# Kintavar Exploration Inc.

Unaudited Condensed Interim Financial Statements

Nine months ended September 30, 2017

*The attached financial statements have been prepared by Management of Kintavar Exploration Inc. and have not been reviewed by the auditors*

# Kintavar Exploration Inc.

Statements of Financial Position
(Unaudited, in Canadian Dollars)

| | Note | As at September 30, 2017 | As at December 31, 2016 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 96,784 | 1,071,784 |
| Investment | 6 | 300,000 | - |
| Sales tax receivable | | 112,185 | 10,408 |
| Tax credits and mining rights receivable | | 65,019 | - |
| Prepaid expenses and others | | 6,200 | - |
| Current assets | | 580,188 | 1,082,192 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 7 | 3,487,374 | 932,010 |
| Property and equipment | 8 | 7,022 | - |
| Non-current assets | | 3,494,396 | 932,010 |
| **Total assets** | | **4,074,584** | **2,014,202** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 128,102 | 58,376 |
| Obligations under finance leases | 9 | 2,156 | - |
| Liability related to the premium on flow-through shares | 10 | - | 282,707 |
| Current liabilities | | 130,258 | 341,083 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | 9 | 5,144 | - |
| Deferred taxes | | - | 239,733 |
| Non-current liabilities | | 5,144 | 239,733 |
| **Total liabilities** | | **135,402** | **580,816** |
| **Equity** | | | |
| Share capital | 4 | 6,304,046 | 2,398,652 |
| Warrants | 12 | 170,501 | 47,061 |
| Broker options | 13 | 2,832 | - |
| Stock options | | 77,559 | - |
| Contributed surplus | | 176 | - |
| Deficit | | (2,615,932) | (1,012,327) |
| **Total equity** | | **3,939,182** | **1,433,386** |
| **Total liabilities and equity** | | **4,074,584** | **2,014,202** |

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

# Kintavar Exploration Inc.

Statements of Loss and Comprehensive Loss
(Unaudited, in Canadian Dollars)

| | | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | **Note** | **2017** | **2016** | **2017** | **2016** |
| | | **$** | **$** | **$** | **$** |
| **Operating Expenses** | | | | | |
| Salaries, benefits and share-based compensation | | 58,524 | - | 161,327 | - |
| Exploration and evaluation, net of tax credits | | 337,835 | 11,583 | 1,098,328 | 30,342 |
| Professional fees | | 46,537 | 5,981 | 91,385 | 10,131 |
| Travel, conference and investor relations | | 1,635 | - | 7,566 | 351 |
| Administration | | 6,514 | 34 | 15,203 | 2,033 |
| Filing fees | | 18,395 | - | 26,813 | - |
| Rent | | 4,500 | - | 4,500 | - |
| Insurances and taxes | | 2,134 | - | 5,149 | 200 |
| Depreciation of property and equipment | | 659 | - | 878 | - |
| Impairment of exploration and evaluation assets | | 20,250 | - | 20,250 | - |
| Listing expense | | - | - | 740,029 | - |
| **Operating loss** | | (496,983) | (17,598) | (2,171,428) | (43,057) |
| **Other income (expenses)** | | | | | |
| Interest income | | (400) | 1 | 1,334 | 167 |
| Finance costs | | (512) | - | (689) | - |
| | | (912) | 1 | 645 | (42,890) |
| **Net loss before income taxes** | | (497,895) | (17,597) | (2,170,783) | (42,890) |
| Deferred income taxes recovery | | 58,865 | - | 567,178 | - |
| **Net loss and comprehensive loss** | | **(439,030)** | **(17,597)** | **(1,603,605)** | **(42,890)** |
| Basic and diluted loss per share | | (0.010) | (0.002) | (0.043) | (0.004) |
| Weighted average number of basic and diluted outstanding shares | | 46,081,932 | 10,247,093 | 37,290,493 | 10,247,093 |

Net loss and comprehensive loss is entirely attributable to Kintavar Exploration Inc.'s shareholders.

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

# Kintavar Exploration Inc.

Statements of Changes in Equity

(Unaudited, in Canadian Dollars)

| | Note | Number of shares outstanding | Share Capital | Stock options | Deficit | Total equity |
|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ |
| **Balance at January 1, 2016** | | 10,247,093 | 1,341,110 | 55,500 | (705,267) | 691,343 |
| Loss and comprehensive loss | | - | - | - | (42,890) | (42,890) |
| Options exercised | | 467,193 | 55,600 | (55,500) | - | 100 |
| **Balance at September 30, 2016** | | **10,714,286** | **1,396,710** | **-** | **(748,157)** | **648,553** |

| | Note | Number of shares outstanding | Capital stock | Warrants | Broker Options | Stock Options | Contributed surplus | Deficit | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ | $ |
| **Balance at January 1, 2017** | | 17,168,786 | 2,398,652 | 47,061 | - | - | - | (1,012,327) | 1,433,386 |
| Loss and comprehensive loss for the period | | - | - | - | - | - | - | (1,603,605) | (1,603,605) |
| Acquisition of mining properties from GéoMéga Resources Inc. | | 17,857,143 | 2,500,000 | - | - | - | - | - | 2,500,000 |
| Issuances to investors of Black Springs Capital Corp. as part of the amalgamation | | | | | | | | | |
| • Class A common Shares | | 4,125,000 | 577,500 | - | - | - | - | - | 577,500 |
| • Stock options | | - | - | - | - | 4,000 | - | - | 4,000 |
| Issuance of shares as part of finder's fee | | 571,428 | 80,000 | - | - | - | - | - | 80,000 |
| Issuance of shares under a private placement | | 5,173,293 | 599,112 | 125,149 | - | - | - | - | 724,261 |
| Issuance of shares under a flow-through private placement | | 1,183,510 | 213,032 | - | - | - | - | - | 213,032 |
| • Less: premium | | - | (47,340) | - | - | - | - | - | (47,340) |
| Acquisition of mining properties | | 85,000 | 13,600 | 2,762 | - | - | - | - | 16,362 |
| Stock-based compensation | | - | - | - | - | 73,735 | - | - | 73,735 |
| Options forfeited | | - | - | - | - | (176) | 176 | - | - |
| Share issuance costs | | - | (30,510) | (4,471) | 2,832 | - | - | - | (32,149) |
| **Balance at September 30, 2017** | | **46,079,160** | **6,304,046** | **170,501** | **2,832** | **77,559** | **176** | **(2,615,932)** | **3,939,182** |

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

# Kintavar Exploration Inc.

Statements of Cash Flows

(Unaudited, in Canadian Dollars)

| | Note | Nine months ended September 30, 2017 | 2016 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities** | | | |
| Net loss for the period | | (1,603,605) | (42,890) |
| Adjustments for: | | | |
| Non-cash components of listing expense | | 570,788 | - |
| Stock-based compensation | | 73,735 | - |
| Depreciation of property and equipment | | 878 | - |
| Finance costs | | (600) | - |
| Impairment of exploration and evaluation assets | | 20,250 | - |
| Flow through premium | | (327,445) | - |
| Deferred income tax recovery | | (239,733) | - |
| Changes in non-cash working capital items | | | |
| Sales tax receivable | | (101,777) | 1,940 |
| Tax credits and mining rights receivable | | (65,019) | - |
| Prepaid expenses and others | | (6,200) | - |
| Trade and other payables | | 69,726 | 139 |
| **Cash flows used in operating activities** | | **(1,609,002)** | **(40,811)** |
| | | | |
| **Investing activities** | | | |
| Cash acquired through the amalgamation with Black Springs | | 90,712 | - |
| Addition to investment | | (300,000) | - |
| Additions of exploration and evaluation assets | | (59,252) | (2,685) |
| **Cash flows used in investing activities** | | **(268,540)** | (2,685) |
| | | | |
| **Financing activities** | | | |
| Private placements | | 724,261 | - |
| Flow-through private placements | | 213,032 | - |
| Share issuance costs | | (34,751) | - |
| Options exercised | | - | 100 |
| Due to shareholders | | - | 255 |
| Due to a related company | | - | (12,437) |
| **Cash flows from (used) in financing activities** | | **902,542** | **(12,082)** |
| | | | |
| **Net change in cash and cash equivalents** | | (975,000) | (55,578) |
| Cash and cash equivalents – beginning | | 1,071,784 | 59,260 |
| **Cash and cash equivalents – ending** | | **96,784** | **3,682** |
| | | | |
| **Additional information** | | | |
| Interest received | | - | 167 |
| Acquisition of exploration and evaluation assets through issuance of shares | | 2,513,600 | - |
| Acquisition of exploration and evaluation assets through issuance of warrants | | 2,762 | - |
| Property and equipment acquired pursuant to capital lease obligation | | 7,900 | - |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Kintavar Exploration Inc. (the “Corporation”) was formed on March 24, 2017 upon the issuance of an amalgamation certificate under the *Business Corporations Act* (Quebec) and is engaged in the acquisition, exploration and evaluation of mining properties in Canada. The Corporation’s shares are listed on the TSX Venture Exchange (the “Exchange”) under symbol KTR. The address of the Corporation's registered office and principal place of business is 75, boul. de Mortagne, Boucherville, Quebec, Canada, J4B 6Y4.

The Corporation has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the ability of the Corporation to obtain necessary financing to pursue the exploration and evaluation on its mining properties.

The unaudited condensed interim financial statements (the ”Financial Statements”) have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. For the nine months ended September 30, 2017, the Corporation reported a net loss of $1,603,605 and has accumulated a deficit of $2,615,932 up to that date. As at September 30, 2017, the Corporation had working capital of $449,930 ($741,109 as at December 31, 2016).

Management estimates that the working capital will not be sufficient to meet the Corporation’s obligations and commitments and budgeted expenditures through September 30, 2018. These circumstances lend a significant doubt as to the ability of the Corporation to ensure its continuity of operation and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Corporation's ability to continue as a going concern as described in the preceding paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Financial Statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity or debt financing. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the Financial Statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of Compliance

These unaudited condensed interim financial statements (the "Financial Statements") have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB") applicable to the preparation of interim financial statements, including *International Accounting Standard* ("IAS") 34, *Interim Financial Reporting*. Accordingly, the Financial Statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

The Financial Statements were approved by the Corporation's Board of Directors on November 29, 2017.

### 2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements of Géomines for the year ended December 31, 2016, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in the Financial Statements are consistent with those of Géomines' previous financial year ended December 31, 2016, except for the policies described below.

#### a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property and equipment less their residual values over their estimated useful lives using the straight-line method and following periods by major categories:

| | |
|---|---|
| Vehicles | 3 years |
| Field equipment and base camp related to E&E activities | 3 to 5 years |

The depreciation expense for each period is recognized in the statement of loss. In the case of certain items of property and equipment related to E&E activities on a project that has not reached the phase at which the Corporation capitalizes its E&E expenses, the depreciation expense is recognized in the statement of loss. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded in the statement of loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### b) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the statement of loss, on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to the statement of loss as incurred.

The Corporation leases certain equipment. Leases of equipment for which the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased equipment or the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance costs. The corresponding rental obligations, net of finance charges, are included in obligation under finance leases. The interest element of the finance cost is charged to the statement of loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Corporation.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with IFRS requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the Financial Statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements of Géomines for the year ended December 31, 2016.

## 4. AMALGAMATION AND RELATED TRANSACTIONS

Pursuant to the terms and conditions of the Amalgamation Agreement dated January 3, 2017, between Black Springs Capital Corp. ("Black Springs") and Géomines, Black Springs and Géomines were amalgamated on March 24, 2017. The amalgamated entity is named Kintavar Exploration Inc.

Immediately prior to the amalgamation, Géomines acquired from GéoMéga Ressources Inc. ("GéoMéga") mineral claims on gold bearing prospects, including the claims comprising the Anik, MacDonald, Rivière à l'aigle, Gaspard, Lac Storm, 3G, Comptois and Maryse properties, located in the Province of Québec in consideration of the issuance of 17,857,143 Géomines shares.

(Unaudited, in Canadian Dollars)

## 4. AMALGAMATION AND RELATED TRANSACTIONS (CONT'D)

Upon the amalgamation, the following instruments of the Corporation (including class A common shares ("Shares") were issued to the respective instrument holders:

| | |
|---|---|
| Black Springs | 4,125,000 Shares [1) ] |
| | 250,000 replacement stock options [1)] |
| Existing shareholders of Géomines | 17,168,786 Shares [2)] |
| | 1,001,250 replacement warrants [2)] |
| GéoMéga | 17,853,143 Shares [2)] |

1) Reflects an exchange ratio of two Black Springs common share for one Corporation Class A common share
2) Reflects an exchange ratio of one Géomines common share for one Corporation Class A common share

This transaction is accounted for as the successive acquisitions by Géomines of GéoMéga's mining claims and 100% of the issued and outstanding shares of Black Springs. Consequently, these financial statements reflect only the assets, liabilities, operations and cash flows of Géomines for dates and periods prior to March 24, 2017 and include also GéoMéga's mining claims and Black Spring's assets and liabilities since March 24, 2017.

Neither of the acquisitions meet the definition of a business combination under IFRS 3 *Business Combinations*; accordingly, the purchase of GéoMéga's mining claims and Black Springs' net assets is accounted for as an equity-settled share-based payment under IFRS 2 *Share-based Payment*.

In accordance with IFRS 2, equity instruments issued were recognized at fair value of net assets acquired and services received. Services received by the Corporation consist in the listing of Black Springs as a publicly listed entity on the Exchange and are measured at the amount of the excess of the fair value of equity instruments issued to Black Springs' shares and stock options holders at the time of the amalgamation over Black Springs' net assets acquired. The transaction with Black Springs is thus recognized in substance as if Géomines had proceeded to the issuance of shares and stock options to acquire Black Springs' net assets.

In connection with the transaction with Black Springs, the Corporation paid a finder's fee of $80,000 by the issuance of 571,428 Shares of the Corporation and incurred transaction costs of $117,897.

The acquisition of Black Springs has been accounted for as follows:

| | **$** |
|---|---|
| Net assets of Black Springs acquired | |
| Cash | 90,712 |
| Accounts payables and accrued liabilities | (51,344) |
| | 39,368 |
| Consideration paid | |
| 4,125,000 Shares to Black Springs' shareholders | 577,500 |
| 250,000 replacement options to Black Springs' option holders | 4,000 |
| 571,428 Shares as finder's fee | 80,000 |
| Transaction costs paid | 117,897 |
| | 779,397 |
| **Listing expense** | **(740,029)** |

## 4. AMALGAMATION AND RELATED TRANSACTIONS (CONT'D)

The amount for the replacement options was determined by measuring the fair value of Black Springs' stock options outstanding at the time of the amalgamation. Since 200,000 of the replacement options expired in April, 2017, their fair value was considered nil. The fair value of $4,000 for the 50,000 replacement options expiring on July 2, 2020 was estimated using the Black & Scholes valuation model using the following average assumptions: expected life of 3.25 years, a volatility of 100%, a risk-free interest rate of 0.95%, an exercise price of $0.20 and a share price of $0.14. The expected volatility was estimated by benchmarking comparable situations for companies that are similar to the Corporation.

Concurrently with the closing of the amalgamation, the Corporation completed a concurrent financing pursuant to a non-brokered private placement of (i) 1,183,510 Shares, issued on a flow through basis, at a price of $0.18 per common share, and (ii) 5,173,293 units at a price of $0.14 per unit for aggregate gross proceeds of $937,293. Each unit being comprised of one Share and one half of one warrant, each whole warrant entitling the holder hereof to acquire one Share at a price of $0.18 per common share class A until March 24, 2019.

From the total proceeds received from the units of $724,261, $125,149 has been allocated to warrants and $599,112 to capital stock, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 100%, a risk free interest rate of 0.76% and an expected life of the warrants of 2 years.

In connection with this financing, the Corporation paid to arm's length finders an aggregate amount of $7,842 and issued an aggregate of 43,568 finder warrants. Each finder warrant entitles the holder to purchase one Share at a price of $0.18 until March 24, 2019. The total compensation warrants cost amounted to $2,832 and this fair value was estimated using the Black-Scholes model with the same assumptions as the warrants.

Concerning the March 24, 2017 flow-through private placement, the Corporation's share value at closing is deemed to be $0.14, therefore the residual value attributed to the benefit related to flow-through shares renunciation is $0.04 for a total value of $47,340 credited to the liability related to the premium on flow-through shares.

Share issue expenses, including the finder's fees and compensation warrants, totalled $37,583 of which $30,510 was allocated to capital stock, $4,471 to warrants and $2,602 to flow-through premium.

## 5. CASH AND CASH EQUIVALENTS

All the exploration work imposed by the December 30, 2016 and March 24, 2017 flow-through financings was completed before September 30, 2017.

## 6. INVESTMENT

The investment is composed of a guaranteed investment certificate, not cashable before the expiry date, bearing a 1.2% interest payable annually, maturing on April 24, 2018, with a maturity value of $303,590.

(Unaudited, in Canadian Dollars)

## 7. EXPLORATION AND EVALUATION ASSETS

| Mineral properties acquisition costs | As at Jan 1, 2017 | Acquisition from Géoméga | Additions | Impairment | As at September 30, 2017 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Mitchi [3)] | 932,010 | - | 28,788 | - | 960,798 |
| Anik | - | 1,949,500 | 1,410 | - | 1,950,910 |
| McDonald | - | 371,250 | 577 | - | 371,827 |
| Rivière à l'aigle | - | 148,000 | 17,874 | - | 165,874 |
| Gaspard | - | 9,750 | - | (9,750)[2)] | - |
| Gaspard nord | - | - | 183 | - | 183 |
| Lac Storm | - | 2,250 | 273 | - | 2,523 |
| 3G | - | 10,500 | - | (10,500)[2)] | - |
| Comptois | - | 1,000 | - | - | 1,000 |
| Maryse | - | 7,750 | - | - | 7,750 |
| Cousineau | - | - | 2,459 | - | 2,459 |
| New Musher | - | - | 8,833 | - | 8,833 |
| Dalime | - | - | 13,370 | - | 13,370 |
| Generation | - | - | 1,847 | - | 1,847 |
| | **932,010** | **2,500,000** | **75,614** | **(20,250)** | **3,487,374** |

| Mineral properties acquisition costs | As at Jan 1, 2016 | Additions | Impairment [1)] | As at Dec. 31, 2016 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| WHN | 679,125 | 2,885 | - | 682,010 |
| Boisvert | - | 250,000 | - | 250,000 |
| Peter Lake | 50,500 | - | (50,500) | - |
| Cousineau | 50,000 | - | (50,000) | - |
| | **779,625** | **252,885** | **(100,500)** | **932,010** |

1) Some claims were dropped and the Corporation impaired partially the property.
2) The Corporation dropped the property and wrote it off.
3) The WHN/Boisvert properties has been combined and renamed Mitchi since it's in the same area of interest.

### 7.1 Comptois

On November 3, 2017, the Corporation completed a transaction with Osisko Mining Inc. ("Osisko") whereby Osisko acquired the Comptois property for a total proceeds of $50,000 in cash and a 2% net smelter return ("NSR") royalty of which 1% can be bought back for $1,000,000.

### 7.2 Dalime and New Musher

On July 27, 2017, the Corporation signed a purchase agreement with 3 individuals for claims located in proximity to various properties of the Corporation's Abitibi projects. The properties was purchased under the following considerations: issuance of 85,000 Shares (fair value of $13,600), issuance of 42,500 warrants exercisable for 24 months at $0.24, grant of 1% NSR royalty that can be bought back by the Corporation for $1,000,000.

(Unaudited, in Canadian Dollars)

## 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Total warrants costs amount to $2,762 for an estimated fair value of $0.065 per warrant. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.22% risk-free interest rate and 1.8 year warrant expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

## 8. PROPERTY AND EQUIPMENT

| | Vehicles |
|---|---|
| | $ |
| **2017** | |
| Net book value – opening | - |
| Additions | 7,900 |
| Depreciation | (878) |
| Net book value – closing | 7,022 |
| | |
| As at September 30, 2017 | |
| Cost | 7,900 |
| Accumulated depreciation | (878) |
| **Net book value – closing** | **7,022** |

## 9. OBLIGATIONS UNDER FINANCE LEASE

| | As at September 30, 2017 |
|---|---|
| | $ |
| Obligation under finance lease, at 27%, payable in monthly installments, maturing in May 2020. At the end of the term, the Corporation may buy the equipment at a price of $10 | 7,300 |
| Current portion | (2,156) |
| **Obligation under finance lease non-current portion** | **5,144** |

The obligation under finance lease is as follows:

| | 1 year | 1 to 5 years | Total |
|---|---|---|---|
| | $ | $ | $ |
| Minimum lease payments | 3,869 | 6,438 | 10,307 |
| Interest included in minimum lease payments | (1,712) | (1,295) | (3,007) |
| | **2,157** | **5,143** | **7,300** |

(Unaudited, in Canadian Dollars)

## 10. LIABILITY RELATED TO THE PREMIUM ON FLOW THROUGH SHARES

| | Nine months ended September 30, 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Balance, beginning of period | 282,707 | - |
| Addition, net of issue costs | 44,738 | 282,707 |
| Reduction related to qualifying exploration expenditures | (327,445) | - |
| **Liability related to the premium on flow through shares** | **-** | **282,707** |

## 11. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of class A, B, C common shares and class A, B, C and D special shares. Only class A common shares are issued with the following restrictions and privileges: voting, participating with dividend as declared by the Board of Directors.

There are 18,005,129 shares held in escrow as at September 30, 2017.

## 12. WARRANTS

Changes in the Corporation's warrants are as follow:

| | Nine months ended September 30, 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Number of warrants** | **Carrying Value** | **Weighted average exercise price** | **Number of warrants** | **Carrying Value** | **Weighted average exercise price** |
| | | $ | $ | | $ | $ |
| Balance, beginning | 1,001,250 | 47,061 | 0.18 | - | - | - |
| Issued | 2,629,147 | 127,911 | 0.18 | 1,001,250 | 47,061 | 0.18 |
| Issuance Costs | - | (4,471) | - | - | - | - |
| **Balance, end** | **3,630,397** | **170,501** | **0.18** | **1,001,250** | **47,061** | **0.18** |

Warrants outstanding as at September 30, 2017 are as follows:

| Number of warrants | Exercise price | Expiry date |
|---|---|---|
| | $ | |
| 1,001,250 | 0.18 | December 30, 2018 |
| 2,586,647 | 0.18 | March 24, 2019 |
| 42,500 | 0.24 | July 27, 2019 |
| **3,630,397** | | |

(Unaudited, in Canadian Dollars)

## 13. BROKER WARRANTS

Changes in the Corporation's broker options and finder warrants are as follow:

| | Nine months ended September 30, 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Number of broker warrants | Carrying Value | Weighted average exercise price | Number of broker warrants | Carrying Value | Weighted average exercise price |
| | | $ | $ | | $ | $ |
| Balance, beginning | - | - | - | - | - | - |
| Issued | 43,568 | 2,832 | 0.18 | - | - | - |
| **Balance, end** | **43,568** | **2,832** | | **-** | **-** | **-** |

Broker warrants outstanding as at September 30, 2017 are as follows:

| Number of broker warrants | Exercise price | Expiry date |
|---|---|---|
| | $ | |
| 43,568 | 0.18 | March 24, 2019 |
| **43,568** | | |

## 14. STOCK OPTIONS

Changes in stock options are as follow:

| | Nine months ended September 30, 2017 | | 2016 | |
|---|---|---|---|---|
| | Number of options | Weighted Average Exercise Price | Number of options | Weighted Average Exercise Price |
| | | $ | | $ |
| Balance, beginning | - | - | 467,193 | 0.0002 |
| Replacement options issued upon the amalgamation (Note 4) | 250,000 | 0.20 | - | - |
| Granted | 1,400,000 | 0.14 | - | - |
| Exercised | - | - | (467,193) | 0.0002 |
| Forfeited | (5,000) | 0.14 | - | - |
| Expired | (200,000) | 0.20 | - | - |
| **Balance, end** | **1,445,000** | **0.15** | **-** | **-** |
| Balance, end exercisable | 361,250 | 0.15 | - | - |

(Unaudited, in Canadian Dollars)

## 14. STOCK OPTIONS (CONT'D)

Stock options outstanding as at September 30, 2017 are as follows:

| Number of options outstanding | Number of options exercisable | Exercise price | Expiry date |
|---|---|---|---|
| | | $ | |
| 50,000 | 50,000 | 0.20 | July 2, 2020 |
| 1,245,000 | 311,250 | 0.14 | March 23, 2022 |
| 150,000 | - | 0.14 | August 28, 2022 |
| **1,445,000** | **361,250** | | |

On March 24, 2017, the Corporation granted to its directors, officers, employees and consultants 1,250,000 options exercisable at $0.14, valid for 5 years. The options vest 25% per 6 months from the grant date Those options were granted at an exercise price equal to the shares issued as part of amalgamation concurring private placement. Total stock-based compensation costs amount to $130,000 for an estimated fair value of $0.104 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.12% risk-free interest rate and 5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

On August 28, 2017, the Corporation granted to a director 150,000 options exercisable at $0.14, valid for 5 years. The options vest 25% per 6 months from the grant date. Those options were granted at an exercise price equal to the closing market value of the shares preceding the grant. Total stock-based compensation costs amount to $15,600 for an estimated fair value of $0.104 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.48% risk-free interest rate and 5 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

## 15. EXPLORATION AND EVALUATION EXPENSES

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$** | **$** | **$** | **$** |
| Salaries and benefits | 207,795 | - | 456,626 | - |
| Geology and prospecting | 42,757 | 5,000 | 77,970 | 20,683 |
| Drilling | (45) | - | 168,508 | - |
| Analysis | 57,939 | 482 | 92,574 | 708 |
| Geophysics | 7,479 | - | 142,121 | - |
| Lodging and travel | 47,612 | 1,706 | 115,367 | 2,966 |
| Supplies | 37,675 | 4,395 | 103,102 | 5,985 |
| Taxes, permits and insurance | 1,642 | - | 7,079 | - |
| **Exploration and evaluation expenses before tax credits** | 402,854 | 11,583 | 1,163,347 | 30,342 |
| Tax credits | (65,019) | - | (65,019) | - |
| **Exploration and evaluation expenses** | **337,835** | **11,583** | **1,098,328** | **30,342** |

(Unaudited, in Canadian Dollars)

## 16. RELATED PARTY TRANSACTIONS

### 16.1 Transactions with Géoméga:

Following the amalgamation and related transaction of March 24, 2017, Géoméga emerged as the major shareholder holding 38.1% of the Shares of the Corporation and is considered to have significant influence over the Corporation.

Effective on January 1, 2017, Géomines signed an agreement to hire Géoméga as subcontractor to execute the exploration work after January 1, 2017. Géoméga charged the following expenses, in the normal course of operations, since January 1, 2017:

| | **Nine months ended** | |
|---|---|---|
| | **September 30, 2017** | **September 30, 2016** |
| | **$** | **$** |
| Exploration and evaluation assets | 21,590 | - |
| | | |
| Salaries and benefits | 41,123 | - |
| Exploration and evaluation expenses | 305,284 | - |
| Travel, conference and investor relations | 7,512 | - |
| Loyer | 4,500 | - |
| Administration | 1,235 | - |
| **Total** | **381,244** | **-** |

As at September 30, 2017, the Corporation owes $8,625 (nil as at December 31, 2016) to Géoméga, and this due to a shareholder with significant influence is non-interest bearing, unsecured and due on demand.

### 16.2 In the normal course of operations, since March 24, 2017:

- A firm in which an director and officer is a partner charged legal professional fees amounting to $109,518 of which $57,778 was recorded as listing expense, $10,668 as professional fees, $3,069 as share issue expense and $38,003 was recorded in the books of Black Spring prior to March 24, 2017 but relates to the amalgamation and related transactions;
- A company controlled by an officer charged professional fees of $36,468, of which $19,603 relates to her staff; and
- As at September 30, 2017, the balance due to the related parties mentioned in this section amounted to $9,636.

### 16.3 Out of the normal course of operations, since March 24, 2017:

- Directors and officers of the Corporation participated in the concurrent flow-through private placement (note 4) for $15,000 and in the concurrent unit private placement (note 4) for $5,600. The directors and officers subscribed to the units private placement and the flow-through private placement under the same terms and conditions set forth all subscribers.

## 16. RELATED PARTY TRANSACTIONS (CONT'D)

### 16.4 Out of the normal course of operations, between January 1, 2016 and March 24, 2017 for Géomines:

In 2016, Géomines incurred exploration and evaluation expenses totalling $25,842 and entertainment expenses amounting to $25 with Ressources Maxima inc. ("Maxima"), a company controlled by the president of Géomines. Géomines also paid renewal fees for claims included in exploration and evaluation assets for an amount of $2,208 to the same company. Furthermore, the Géomines acquired a mining property from Ressources Amixam inc., a company controlled by the president of Corporation, for an amount of $250,000.

For the period from January 1, 2017 up to March 24, 2017, Géomines incurred exploration and evaluation expenses totalling $4,500 with Maxima.

These transactions are measured at the amount of consideration established and agreed by the related parties.

## 17. SUBSEQUENT EVENTS

On November 16 and 28, 2017, the Corporation closed a private placement consisting of 2,244,784 flow through Shares at a price of $0.14 per share and of 1,590,908 units at a price of $0.11 per unit for aggregate gross proceeds of $489,270. Each Unit being comprised of one Share and one half warrant, each whole warrant entitling the holder hereof to acquire one Share at a price of $0.14 per share until November 15, 2019. In connection with this financing, the Corporation paid to arm's length finders an aggregate amount of $7,536 and issued an aggregate of 53,830 finder warrants. Each finder warrant entitles the holder to purchase one Share at a price of $0.14 until November 28, 2019. Certain officers of the Corporation have participated in this private placement for a total of 100,000 flow-through shares.