14. SUBSEQUENT EVENT

On January 18, 2018, Great Harvest agreed to advance or otherwise make available to the Company a loan in the principal of up to US\$600,000. The Company is allowed to borrow the loan in one or more instalments at any time and from time to time within one year by issuing a Drawdown Notice. The loan bears interest at the rate of 8% per annum and the Company shall repay the total amount of instalments advanced under the loan in full on January 19, 2019.

On January 22, 2018, the Company issued a Drawdown Notice for an initial instalment amount of US\$150,000 which was subsequently advanced by Great Harvest.

On March 15, 2018, the Company issued the second Drawdown Notice for the amount of US\$150,000 which was subsequently advanced by Great Harvest.