

STRATABOUND MINERALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the years ended December 31, 2017 and 2016



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Independent Auditor's Report

To the Shareholders of Stratabound Minerals Corp

We have audited the accompanying consolidated financial statements of Stratabound Minerals Corp, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity (deficit), and consolidated statements of cash flows 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.

Auditor's 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 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.



Opinion

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

Emphasis of Matter

Without qualifying our audit opinion, we draw your attention to Note 2(b) in the consolidated financial statements that indicates the Company has a working capital deficiency of \$389,008, an accumulated deficit of \$15,319,421. These conditions, along with other matters set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
April 30, 2018

STRATABOUND MINERALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As At	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 46,364	\$ 6,164
Marketable securities (Note 7)	35,000	-
Prepaid expenses	-	1,740
GST receivable	3,864	7,572
	85,228	15,476
NON-CURRENT ASSETS		
Property, plant and equipment	1,979	1,861
Deposit (Note 8)	130,000	130,000
Mineral exploration and evaluation assets (Note 9)	1,364,024	475,467
	\$ 1,581,231	\$ 622,804
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 13)	\$ 474,236	\$ 375,510
NON-CURRENT LIABILITIES		
Loans payable (Note 10)	227,273	209,162
Decommissioning liabilities (Note 11)	-	76,417
	\$ 701,509	\$ 661,089
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 14)	15,329,835	14,473,247
CONTRIBUTED SURPLUS (Note 14)	941,308	335,810
DEFICIT	(15,391,421)	(14,847,342)
	879,722	(38,285)
	\$ 1,581,231	\$ 622,804

Subsequent Events (Note 17)

Approved on behalf of the Board

Director "R. Kim Tyler"

Director "Michael Page"

STRATABOUND MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended December 31,	2017	2016
EXPENSES		
General and administrative (Note 13)	\$ 229,171	\$ 173,990
Share-based compensation (Note 13, Note 14)	210,000	320,000
Interest and accretion expense (Note 10, Note 11)	40,413	34,235
Pre-exploration costs	18,894	1,063
Amortization	601	510
Listing expense (Note 5)	-	485,950
Impairment (Note 9)	-	113,776
Other	-	3,383
TOTAL EXPENSES	499,079	1,132,907
LOSS FROM OPERATIONS	499,079	1,132,907
Impairment of available-for-sale asset (Note 7)	(45,000)	-
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	544,079	1,132,907
BASIC AND DILUTED LOSS PER SHARE	\$0.004	\$0.013
Weighted average number of shares:		
Basic and diluted (Note 14)	148,529,617	90,022,356

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

STRATABOUND MINERALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

	Number of issued and outstanding shares	Share Capital	Contributed surplus	Deficit	Shareholders' Equity
	#	\$	\$	\$	\$
Balance at January 1, 2017	145,851,539	14,473,247	335,810	(14,847,342)	(38,285)
Shares issued in private placements (Note 14)	7,640,440	259,213	122,809	-	382,022
Shares and warrants issued for acquisition of assets (Note 9, Note 14)	12,000,000	600,000	256,500	-	856,500
Share-based compensation (Note 13, Note 14)	-	-	210,000	-	210,000
Share issue costs	-	(2,625)	-	-	(2,625)
Gain on debt restructuring (Note 10)	-	-	16,189	-	16,189
Loss for the year	-	-	-	(544,079)	(544,079)
Balance at December 31, 2017	165,491,979	15,329,835	941,308	(15,391,421)	879,722
Balance at January 1, 2016	124,696,211	13,749,143	15,810	(13,714,435)	50,518
Shares issued in Silver Stream (Note 14)	32,000,000	-	320,000	-	320,000
Share restructuring (Note 5)	156,696,211	-	-	-	-
Shares issued for acquisition of assets (Note 5)	118,162,611	623,426	-	-	623,426
Common share consolidation (Note 14)	(287,703,494)	678	-	-	678
Shares issued in private placement (Note 14)	2,000,000	100,000	-	-	100,000
Loss for the year	-	-	-	(1,132,907)	(1,132,907)
Balance at December 31, 2016	145,851,539	14,473,247	335,810	(14,847,342)	(38,285)

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

STRATABOUND MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	2017	2016
OPERATING ACTIVITIES		
Loss for the year	\$ (544,079)	\$ (1,132,907)
Items not affecting cash:		
Share-based payment (Note 13, Note 14)	210,000	320,000
Impairment of available-for-sale investment (Note 7)	45,000	-
Listing expense	-	485,950
Amortization	601	510
Interest and accretion expense (Note 10, Note 11)	40,413	34,235
Other	-	3,383
Impairment (Note 9)	-	113,776
	<u>(248,065)</u>	<u>(175,053)</u>
Change in non-cash working capital items (Note 6)	104,174	(4,124)
Net cash (used in) operations	<u>(143,891)</u>	<u>(179,177)</u>
INVESTING ACTIVITIES		
Acquisition of option on Golden Culvert property (Note 9)	(100,000)	-
Expenditures on mineral exploration and evaluation assets (Note 9)	(12,057)	(3,003)
Proceeds received on sale of properties (Note 9)	-	12,138
Change in cash as a result of Stratabound Minerals Corp. acquisition	-	89,567
Reclamation expenditures (Note 11)	(68,249)	(67,189)
	<u>(180,306)</u>	<u>31,513</u>
Net cash (used in) investing activities	<u>(180,306)</u>	<u>31,513</u>
FINANCING ACTIVITIES		
Proceeds from share issuances (Note 14)	367,022	100,000
Share issue costs	(2,625)	-
	<u>364,397</u>	<u>100,000</u>
Net cash provided by financing activities	<u>364,397</u>	<u>100,000</u>
CHANGE IN CASH	40,200	(47,664)
CASH, beginning of year	<u>6,164</u>	<u>53,828</u>
CASH, end of year	<u>\$ 46,364</u>	<u>\$ 6,164</u>

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

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. CORPORATE INFORMATION

Stratabound Minerals Corp. (“Stratabound”) is in the business of acquiring and exploring mineral properties in Canada. Stratabound was incorporated under the Canada Business Corporations Act on March 5, 1986, and is listed on the TSX Venture Exchange, having the symbol TSX.V: SB, as a Tier 2 mining issuer and is in the process of exploring its mineral properties in the province of New Brunswick.

Stratabound entered into a reverse take-over (“RTO”) with Silver Stream Mining Corp. (“Silver Stream”) a US corporation situated in Nevada through its wholly owned subsidiary Stratabound Minerals (Nevada) Inc. a US corporation situated in Nevada.

As a result of the Reverse Takeover (“RTO”) discussed in Note 2(d) below, Stratabound has a wholly-owned US subsidiary, Silver Stream Mining Corp (collectively, “the Company”).

The address of the Company’s principal office is 100 King Street West, Suite 5700, Toronto, Ontario, Canada, M5X 1C7.

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018.

2. BASIS OF PREPARATION

a) Statement of compliance

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 interpretation made by the International Financial Reporting Standards Interpretation Committee (“IFRIC”).

b) Basis of measurement and going concern

The financial statements have been prepared on a historical cost basis, except for assets acquired as part of the RTO at fair value.

The business of exploring for mineral resources involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable operations. The Company’s ability to repay its loans, to meet its obligations arising from exploration and development activity and to provide working capital for normal operations is dependent upon the existence of economically recoverable reserves; the ability of the Company to continue to secure financial support from public market; the ability to complete future equity financing; as well as the ability to generate future profitable production or proceeds from the disposition of its properties. The Company has a history of losses, with accumulated deficit of \$15,391,421 and a working capital deficiency of \$389,008 as at December 31, 2017. The Company is dependent on its ability to raise additional funds through equity financing in order to meet the Company’s current liabilities and continue exploring its mineral resources. As there is no assurance the Company will be successful in these efforts, these conditions result in material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

c) Basis of Consolidation

The consolidated financial statements are presented in Canadian dollars (“CDN”), which is also the functional currency of the parent. The functional currency is United States dollars (“USD”) for the subsidiary.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

2. BASIS OF PREPARATION (Continued)

d) Reverse Takeover

On May 17, 2016, Stratabound completed a RTO with Silver Stream, a US corporation situated in Nevada, whereby Stratabound issued 313,392,422 common shares to the shareholders of Silver Stream in exchange for all of the outstanding common shares of Silver Stream. There were 156,696,211 Silver Stream common shares outstanding. The agreed exchange ratio was 2 Stratabound shares for each Silver Stream share. This transaction was accounted for as a RTO, as the acquisition resulted in the former shareholders of Silver Stream having control of the combined entity. This was accounted for as an issuance of shares for the acquisition of the assets of Stratabound and is not a business combination. Accounting for the acquisition as a RTO resulted in the following:

- i. The consolidated financial statements of the combined entities are issued as the consolidated financial statements of the legal parent Stratabound, but are considered as a continuation of the financial statements of the legal subsidiary, Silver Stream.
- ii. Since Silver Stream is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- iii. The deficit of Stratabound up to the date of the acquisition was eliminated.
- iv. The number of shares presented is that of Silver Stream up to the RTO date on May 17, 2016, and is that of Stratabound after that. The dollar amount of the issued share capital in the consolidated statement of financial position immediately prior to acquisition is the dollar value of Silver Stream issued capital up to the RTO on May 17, 2016 plus the value of all shares issued by the Stratabound on and after the RTO date, including the value of shares issued to acquire Silver Stream.

e) Basis of consolidation

These consolidated financial statements include the accounts of Stratabound and Silver Stream. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash includes cash on hand and deposits held with financial institutions.

b) Foreign currency

Both the presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of its wholly owned US subsidiary is the US dollar. The US subsidiary is translated to Canadian dollars, based on the period end exchange rate for assets and liabilities and the translation date for its income and expenditures. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each financial statement reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items that are carried at fair value and were measured in a foreign currency are translated at the rate prevailing at the date when the fair value was determined. Foreign exchange gains and losses on the foregoing transactions are recorded in profit or loss.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Mineral exploration and evaluation expenditures

i) Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred. Pre-exploration costs are those incurred prior to obtaining the legal right to explore.

ii) Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain E&E expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

iii) Developed and producing properties

Once technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as property, plant and equipment. Once commercial production has commenced, these costs are amortized using the units-of-production method based on proven and probable reserves. Production facilities and equipment are stated at cost and are depreciated using the units-of-production method at rates sufficient to depreciate the assets over their estimated useful lives, not to exceed the life of the mine to which the assets relate.

d) Property, plant and equipment

i) Recognition and measurement

On initial recognition, property, plant and equipment are measured at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing the items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) Gains and losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income and expenses in profit or loss.

iv) Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Office equipment	Declining balance at 20%
Computer equipment	Declining balance at 30%

e) Impairment of non-financial assets

Non-financial assets, including E&E assets and property, plant and equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ("CGU"). An asset's CGU is the lowest Company of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has determined its CGUs on an area by area basis.

An impairment loss is charged to profit or loss; except to the extent it reverses gains previously recognized in accumulated other comprehensive income.

Management has adopted a policy whereby if it is determined that a property no longer has economic viability (i.e. leases or licenses have expired or will expire in the near future without renewal, future expenditures are not planned for the area or the carrying amount of the asset is unlikely to be recovered in full from development or sale), the Company will immediately derecognize 100% of the costs of the claims.

f) Financial instruments

i) Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

- Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company classifies its cash, and deposits as loans and receivables.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Available-for-sale investments

Non-derivative financial assets not included in the above category are classified as available-for-sale and comprise principally the Company's investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive income is reclassified from accumulated other comprehensive income to profit or loss.

ii) Other financial liabilities

Financial liabilities are classified as other financial liabilities and comprise accounts payable and accrued liabilities and loans payable. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest payable while the liability is outstanding.

Accounts payable and accrued liabilities represent obligations for goods and services provided to the Company prior to the end of the period which are unpaid. All amounts are unsecured.

g) Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or Company of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. Impairments of equity backed financial assets cannot be reversed. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Provisions

Provisions are liabilities of uncertain timing or amount, measured at the present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. The Company has established a provision for the payment of fines pursuant to a court order in relation to Fisheries Act violations at the Company's CNE mining project.

i) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options and common share purchase warrants are classified as equity instruments. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. On unit offerings of common shares and warrants the market price of the common shares is recorded to share capital and the residual value to the warrants.

j) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, any unrecognized expense is immediately recognized. In addition, the incremental fair value of the options, measured as the difference between the fair value immediately before and after the modification, is charged to the statement of operations and comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operation and comprehensive loss, unless they are an expense directly related to the issuance of shares. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by reference to the fair value of the equity instruments issued.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount previously recognized in contributed surplus is credited to share capital, adjusted for any consideration paid.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Share-based payments (continued)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

k) Loss per share

The calculation of basic loss per share is based on loss for the year divided by the weighted average number of common shares outstanding for the year. Diluted loss per share is equal to basic loss per share as the effect of potentially dilutive options and warrants would be anti-dilutive as the Company is in a loss position.

l) Government incentives

Government incentives received for mineral property expenditures are accrued when there is reasonable assurance of realization and are applied against the related asset.

m) Revenue recognition

Interest income is recognized in the period in which it is earned.

n) Income taxes

The Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that there will be future taxable profit available against which the unused tax losses can be utilized.

o) Accounting standards issued but not yet applied

At the date of approval of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all the relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on the new standards, amendments and interpretations that are expected to be relevant to the Company are provided below. Certain other new standards and interpretations have been issued.

International Financial Reporting Standard 9, Financial Instruments, ("IFRS 9") is part of the IASB's wider project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. There is minimal impact on the Company's financial statements upon adoption of IFRS 9 in fiscal 2018.

International Financial Reporting Standard 15, Revenue from Contracts with Customers, ("IFRS 15") establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 supersedes IAS 11, Construction contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programs; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; SIC-31, Revenue - Barter Transactions Involving Advertising Services and is effective for annual periods beginning on or after January 1,

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2018. Earlier application is permitted. There is no impact on the Company's financial statements upon adoption of IFRS 15 in fiscal 2018.

International Financial Reporting Standard 16, Leases, ("IFRS 16") was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. The Company is in the process of evaluating the impact of the standard on the financial statements.

In June 2017, the IFRS Interpretation Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 *Income Taxes* are applied where there is uncertainty over income tax treatments. IFRIC 23 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively with early adoption permitted. The Company is in the process of assessing the impact of the standard on the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in total comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

a) Exploration and evaluation expenditure

Estimates

In situations where indicators of impairment are present for the Company's mineral E&E assets, estimates of recoverable amount must be determined as the higher of the CGU's estimated value in use or the estimated fair value less costs to sell. The impairment in the prior year was based on fair value less costs to sell, using a level 3 model based on publicly available price-to-net asset multiples of junior diversified companies in the similar industry and the reconciliation of the market capitalization to the net realizable value (Note 9).

Judgments

Management uses judgment in determining whether or not there are indicators of impairment for its CGUs. The results of management's assessment could result in an impairment test not being performed when indicators did in fact exist, which could impact the valuation of the CGUs' carrying values. Management uses judgement in determining what constitutes a CGU (Note 3e).

The CGUs identified by the Company are as follows:

- a) Bathurst Group
- b) Solomon Pillars (impaired during the prior year)
- c) Golden Culvert

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

a) Exploration and evaluation expenditure (Continued)

During the year, the Company had one reportable segment; exploration properties.

Decommissioning liabilities

Estimates

Decommissioning liabilities are based on the Company's best estimate of the probable outflow to complete reclamation work. The estimate is based on estimated future remediation costs, discounted at the risk-free rate (Note 11).

b) Income taxes

Estimates

Deferred tax assets and liabilities are determined using the tax rates expected to be in effect at the time the assets are realized and liabilities are settled. The actual tax rate in effect at that time may vary from the expected tax rates.

Judgments

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may differ materially from the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there will be future taxable profit available against which the unused tax losses can be utilized.

c) Promissory note conversion feature

For a compound financial instrument, the initial carrying amount is allocated to its equity and liability components with the equity component being assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity component on initial recognition is always equal to the fair value of the instrument as a whole with no gains or losses arising from recognizing the components of the instrument separately.

A loan (excluding the conversion feature) will be recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, the loan (excluding the conversion feature) will be measured at amortized cost using the effective interest rate method.

The Company has estimated the effective interest rate based on comparable companies in the market (Note 10).

d) Reverse Takeover

Refer to Note 5 for disclosure on the RTO, which included estimates on the fair value of the consideration paid, along with an assessment of the fair value of the net assets acquired.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

5. REVERSE TAKEOVER

On May 17, 2016, Stratabound acquired a 100% ownership in Silver Stream issuing 313,392,422 common shares to the shareholders of Silver Stream. For accounting purposes, this acquisition is accounted for as a reverse takeover transaction as the acquisition resulted in the former shareholders of Silver Stream having control of the combined entity. This was accounted for as an acquisition of assets of Stratabound and is not a business combination.

The fair value of the consideration paid by Silver Stream for the acquisition of Stratabound is based on the fair value of equity instruments in the combined entities allocated to the existing shareholders in Stratabound (118,162,611 common shares). The identifiable assets acquired and liabilities of Stratabound assumed by Silver Stream are measured at their fair values at the acquisition date. Excess of the aggregate of the consideration transferred by Silver Stream over the fair value of the identifiable net assets acquired and liabilities of Stratabound assumed by Silver Stream is attributable to the cost of obtaining a listing status. This amount is expensed as it does not meet the criteria for recognition as an asset.

The following are the fair values of Stratabound's assets acquired and liabilities assumed by Silver Stream on May 17, 2016 and consideration paid by Silver Stream:

Net assets acquired:	\$
Cash	89,567
Deposit & Prepaid expenses	134,500
Mineral exploration and evaluation assets	487,415
Property, plant and equipment	2,315
Accounts payable and accrued liabilities	(257,788)
Loans payable	(183,017)
Decommissioning Liabilities	(135,516)
Total net assets acquired	137,476
Consideration paid:	
Fair value of common shares issued to Stratabound's shareholders (Note 14)	591,840
Fair value of stock options	21,731
Fair value of warrants	9,855
Total consideration paid	623,426
Listing expense	\$ 485,950

The fair value of Stratabound stock options and warrants assumed were valued using the Black Scholes option pricing model with the following weighted average assumptions:

	Stock Options	Warrants
Exercise price	\$0.0161	\$0.0966
Grant date share price	0.01	0.01
Expected life	4 years	2 years
Risk free interest rate	0.73	0.63
Share volatility	101.57%	101.57%
Dividend rate	-	-
Forfeiture rate	-	-

As part of the RTO transaction, Stratabound completed a share for debt transaction with a private company controlled by a shareholder Bellport Resources Ltd ("Bellport"), whereby Bellport was issued 10,200,000 Stratabound common shares at a deemed price of \$0.02 per share in exchange for the extinguishment of the unsecured loan facility debt of \$204,000 to Bellport.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

6. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
Changes in non-cash working capital items		
Prepaid expenses	\$ 1,740	\$ (1,740)
GST Receivables	3,708	(7,572)
Accounts payable and accrued liabilities	98,726	261,237
Adjustment upon acquisition of Stratabound	-	(256,049)
	\$ 104,174	\$ (4,124)

7. MARKETABLE SECURITIES

In February 2017, the Company granted Bandera Gold Ltd. ("Bandera") an option to acquire an 80% interest in the Taylor Brook property (see Note 9) in exchange for 1,000,000 shares of Bandera at closing. At the time of the transaction these shares were valued at \$0.08/share, for total consideration of \$80,000. At December 31, 2017, the fair value of these shares is \$35,000. Bandera is required to issue an additional 1,000,000 shares to the Company within 12 months, make the annual renewal fees, and expend \$55,000 on the property by October 27, 2017, \$85,000 cumulative by October 27, 2018, and \$500,000 cumulative by October 27, 2019 if they wish to continue the option. The unrealized loss was not tax-effected at December 31, 2017 as it is not known at this time when or if the Company will have sufficient future taxable profit to recover any deferred tax assets.

Upon acquisition by Bandera of its 80% interest in the property when all requirements are met, the Company could elect within 90 days to Bandera to continue in a joint venture with Bandera, buy back 40% ownership from Bandera for an amount of 150% of the Exploration Expenditures and renewal payments incurred by Bandera, or transfer the remaining interest in exchange for net smelter return royalty.

Balance at January 1, 2016 and 2017	\$	-
Marketable securities received		80,000
Impairment based on decline in fair value		(45,000)
Balance at December 31, 2017	\$	35,000

8. DEPOSITS

Resulting from the RTO, the Company acquired \$130,000 deposits that are posted with the New Brunswick Department of Energy and Mines for reclamation and environmental security. The Company expects the \$130,000 to be returned in fiscal 2018. Upon return of the deposit, the funds will be paid to Bellport to relieve one of the Bellport notes (Note 10).

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

9. MINERAL EXPLORATION AND EVALUATION ASSETS

Balance at January 1, 2016	\$ 110,963
Acquisition and renewal costs	3,003
Properties acquired via RTO (Note 5)	487,415
Disposal of properties	(12,138)
E&E assets impaired (Solomon Pillars)	(113,776)
Balance at December 31, 2016	\$ 475,467
Acquisition of Golden Culvert Option	956,500
Acquisition and renewal costs	12,057
Disposal of properties (Note 7)	(80,000)
Balance at December 31, 2017	\$ 1,364,024

a) Golden Culvert, Yukon Territory

On December 15, 2017 the Company completed the purchase from South Shore Partnership Inc. ("South Shore") of an option to acquire the Golden Culvert and Little Hyland properties comprising 431 mineral claims in the Little Hyland Valley District of the Southeastern Yukon Territory, approximately 205 kilometres north of the town of Watson Lake. At closing the Company paid South Shore \$100,000 cash and issued South Shore's nominees 12,000,000 common shares and 6,000,000 common share purchase warrants, each warrant exercisable at \$0.075 and expiring December 15, 2019. The amount recorded was based upon the fair value of the equity instrument provided using market price for the common shares and the Black-Scholes option pricing model for the warrants using the following assumptions: weighted average life of 2 years; risk-free rate of 2%; expected volatility of 219%; and, a dividend yield of 0%. All warrants granted vest immediately. An additional \$100,000 cash payment is due April 15, 2018, and additional share issuances of 5,000,000 at December 15, 2018 and at December 15, 2019 are required. The option consists of two individual option agreements, one for the Golden Culvert claims, with a sub-option on the Rubus claims; and one for the Little Hyland claims. Maintenance and exercise of the options will require the following payments to the Optionors:

Payment Date	Golden Culvert	Rubus	Little Hyland
September 27, 2018	\$100,000	\$20,000	\$60,000
September 27, 2019	\$120,000	\$25,000	\$90,000
September 27, 2020	\$150,000	\$30,000	\$105,000
September 27, 2021	\$200,000	\$45,000	\$125,000
September 27, 2022	\$350,000	-	\$175,000

All of the above payments may be made in cash or at Stratabound's election, up to 50% in Stratabound common shares based on the 30-day weighted average price of Stratabound shares at the date of issuance.

Exercise of the options will also require fulfillment of work requirements of \$350,000 at each of the Golden Culvert and Little Hyland properties during the period ending September 27, 2022. The claims are subject to net smelter return (NSR) royalties aggregating to 2.5% to South Shore and the Optionors.

The carrying value of the Golden Culvert property at December 31, 2017 is \$956,500 (2016 - \$nil).

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

9. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)

b) Bathurst, New Brunswick

The Company holds a 100% interest in 158 units and one mining lease in the Bathurst base metal mining camp in New Brunswick, Canada. The properties include the CNE/Captain Company, CNE Mining Lease and Taylor Brook (see Note 7) claim groups. All are subject to 1% net smelter return on production, with the exception of the portion of the CNE/Captain Group, which is royalty free. The carrying value of the Bathurst properties at December 31, 2017 is \$407,524 (2016 - \$475,467).

c) Solomon Pillars, Ontario

On November 5, 2013, Silver Stream entered into an option agreement with Sage Gold Inc. ("Sage") providing the right to acquire an initial 55% undivided interest and ultimately an 80% undivided interest in the Solomon Pillars Gold Property located in the Townships of Walters and Leduc in Beardmore, Ontario.

Silver Stream paid \$25,000 upon signing the option agreement, issued 807,555 Silver Stream shares to Sage on November 5, 2014 (with a fair value of \$24,227) and incurred exploration expenditures of \$50,000 in the period ending November 5, 2014. However, although Silver Stream was granted an extension of the option, no further option payments of expenditures were made. Following the RTO, the Company elected in 2016 to drop the property and allow the option to expire.

An impairment of \$113,776 was recorded during 2016, and the carrying value at December 31, 2017 is \$nil (2016 - \$nil).

10. LOANS PAYABLE AND TRANSACTIONS WITH THE LARGEST SHAREHOLDER

On August 25, 2015 the Company (prior to the RTO with Silver Stream) borrowed \$250,000 from its largest shareholder, Bellport Resources Ltd., under two notes, to fund water sampling/monitoring and reclamation obligations at the CNE mine site, to pay fines related to the Fisheries Act charges brought against the Company in relation to the CNE mine operations, and to provide for ongoing administration of the Company. A note for \$130,000 is secured by the CNE leases as well as the environmental bond that has been posted with the Province of New Brunswick. A note for \$120,000 may, at the Company's election, be converted into common shares of the Company. The notes do not bear interest. During September 2017 the Company and Bellport agreed to extend the maturity of the notes from December 31, 2017 to December 31, 2018 in exchange for a reduction in the conversion price of the \$120,000 note from \$0.06 to \$0.05 per share. As a result, the Company realized a charge to contributed surplus on the debt restructuring of \$16,189. At December 31, 2017, the Company has not made an election regarding conversion.

As these notes were issued bearing no interest they have been discounted using an anticipated market rate of interest of 10%. The loans were recorded as follows:

Balance December 31, 2015	\$	-
Loans acquired from RTO		183,017
Accretion expense		26,145
Balance at December 31, 2016	\$	209,162
Accretion expense		34,300
Debt restructuring charge		(16,189)
Balance at December 31, 2017	\$	227,273

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

10. LOANS PAYABLE AND TRANSACTIONS WITH LARGEST SHAREHOLDER (Continued)

In addition, as part of the RTO transaction, the Company issued 10,200,000 common shares to Bellport Resources Ltd. ("Bellport") completing a share for debt transaction at \$0.02 per share to the extinguishment of \$204,000 owed by the Company to Bellport. Following the 1:3 consolidation in October 2016 the Bellport shares were converted to 3,400,000. In addition, during October 2016, the Company issued an additional 2,000,000 units to Bellport. Bellport made a subscription deposit of \$75,000 during September 2017, pursuant to the private placement that closed in October 2017; and Bellport subscribed for an additional 3,000,000 units in a private placement that closed in November 2017 (Note 14).

11. DECOMMISSIONING LIABILITIES

During 2013 (prior to the RTO), the Company completed all initial reclamation work on the open pit mine. The decommissioning liability estimate has been revised during the year as necessary to account for additional reclamation costs above the initial liability estimate.

The decommissioning liability has been calculated based on estimated future remediation costs, using 2% inflation and a three year life. This is discounted to December 31, 2017 using a 1.12% risk free discount rate.

The Company's expected decommissioning liabilities are as follows:

Balance December 31, 2015	\$ -
Decommissioning liabilities acquired from RTO	135,516
Payment of obligations	(67,189)
Accretion expense	8,090
Balance at December 31, 2016	\$ 76,417
Payment of obligations	(82,530)
Accretion expense	6,113
Balance at December 31, 2017	\$ -

As the Company has settled the decommissioning liability that was recorded, any further reclamation costs related to the CNE open pit mine are not expected to be significant and will be expensed as incurred going forward.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

12. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	December 31, 2017	December 31, 2016
Loss before income taxes	\$ (544,079)	\$ (1,132,907)
Recovery based on the statutory rate of 29%	(157,783)	(328,543)
Change in tax rates on deferred tax	-	(91,069)
Net non-deductible permanent items	73,749	280,447
Different tax rates in other jurisdictions	-	(8,109)
Other	47,577	(797)
Change in deferred tax assets as a result of reverse take-over	-	(1,229,427)
Changes in unrecognized deferred tax assets	36,456	1,377,498
Total income tax expense (recovery)	\$ -	\$ -

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	December 31, 2017	December 31, 2016
Mining property	858,505	929,004
Non-capital losses	541,539	439,692
Property, plant and equipment	1,429	1,254
Marketable securities	6,525	-
Share issuance costs	5,958	7,548
	\$ 1,413,956	\$ 1,377,499

As at December 31, 2017, the Company has estimated non-capital losses for Canadian income tax purposes of \$1,867,377 that may be carried forward to reduce taxable income derived in future years, expiring as follows:

Year of Expiry	Taxable Losses
2029	\$ 107,446
2030	436,753
2033	445,423
2034	300,142
2035	34,358
2036	192,058
2037	351,197
Total	\$ 1,867,377

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

13. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND RELATED PARTY TRANSACTIONS

Accounts payable, accrued liabilities and related party transactions are broken out between related parties and trade payables.

Compensation awarded to key management included non-cash stock-based compensation of \$210,000 (2016 - \$320,000) along with consulting fees of \$15,000 (2016 - \$nil) which are recorded in accounts payable and accrued liabilities. Key management includes the Company's officers and directors. Also included in accounts payable and accrued liabilities at December 31, 2017 is \$88,697 (2016 - \$18,400) owing to officers and directors of the Company primarily for expenses incurred in finding and evaluating acquisition opportunities.

Trade payables extend back to the Company's operations prior to the RTO. They include payables related to both the original Silver Stream and Stratabound financial statements. In many cases the aging of the payables is 3 to 5 years, with creditors adding interest charges.

Payables that are incurred in the current normal course of business are kept current through the use of funds raised in private placements.

14. SHARE CAPITAL

a) Authorized

Unlimited number of common shares, without nominal or par value.

b) Issuance of securities

- i) On March 21, 2016, Silver Stream issued 32,000,000 shares to directors under a consulting agreement at a price of \$0.010 per share. Fair value of the Silver Stream was based on most recent trades.
- ii) On May 17, 2016, Stratabound issued 313,392,422 common shares to acquire a 100% interest in Silver Stream. At that date the existing shareholders held 118,162,611 common shares in the combined entity. This transaction was measured at its transaction value of \$623,426, which corresponded to the proportionate market value for the shares held by the existing shareholders of Stratabound on the TSX Venture exchange.
- iii) During October 2016, the Company consolidated its share capital on a 1:3 basis, with 1 new share issued for 3 existing shares, reducing the number of outstanding common shares by 287,703,494.
- iv) During October 2016, subsequent to the share consolidation, the Company issued 2,000,000 units valued at \$0.05 per unit in a private placement. Each unit consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at \$0.075 for 24 months from the date of issue. These units were issued to a related Company, see Note 13.
- v) During July 2017, the Company issued 3,140,440 units valued at \$0.05 per unit in a private placement. Each unit consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at \$0.075 for 24 months from the date of issue. 997,107 of these units were issued to insiders of the Company. Of the total, \$15,000 of the private placement was issued as an in-kind payment to one vendor.
- vi) During October 2017, the Company issued 1,500,000 units valued at \$0.05 per unit in a private placement to Bellport Resources Ltd. Each unit consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at \$0.075 for 24 months from the date of issue.
- vii) During November 2017, the Company issued 3,000,000 units valued at \$0.05 per unit in a private placement to Bellport Resources Ltd. Each unit consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at \$0.075 for 24 months from the date of issue.
- viii) During December 2017, the Company issued 12,000,000 common shares and 6,000,000 warrants to nominees of South Shore Partnership Inc. (Note 9). Each warrant is exercisable for one common share at \$0.075 for 24 months from the date of issue.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

14. SHARE CAPITAL (Continued)

c) Stock options

The Company has a stock-based compensation plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. The fair value of each option granted estimated using the Black-Scholes option pricing model for the issuance of options was \$0.0367, using the following assumptions: weighted average life of 5 years (2016 - 5 years); risk-free rate of 2% (2016 - 2%); expected volatility of 80% (2016 - 269%); and, a dividend yield of 0% (2016 - 0%). All options granted vest immediately, and therefore a forfeiture rate of 0% (2016 - 0%) was used. In the prior year, as a result of the RTO the Company assumed 3,505,000 options issued to the pre-RTO shareholders of Stratabound. The options were reduced as a result of the 1:3 share consolidation.

On October 13, 2017 certain shareholders, directors and officers have given the new President of the Company the option to acquire 7,000,000 of the Company's common shares directly from them as incentive for the new President to join and continue with the Company at a price of \$0.005 per share expiring in five years. The options vest if the shares of the Company have a 10 day consecutive weighted average price of at least \$0.20, or the Company accepts an arm's length buy out for at least \$0.20 per share, or the Company completes a split-up or spin-off transaction where the combined values of the resulting entities is at least \$0.20 per share. The option was valued using the binomial option pricing model with the following assumptions: weighted average life of 5 years, risk free rate of 2%, expected volatility of 80% and a dividend yield of 0%.

The following table summarizes the stock option transactions:

	Number	Weighted average exercise price
Outstanding at December 31, 2015	9,300,000	\$ 0.016
Expired or cancelled during the year	(305,000)	0.100
Options issued as a result of RTO	9,300,000	0.0161
Options assumed from former Stratabound shareholders on RTO	3,505,000	0.100
Consolidation of options	(14,533,334)	-
Outstanding at December 31, 2016	7,266,666	\$ 0.085
Expired or cancelled during the year	(575,000)	
Granted	3,000,000	0.05
Outstanding at December 31, 2017	9,691,666	\$ 0.062

The weighted average exercise prices were modified to reflect the revised exercise prices after the share consolidation.

The following table summarizes the options outstanding and exercisable as at December 31, 2017:

Options outstanding	Exercise price	Expiry date
491,666	\$ 0.30	April 8, 2018
6,200,000	0.0483	April 30, 2020
3,000,000	0.05	October 13, 2022
9,691,666	\$ 0.062	

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

14. SHARE CAPITAL (Continued)

d) Warrants

The following table summarizes the warrant transactions:

	Number	Weighted Average Exercise price
Outstanding at December 31, 2015	12,660,925	\$ 0.354
Warrants as a result of RTO	8,525,300	0.0932
Warrants assumed from former Stratabound Shareholders on RTO	10,950,000	0.0932
Private placement	1,000,000	0.075
Expired during the year	(11,636,225)	0.30
Consolidation of Warrants	(13,666,667)	-
Outstanding at December 31, 2016	7,833,333	\$ 0.152
Private placement	3,820,219	0.075
Issued in Acquisition of Golden Culvert Option	6,000,000	0.075
Expired during the year	(719,800)	0.0966
Outstanding at December 31, 2017	16,933,752	0.109

As a result of the RTO the Company assumed 10,950,000 warrants issued to the pre-RTO shareholders of Stratabound. The warrants were reduced as a result of the 1:3 share consolidation in October 2016.

The following table summarizes the warrants outstanding and exercisable as at December 31, 2017:

Warrants outstanding	Exercise price	Expiry date
4,963,534	\$ 0.0966	July 2, 2018
833,333	0.60	October 9, 2018
1,000,000	0.075	October 14, 2018
316,666	0.15	February 5, 2019
1,570,219	0.075	July 7, 2019
750,000	0.075	October 20, 2019
1,500,000	0.075	November 27, 2019
6,000,000	0.075	December 15, 2019
16,933,752	\$ 0.109	

e) Nature and purpose of equity and reserves

The reserves recorded in equity on the Company's statement of financial position include contributed surplus, and accumulated deficit.

Contributed Surplus is used to recognize the value of stock option grants and share warrants prior to exercise. Any proceeds received prior to the issuance of shares will be recorded as contributed surplus until the shares are issued, at which time the amount will be recognized as share capital.

Accumulated deficit is used to record the Company's change in deficit from earnings from year to year.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk:

- i) Foreign currency risk;
- ii) Interest rate risk;
- iii) Commodity price risk; and,
- iv) Equity price risk.

The Company is exposed to foreign currency risk in that some of its accounts payables are denominated in a foreign currency. Management believes that the Company is not exposed to significant foreign currency risk. In addition, the Company is exposed to equity price risk as a result of its available-for-sale asset (Note 7). Management monitors the equity price of the investment to manage its exposure to the equity price risk.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk include cash and other receivables. Cash is maintained with financial institutions and may be redeemed upon demand; and other receivables are amounts due from the government. Both the financial and government institutions are considered reputable and creditworthy institutions.

The carrying amount of cash represents the maximum credit exposure. The Company has gross credit exposure at December 31, 2017 and December 31, 2016 of \$46,364 and \$6,164, respectively. Management considers that all financial assets held are of good credit quality, and therefore credit risk is not considered significant.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Typically, the Company ensures that it has sufficient cash to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities in conjunction with its daily cash position.

Determination of fair value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, accounts payable and accrued liabilities and short-term loan payable approximate fair value due to their short-term nature. Available-for-sale investments are measured at fair value as the balance is derived from quoted prices in an active market. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair value hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of the available-for-sale asset is based on quoted prices and is therefore considered to be Level 1.

16. CAPITAL MANAGEMENT

The Company considers its capital to comprise share capital, contributed surplus, and accumulated other comprehensive income and deficit. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development of the business.

The Company is not exposed to any externally imposed capital requirements.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

17. SUBSEQUENT EVENTS

Subsequent to the year end, the Company announced a private placement to raise funds for the Golden Culvert exploration program. In March and April 2018, the Company received \$309,000 for the subscription of 5,623,930 units, of which \$129,650 is from related parties for the subscription of 2,357,272 units. Each unit was priced at \$0.055 and consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at an exercise price of \$0.08 for 24 months from the date of issue. The Company paid finder's fees of \$4,736 and issued 86,100 finder's warrants (each exercisable to purchase one common share at \$0.055 for 18 months) in connection with the private placement.

In March 2018, the Company has made an additional \$100,000 payment to South Shore Partnership Inc., which was due April 15, 2018, as part of the Golden Culvert option acquisition (Note 9).

In March 2018, the Company received \$83,720 from the exercise of 1,733,332 stock options.

In February 2018, the Company received an additional 1,000,000 shares of Bandera Gold Inc. in respect of its sale of the Taylor Brook property (Notes 7 and 9).