GRANADA GOLD MINE INC.
(formerly Gold Bullion Development Corp.).

Condensed Interim Financial Statements

December 31, 2017

Unaudited

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NOTICE TO READERS

The accompanying unaudited interim financial statements of Granada Gold Mine Inc. have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that its independent auditor has not performed a review of these condensed unaudited interim financial statements.

Signed 'Frank J. Basa"

Frank J. Basa, President

Signed "Thomas P. Devlin"

Thomas P. Devlin, Chief Financial Officer

GRANADA GOLD MINE INC.
(Formerly Gold Bullion Development Corp.)
Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2017 unaudited	June 30. 2017 audited
Assets		
Current assets		
Cash	$ 353,645	$ 119,610
Receivables	165,314	130,642
Prepaid expenses	1,000	37,667
Total current assets	519,959	287,919
Deposit - long-term (Note 5)	171,800	171,800
Castle units receivable	3,847,063	1,847,063
Property, plant and equipment (Note 7)	52,402	60,995
Total Assets	4,591,224	2,367,777
Liabilities		
Current liabilities		
Trade and other payables and provisions (Note 9)	3,730,880	3,929,109
Secured loans payable (Note 8)	1,511,316	1,228,161
Total Current Liabilities	5,242,196	5,157,270
Total Liabilities	5,242,196	5,157,270
Shareholders' Equity (Deficiency)		
Share capital (Note 10)	58,387,233	57,899,588
Reserves (Note 11)	3,952,901	3,898,800
Deficit	(62,991,106)	(64,587,881)
Total Shareholders' Equity (Deficiency)	(650,972)	(2,789,493)
Total Liabilities and Shareholders' Equity (Deficiency)	$ 4,591,224	$ 2,367,777

Nature of operations and going concern (Note 1)
Contingencies (Note 13)
Commitments (Note 14)
Subsequent events (Note 17)

APPROVED ON BEHALF OF THE BOARD

Signed "Frank Basa"

Signed "Jacques Monette"

See accompanying notes to the financial statements.

GRANADA GOLD MINE INC.
(Formerly Gold Bullion Development Corp.)
Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Three months ended December 31. 2017	Three months ended December 31. 2016	Six months ended December 31. 2017	Six months ended December 31. 2016
Expenses				
Exploration and evaluation (Note 7)				
Assaying and testing	$ 4,103	$ 75,981	$ 4,103	$ 85,989
Consulting fees	-	-	-	3,635
Core analyses	-	2,015	-	16,275
Depreciation	4,296	6,640	8,593	8,514
Drilling	420	195,098	420	255,393
Equipment	559	66,009	766	90,149
Facility expenses	21,393	35,082	38,894	71,989
Geology, geophysics and surveys	35,000	35,796	70,000	70,976
Personnel costs	17,547	100,231	37,369	194,195
Program management and engineering	86,607	253,005	202,851	426,810
Security	300	-	300	300
Taxes, permits and licensing	7,140	9,194	21,353	11,791
	177,365	779,051	384,649	1,236,016
Corporate				
Administrative and general expenses	20,002	11,070	28,924	25,509
Consulting fees	280,891	230,388	450,465	407,633
Financing Interest	33,554	-	33,554	-
Professional fees	24,496	51,653	35,308	68,930
Filing costs and shareholders' information	131,854	71,355	174,384	171,757
Travel	10,280	45,719	23,753	100,919
	501,077	410,185	746,388	774,748
Other items				
Interest and other income	-	(24)	(5)	(53)
Premium on flow-through shares	(140,000)	(31,792)	(140,000)	(31,792)
Stock-based compensation	-	14,750	14,500	101,800
Unrealized gain on marketable securities	(2,000,000)	-	(2,000,000)	(311,074)
Gain on sale of prperties	(500,000)	-	(500,000)	-
Gain on discontinued operations	-	-	-	-
	(2,640,000)	(17,066)	(2,625,505)	(241,119)
Total expenses	(1,961,558)	1,172,170	(1,494,468)	1,769,645
Net and comprehensive gain (loss) for the period	1,961,558	(1,172,170)	1,494,468	(1,769,645)
Net loss per share - basic and fully diluted	$ 0.04	$ (0.00)	$ 0.04	$ (0.00)
Weighted average number of shares outstanding basic and fully diluted	48,559,421	308,890,591	48,559,421	308,890,591

See accompanying notes to the financial statements.

GRANADA GOLD MINE INC.
(Formerly Gold Bullion Development Corp.)
Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital	Reserves	Deficit	Total Equity (Deficiency)
Balance June 30, 2016	$ 55,476,378	$ 3,237,782	$ (61,828,347)	$ (3,114,166)
Private placements	1,590,941	1,118,323	-	2,709,264
Premium on flow-through shares	(31,792)	-	-	(31,792)
Exercise of options -cash	7,500	-	-	7,500
Exercise of options - book value	7,350	(7,350)	-	-
Exercise of warrants - cash	300,758	-	-	300,758
Exercise of warrants - book value	44,570	(44,570)	-	-
Share issue costs	(185,392)	(125,356)		(310,748)
Options granted and vested	-	101,800	-	101,800
Options expired	-	(203,850)	203,850	-
Warrants expired	430,554	(430,554)	-	-
Issued to settle 2008 FT claims	71,796	-	-	71,796
Net loss for the 6 months ended Dec 31, 2016	-	-	(1,769,645)	(1,769,645)
Balance December 31, 2016	57,712,663	3,646,225	(63,394,142)	(2,035,254)
Premium on flow through shares	(17,561)	-	-	(17,561)
Exercise of options -cash	6,550	-	-	6,550
Exercise of options - book value	6,550	(6,550)	-	-
Share issue costs	(15,589)		-	(15,589)
Options granted and vested	-	520,000	-	520,000
Options expired	-	(53,900)	53,900	-
Warrants expired	206,975	(206,975)	-	-
Dividend distribution	-	-	(955,000)	(955,000)
Net loss for the 6 months ended Jun 30, 2017	-	-	$ (292,639)	(292,639)
Balance June 30, 2017	57,899,588	3,898,800	(64,587,881)	(2,789,493)

GRANADA GOLD MINE INC.
(Formerly Gold Bullion Development Corp.)
Statements of Cash Flows
(Expressed in Canadian Dollars)

For the six months ended December 31,	2017	2016
Cash (used in) provided by:		
Operating activities		
Net loss from continuing operations	1,494,468	(1,769,645)
Items not involving cash		
Depreciation	8,593	8,514
Stock-based compensation	14,500	101,800
Secured loan interest	33,554	-
Unrealized Gain on Marketable Secouities	(2,000,000)	(311,074)
Premium on Flow through shares	(140,000)	(31,792)
Gain on sale of property	(500,000)	-
Changes in non-cash working capital items		
Receivables	(34,672)	(169,063)
Prepaid expenses	36,667	-
Trade and other payables and provisions	(273,365)	(3,747)
Net cash flows (used in) operating activities	(1,360,255)	(2,175,007)
Financing activities		
Issuance of common shares private placement	700,000	2,635,181
Share issue costs	(63,000)	(223,101)
Secured loans	250,000	-
Exercise of warrants	-	300,759
Exercise of options	-	7,500
Net cash flows generated from financing activities	887,000	2,720,339
Investing activities		
Purchase of Fixed Assets	-	(47,704)
Change in cash during the period	(473,255)	497,628
Cash, beginning of year	119,610	1,057,610
Cash, end of period	$ (353,645)	$ 1,555,238

Supplemental cash flow information:
Interest on secured loans

See accompanying notes to the financial statements.

1. Nature of Operations and Going Concern

Granada Gold Mine Inc. ("Granada" or the "Company") is domiciled in Canada and was incorporated on July 17, 1985 under the Company Act of British Columbia. The Company is a publicly-traded company with its shares listed on the TSX Venture Exchange ("TSXV"), the Frankfurt Stock Exchange, and the US over-the-counter ("OTC") market. The principal business of the Company is the acquisition, exploration and development of mineral property interests. The Company's head office is located at 2875 Avenue Granada, Rouyn-Noranda, Quebec, J9Y 1J1.

These financial statements were reviewed, approved and authorized for issue by the Board of Directors on February 27, 2018.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral deposits that are economically recoverable. The Company will periodically have to obtain additional funds to continue its exploration activities, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continuing existence is dependent upon the discovery of economically recoverable reserves and resources, the preservation of its interest in the underlying properties, the ability of the Company to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and the achievement of profitable operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, and renegotiation of contracts.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed inappropriate. Such adjustments could be material.

As at December 31, 2017, the Company had not yet achieved profitable operations, has an accumulated deficit of $62,991,106 (June 30, 2017 - $64,587,881), has a working capital deficiency of $3,210,921 (June 30, 2017 – a working capital deficiency of (4,869,351) and expects to incur further losses in the development of its business.

1. Nature of Operations and Going Concern (cont'd)

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing accumulated operating losses and a significant working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of material uncertainties which cast significant doubt about the ability of the Company to continue as a going concern.

2. Basis of Preparation

(a) Statement of Compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"), which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, as required by National Instrument 52-107 sec. 3.2(1)(b)(ii).

(b) Basis of Presentation

These financial statements have been prepared on the historic cost basis, except certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results may ultimately differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Note 4.

(c) Functional and Presentation Currency

For the purpose of the financial statements, the results and financial position are expressed in Canadian dollars, which is also the functional currency of the Company. Transactions in currencies other than the functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are presented in the statement of loss. The Company does not have any foreign operations.

3. Significant accounting policies

The accounting policies set out in the Company's audited financial statements for the year ended June 30, 2017 have been applied consistently to these interim condensed consolidated financial statements.

4. Significant Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the year. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

Income taxes The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Decommissioning and restoration costs. Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of the Company's assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. In the Company's judgment, the most appropriate discount rate to use is one that reflects current market assessments and the risks specific to the liability.

4. Significant Judgements, Estimates and Assumptions (cont'd)

Share-based payments The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Premium on Flow-through shares At the time of issue, the Company estimates the proportion of proceeds attributed to the flow-through share, the common share and the warrant with reference to closing market prices and such techniques as the Black-Scholes option-pricing model. The Flow-through Premium is estimated as the excess of the subscription price over the market value of the share and is recorded in trade and other payables on the statements of financial position. When the eligible expenditures are incurred, the Flow-Through Premium is reversed into the statement of loss within other income (expenses) when the eligible expenditures are incurred.

5. Deposit – Long-term

As at December 31, 2017 and 2016, the Company has a non-interest bearing cash deposit of $171,800 with the Quebec government as a guarantee for the restoration of the Granada mine site. The Company has estimated that it has no material decommissioning obligations as at December 31, 2017 and 2016.

6. Exploration and Evaluation Projects

The Company has determined that as at December 31, 2017 the following projects have not met the technical feasibility and commercial viability criteria to be capitalized and classified in mining properties. Accordingly, the Company has expensed all exploration and evaluation expenditures in the year. As of December 31, 2017 and June 30, 2017, the Company did not hold any assets classified as mining properties.

<u>Granada Property, Quebec, Canada</u>

The Company holds a 100% interest to certain mining leases and claims. The mining leases are subject to a 2% Gross Metal Royalty ("GMR"), ½ of which may be purchased for $1,000,000 and a 1% Net smelter royalty (NSR) and 23 of the original mining claims are subject to a 1% NSR. Additionally, there is a 2% NSR on 4 properties optioned from the D2D3 Group ("D2D3") in 2010, half of which may be purchased for $1,000,000.

<u>Castle Property, Ontario, Canada</u>

The Company previously owned, through it's wholly owned subsidiary, Castle Silver Mines Inc.,"CSM" a 100% interest to certain claims. On September 15, 2015, the Company sold its wholly-owned subsidiary to Castle Silver Resources Inc, (CSR)(formerly Takara Resources Inc).

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Projects (cont'd)

Castle Property, Ontario, Canada (cont'd)

Effective June 30, 2015, the Company, acquired a 1% NSR on the Castle Silver Mines property in return for the expenditure of $1,000,000 in exploration expenses made on the Castle property.

On June 30, 2016, the Company entered into a Letter of Intent ("LOI") with Takara Resources Inc. to advance the "Castle Golden Corridor Zone". Under the terms of the LOI, CSR will transfer a 50% interest in certain contiguous mineral claims on the property in lieu of $60,000 in property payments owed to Granada pursuant to an Assignment Agreement between the two companies dated October 8, 2015, concerning the Beaver and Violet cobalt-silver properties.

On December 15, 2017 the Company sold this interest to CSR for $500,000.

7. Property, Plant and Equipment

	December 31, 2017				
	Balance June 30, 2017	Additions (Disposals) (Write-down)	Balance Dec 31, 2017	Accumulated Amortization	Net
	11,114	-	11,114	1,111	10,003
	49,881	-	49,881	7,482	42,399
	60,995		60,995	8,594	52,401

	June 30, 2017				
	Balance June 30, 2016	Additions (Disposals) (Write-down)	Balance June 30, 2017	Accumulated Amortization	Net
Equipment	13,891	-	13,891	2,777	11,114
Vehicles	23,555	47,704	71,259	21,378	49,881
	37,446		85,150	24,155	60,995

8. Secured Loans Payable

On August 4, 2015, the Company entered into two loan agreements and a Supply and Services agreement for proceeds totaling $800,000.

The first loan agreement is with an existing shareholder and is a demand loan for proceeds of $200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US $800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

The second loan is from a company owned by a director of the Company and comprises a $100,000 demand loan also with a three-year term at an interest rate of 8% calculated monthly and payable annually. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

The third agreement is a Supply and Services non-interest bearing loan for $500,000 over the 12 months following the execution of the loan agreement from a company owned by a director of the Company. The lender has the option to obtain loan principal repayments including interest as applicable, in gold valued at US $800 per ounce if the company reaches commercial production. The Supply and Services loan is to be used for specific projects on the property. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

On November 11, 2015 and January 8, 2016, the Company entered into a second and third loan agreement with an existing shareholder for a demand loan for proceeds of $200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US $800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

The Granada Gold property is registered as security against these loans. As a triggering event has not taken place, no value has been attributed to the derivative relating to the right of the lenders to demand repayment in gold valued at US $800 per ounce.

8. Secured Loans Payable (cont'd)

On December 22, 2017 the Company reached agreements with two of its creditors in order to convert a total of $1,128,066 of Granada Gold's debt into shares. Specifically, Granada Gold has reached an agreement with an arm's-length creditor who previously loaned $600,000 to the Company. The parties have agreed that the creditor will have the right, at his option, to convert the $600,000 loan into units at a price of $0.25 per unit. Each unit will consist of one common share of Granada Gold and one common share purchase warrant. Each warrant will give its holder the right to acquire one additional common share of the Company at a price of $0.35 for a period of two years from the date of issuance. If the full principal amount of the loan is converted into units, Granada Gold will issue 2,400,000 units to the creditor.

The Company also reached an agreement with a non-arm's length creditor which previously loaned $100,000 to Granada Gold. The parties have agreed that the creditor will have the right, at its option, to convert the $100,000 loan into common shares of Granada Gold at a price of $0.25 per share. The parties have also agreed that the non-arm's length creditor will have the right, at its option, to convert approximately $428,000 owing to the creditor for a loan of equipment to Granada Gold into common shares of the Company at a price of $0.25 per share. If the full principal amount of the loan and the debt are converted into units, Granada Gold will issue approximately 2,112,000 shares to the creditor.

On November 21, 2017, the Company entered into two $125,000 secured, convertible, loan agreements with existing shareholders for demand loans for total proceeds of $250,000 at an interest rate of 8% calculated monthly and payable annually. The loans will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US $800 per ounce. The lender also has the right to convert the loan into units of the company's shares at $0.05 per unit for a period of one year and $0.10 per unit until maturity. Each share unit shall contain one common share and one common share purchase warrant which will entitle the holder to purchase one common share at a price of $0.075 for a period of two years from the date of conversion.

On December 22, 2017, the Company reached agreement with the two holders of its convertible secured notes in an aggregate amount of $250,000 (the "Notes") to amend the conversion terms of the Notes in light of Granada Gold's recent share consolidation on a one-for-eight basis. The Notes have a term of three years and bear interest at an annual rate of 8%, payable upon maturity. As amended, the holders of the Notes will have the right, at their option, to convert the principal amount of the Notes into units at a price of $0.25 per unit. Each unit will consist of one common share of Granada Gold and one common share purchase warrant. As amended, each warrant will give its holder the right to acquire one additional common share of the Company at a price of $0.35 for a period of two years from the date of issuance. Prior to the amendment, on a post-consolidation basis, the conversion price of the Notes was $0.40 and the exercise price of the warrants was $0.60. If the full principal amount of the Notes is converted into units, Granada Gold will issue an aggregate of 1,000,000 units to the two holders of the Notes.

(Expressed in Canadian Dollars)

9. Trade and Other Payables and Provisions

	Sept 30 ,2017	June 30, 2017
Trade payable	$ 791,469	$ 738,621.00
Due to related parties	135,185	263,952
Part XII.6 taxes and interest (1)	385,145	405,145
Flow-through indemnification provision (1)	1,032,854	1,135,164
Part XII.6 taxes and interest (ii)	125,389	125,389
Flow-through indemnification provision (ii)	385,875	385,875
Part XII.6 taxes and interest (iii)	218,952	218,952
Flow-through indemnification provision (ii)	627,460	627,460
Part Xii.6 taxes and interest (iv)	28,551	28,551
	$ 3,730,880	$ 3,929,109

(i) The Company had been reassessed for a renunciation shortfall of $1,759,590 on unspent flow-through expenditures for fiscal years 2006 to 2008. During the year ended June 30, 2017, the Company had accrued $nil (June 30, 2017 - $19,293) for Part XII.6 taxes, interest and penalties on the shortfall as, due to an administrative decision by the CRA, interest for the fiscal 2017 year was cancelled. The Company has reviewed the reassessment and has filed objections on certain of the CRA's claims, which were denied on April 11, 2016. During the year ended June 30, 2017, the Company settled $71,795 in indemnified shareholder losses relating to this renunciation shortfall by the issuance of 717,952 common shares (refer also to Note 12). As at June 30, 2017, the Company has accrued $1,135,164 (2016 - $1,152,905) for potential indemnity for shareholders.

(ii) The Company has estimated potential Part XII.6 taxes and indemnity in relation to unspent flow-through expenditures on flow-through issuance in fiscal year 2012. During the year ended June 30, 2017, the Company had accrued interest of $5,971 (2016 – $5,686). As at June 30, 2017, the Company has accrued $125,389 (2016 - $119,418) for Part XII.6 taxes, interest and penalties on the shortfall. In addition, the Company has accrued $385,875 (2016 - $367,500) for potential indemnity for shareholders.

(iii) The Company has estimated potential Part XII.6 taxes, interest and indemnity in relations to unspent flow-through expenditures on flow-through issuance in fiscal year 2013. During the year ended June 30, 2017, the Company has accrued interest of $6,135 (2016 - $2,957).The Company has accrued $218,952 (2016 - $122,697) for Part XII.6 taxes and penalties on the shortfall. In addition, the Company has accrued $627,460 (2016 - $597,580) for potential indemnity for shareholders.

(iv) The Company has estimated potential Part XII.6 taxes, interest and indemnity in relations to unspent flow-through expenditures on flow-through issuance in fiscal year 2017. The Company has accrued $28,551 for Part XII.6 taxes.

(Expressed in Canadian Dollars)

9. Trade and Other Payables and Provisions (cont'd)

(v) During the year ended June 30, 2016, the Company was reassessed for mining tax claims made during the 2012-2014 fiscal years in the province of Quebec. As a result, a $718,541 liability was accrued. During the year ended June 30, 2017, various credits were applied to this balance owing and certain amounts were reassessed again. In connection with this amount owing to Revenue Québec and to Part XII.6 tax assessed in relation to the 2012 and 2013 flow-through expenditure shortfalls, the Company received on August 18, 2017 a demand for payment of $608,957. Revenue Québec has indicated that action may be taken to collect this amount owing. The Company has reached agreement with Revenue Quebec that they would pay $40,000 on September 15, 2017 and $98,685 at the last day of each Month until February 28, 2018 to eliminate this debt.

10. Share Capital

Authorized
Unlimited number of common shares without par value

Issued

	2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance, beginning of year	**388,025,765**	**$57,899,588**	356,201,185	$55,476,399
Private placements	**2,000,000**	**700,000**	27,818,051	1,590,921
Premium on Flow-through shares	**-**	**140,000**	**-**	(49,353)
Exercise of Options -cash	**-**	-	281,000	14,050
Exercise of Options - book value	-	-	-	13,900
Exercise of warrants - cash	-	-	3,007,577	300,758
Exercise of warrants - book value	-	-	-	44,570
Issued for services	**604,917**	**30,246**	**-**	**-**
Share issue costs	-	**(102,600)**	-	(200,981)
Warrants expired	-	-	-	637,529
Issued to settle 2008 FT claims	-	-	717,952	71,795
8 for 1 Consolidation	**(341,272,544)**	**-**	-	-
Balance, end of period	**48,828,835**	**$58,387,234**	388,025,765	$57,899,588

10. Share Capital (cont'd)

On March 8, 2016, the Company closed a private placement offering raising gross proceeds of $830,000. The Company issued 16,600,000 units at a price of $0.05 per unit. Each unit is comprised of one common share and one share purchase warrant with each warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.10 per share, for a period of two years.

On March 23, 2016, the Company closed a private placement offering raising gross proceeds of $920,138. The Company issued 18,402,743 units at a price of $0.05 per unit. Each unit is comprised of one common share and one share purchase warrant with each warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.10 per share, for a period of two years.

On May 16, 2016, the Company closed a private placement offering raising gross proceeds of $804,000. The Company issued 8,040,000 flow-through ("FT") units at a price of $0.10 per unit.

Each FT unit is comprised of one common share and one half of one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.15 per share, for a period of two years from closing.

Finder's fees were paid in connection with the private placement in the amount of $62,800 in cash and the issuance of 628,000 broker warrant, on the same terms as the purchasers warrants. A settlement fee was also paid to the finder in connection with the private placement in the amount of $21,000.

On June 28, 2016, the Company closed a private placement offering raising gross proceeds of $200,000. The Company issued 2,000,000 FT units at a price of $0.10 per unit. Each FT unit is comprised of one common share and one half of one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.15 per share, for a period of two years from closing.

Finder's fees were paid in connection with the private placement in the amount of $16,000 in cash and the issuance of 160,000 broker warrant, on the same terms as the purchasers warrants.

On July 6, 2016, the Company closed a private placement offering raising gross proceeds of $230,181 by way of combined flow-through ("FT") and non-flow-through ("NFT") units.

The Company issued 1,500,000 flow-through units at a price of $0.10 per unit. Each FT unit is comprised of one common share and one half of one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.15 per share, for a period of two years from closing. Finder's fees were paid in connection with the private placement in the amount of $10,000 in cash and the issuance of 105,000 broker warrants, on the same terms as the purchaser warrants.

10. Share Capital (cont'd)

The Company also issued 1,002,262 non-flow-through units at a price of $0.08 per unit. Each NFT unit is comprised of one common share and one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.13 per share, for a period of two years from closing, subject to the acceptance of the TSXV.

On July 28, 2016, the Company issued 717,952 common shares to settle a portion of the Flow through indemnification provision for $71,795.

On October 28, 2016, the Company closed a private placement offering, raising gross proceeds of $2,405,000. The Company issued 25,315,789 FT units at a price of $0.095 per unit. Each FT unit is comprised of one common share and one share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.14 per share, for a period of two years from closing.

Finder's fees were paid in connection with the private placement in the amount of $226,585 in cash and the issuance of 1,705,263 broker warrants. Each broker warrant entitling the holder thereof to purchase one additional common share of the Company at an exercise price of $0.095 per share, for a period two years from closing.

On December 1, 2017, the Company closed a non-brokered private placement offering, raising gross proceeds of $700,000. The Company issued 2,000,000 flow-through shares ("FT Shares") at a price of $0.35 per FT Share,

Finder's fees totalling $63,000 payable in cash and 180,000 broker warrants were paid in connection with the financing. The broker warrants are exercisable at $0.35 per share for a period of two years from closing.

On September 22, 2017, the Company entered into a Service Agreement with a marketing consultant for consideration of 1,814,750 common shares, issuable in tranches of 604,917 on the date of receipt of Exchange approval of the agreement and on November 22, 2017, and 604,916 shares issuable on December 22, 2017. The first tranche of shares was issued on October 23, 2017. The two additional tranches have been delayed pending agreement on the terms of the marketing service agreement.

(Expressed in Canadian Dollars)

11. Reserves - Warrants

The Company records the estimated fair value of warrants issued on the grant date. The fair value is determined using the Black-Scholes option pricing model.

Warrant Transactions

	2018			2017		
	Number of Warrants	**exercise price per share**	**Value**	Number of Warrants	exercise price per share	Value
Balance, beginning of year	**69,739,057**	**0.100**	**$1,933,300**	78,625,450	0.100	$1,622,432
Exercised				(3,007,577)	0.100	(44,570)
Expired				(34,757,130)	0.100	(637,529)
Private placements				27,068,051	0.150	1,044,241
Issue costs related to warrants				-	-	(125,356)
Issued as compensation	**180,000**		**39,600**	1,810,263	0.150	74,082
8 for 1 consolidation	**(61,021,675)0**					
Balance, end of period	**8,897,382**	**0.104**	**$1,972,900**	69,739,057	0.104	$1,933,300

Warrants Outstanding

Number of Warrants	Exercise Price	Expiry Date
6,250	0.800	August 19, 2018
2,075,000	0.800	March 3, 2018
2,300,343	0.800	March 17, 2018
502,500	1.200	May 16, 2018
78,500	1.200	May 16, 2018
125,000	1.200	June 28, 2018
20,000	1.200	June 28, 2018
93,750	1.200	July 6, 2018
125,283	1.200	July 6, 2018
13,125	1.200	July 6, 2018
3,164,474	1.200	October 28, 2018
213,158	1.200	October 28, 2018
180,000	0.350	December 1, 1019
8,897,382		

(Expressed in Canadian Dollars)

Reserves - ***Options***

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed ten years from the date of grant. All options are subject to a four month holding period from the date of grant if granted at the price lower than the market price; options granted at market prices are not subject to the hold period. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company which may be reserved for the issuance shall be 10% of the issued and outstanding shares at the time of the option grant.

The Company records the fair value of stock-based compensation on the granting of stock options over the period in which they vest. The fair value is determined using the Black-Scholes option pricing model.

Option Activity

	Number of Options	Weighted Average Exercise price	Value	Number of Options	Weighted Average Exercise price	Value
Balance, beginning of year	29,169,000	0.08	1,965,500	19,600,000	0.08	$1,615,350
Exercised	-	-	-	(281,000)	0.05	(13,900)
Expired	-	-	-	(1,850,000)	0.15	(257,750)
Granted	250,000	0.08	14,500	11,700,000	0.05	621,800
8 for 1 consolidation	(25,741,625)					
Balance, end of period	3,677,375	0.64	$1,980,000	29,169,000	0.08	$1,965,500

(Expressed in Canadian Dollars)

A summary of the Company's outstanding options issued as at December 31, 2017 is presented below. Each option entitles the holder to purchase one common share.

Options Outstanding

Number of Options	Options Vested	Exercise Price	Expiry Date
418,750	418,750	1.040	January 4, 2022
18,750	18,750	0.800	March 11, 2018
75,000	75,000	0.800	March 11, 2018
75,000	75,000	0.800	June 12, 2018
500,000	500,000	0.400	July 23, 2019
37,500	37,500	0.400	August 5, 2019
50,000	50,000	0.400	May 14, 2020
612,500	612,500	0.400	February 12, 2021
75,000	75,000	0.800	May 9, 2021
175,000	175,000	0.800	May 21, 2021
37,500	37,500	0.640	June 23, 2021
62,500	62,500	0.800	June 23, 2018
62,500	62,500	0.800	June 23, 2021
50,000	50,000	0.800	July 7, 2921
50,000	50,000	0.800	September 8, 2021
31,250	31,250	0.800	September 9, 2021
31,250	31,250	0.480	December 12, 2021
1,283,625	1,283,625	0.400	March 24, 2022
31,250	31,250	0.600	July 11, 2022
3,677,375	3,677,375	0.551	

(Expressed in Canadian Dollars)

12. Related Party Transactions

The Company determined that key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. The Board of Directors (executive and non-executive), President and Chief Executive Officer and Chief Financial officer are key management personnel.

The remuneration to key management personnel during the six months ended December 31, 2017 and the year ended June 30, June 30, 2017 is as follows:

	December 31, 2017	June 30, 2017
Key management compensation	$ 348,530	$ 806,622
Stock-based compensation	-	252,300
	$173,996	$1,058,922

a) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the six months ended December 31, 2017, the total amount for such services provided was $220,001 (2017 – $440,001) of which $220,000 (2017 – $440,000) was recorded in exploration expenses and $1 (2017 - $1) in management fees.

b) The Company retains the services of one director and two officers to carry out administrative services. During the six months ended December 31, 2017, the total amount for such services provided was $126.530 (June 30, 2017 – $426,621) which was recorded in management and consulting fees.

c) As part of the March 8, 2016 private placement, a corporation controlled by an officer and director of the Company subscribed for 3,087,400 non-flow-through units, and one director of the Company subscribed for 2,000,000 non-flow-through units. See note 11.

d) As part of the March 23, 2016 private placement, a corporation controlled by an officer and director of the Company subscribed for 1,000,000 non-flow-through units, and one former director of the Company subscribed for 882,743 units. See note 11.

e) As part of the May 16, 2016 private placement, a director of the Company subscribed for 190,000 flow-through units. See note 11.

f) As part of the July 6, 2016 private placement, a director of the Company subscribed for 237,500 non-flow-through units. See note 11.

13. Contingencies

The Company's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether with the outcomes, the impacts or the deadline. As at December 31, 2017 and to the best knowledge of its management, the Company is, in conformity with the laws and regulations.

a) The Company is partly financed by the issuance of flow-through shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian exploration expenditures, even if the Company has taken all the necessary measures for this purpose. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.
Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work no later than the first of the following dates:
   i) Two years following the flow-through investment;
   ii) One year after the Company has renounced the tax deductions relating to the exploration work.

a) During the year ended June 30, 2017, the Company received $2,555,000 (2016 – $1,004,000) from flow-through share issuances. According to the tax rules, the Company has until December 31, 2017 to spend these amounts on qualified exploration expenditures. As at December 31, 2017, the Company had an unspent amount of approximately $1,000,000

b) The Company has indemnified the subscribers of current and previous flow-through offerings against any tax related amounts that become payable by shareholders in the event the Company does not meet its expenditure commitment. As at June 30, 2017, in relations to renunciation shortfalls from fiscal years 2006 to 2008, the Company has accrued $405,145 (2016 – $405,145) for Part XII.6 taxes and penalties on the $1,759,590 shortfall. In addition, $1,135,164 (2016 - $1,152,905) has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors. The Company reviewed the reassessment proposed by the CRA, and filed objections on certain of the claims. The CRA denied these objections. During the year ended June 30, 2017, the Company settled $71,795 in indemnified shareholder losses relating to this renunciation shortfall by the issuance of 717,952 common shares (refer also to Note 11). In relation to renunciation shortfall from fiscal year 2012, the Company has accrued $125,389 (2016 – $119,418) for Part XII.6 taxes and penalties on the $765,495 shortfall. In addition, $385,000 (2016 – 367,000) has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors. In relation to a renunciation shortfall from fiscal year 2014, the Company has accrued $218,952 (2016 – $122,697) for Part XII.6 taxes and penalties on the $1,064,850 shortfall. In addition, $627,460 (2016 - $597,580) has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors

14. Commitments

The Company has consulting service agreements with related parties (certain officers and directors).

i) Effective January 1, 2007, and amended December 1, 2010, May 16, 2013 and March 1, 2015, the Company entered into a management agreement with Grupo Moje Limited ("Grupo"), a company owned by a director and officer of the Company to provide management services of Frank Basa in consideration for a nominal annual fee of $1.

   This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 480 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

ii) Effective January 1, 2014, the Company entered into a management agreement with Mineral Recovery Management Systems Corp. ("MRMSC"), a company controlled by Frank Basa and Elaine Basa, to provide project management, engineering and geological services to the Company in consideration of $25,000 per month for the services of Frank Basa and $11,666.67 per month for the services of Elaine Basa. Either party may terminate this agreement by giving a four months' notice to the other, subject to certain provisions of the agreement.

iii) Effective July 1, 2010 and amended January 1, 2012, and March 1, 2015, the Company entered into a consulting agreement with a former director and officer of the Company who resigned from those positions in April 2017 but continues to offer services under these contracts. The fee for consulting services was $9,500 per month. Either party may terminate this engagement by giving four months' notice to the other, subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of $228,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

iv) Effective March 1, 2011 and amended February 1, 2012 and March 1, 2015, the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD $8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of USD $192,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

15. Financial Risk Management

The Company's financial risk management policies set out in the Company's audited financial statements for the year ended June 30, 2017 have been applied consistently for the period ended December 31, 2017.

16. Capital Management Disclosures

The Company's Capital Management policies set out in the Company's audited financial statements for the year ended June 30, 2017 have been applied consistently for the period ended December 31, 2017.

17. Subsequent Events

A} On January 24, 2018, the Company closed the 1st tranche of a private placement raising gross proceeds of $830,500. The Company issued 3,322,000 units at a price of $0.25 per unit. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.35 per share for a period of two years from closing. Finder's fees were paid in connection with the private placement in the amount of $5,950 cash and 5,950 broker warrants on the same terms as the purchaser warrants.

B) On February 9, 2018, the Company closed the 2nd tranche of its private placement raising additional gross proceeds of $1,226,050. The Company has issued 4,904,200 units at a price of $0.25 per unit. The Company has raised a total of $2,056,550. Each unit comprises one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of $0.35 per share for a period of two years from closing. Finder's fees were paid in connection with the private placement in the amount of $9,150 cash and 26,600 broker warrants on the same terms as the purchaser warrants.