TORQ RESOURCES

(Formerly Stratton Resources Inc.)

(An exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars unless otherwise stated)

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Independent Auditor's Report

To the Shareholders of Torq Resources Inc. (formerly Stratton Resources Inc.)

We have audited the accompanying consolidated financial statements of Torq Resources Inc. (formerly Stratton Resources Inc.) which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity 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 as issued by the International Accounting Standards Board, 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 Torq Resources Inc. (formerly Stratton Resources Inc.) 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 as issued by the International Accounting Standards Board.

/s/ Deloitte LLP

Chartered Professional Accountants
April 24, 2018
Vancouver, Canada

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	As at December 31, 2017	As at December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 15,444,707	$ 5,864,033
Amounts receivable (note 4)	328,723	31,938
Prepaid expenses and deposits	82,737	291,365
	15,856,167	6,187,336
Non-current assets:		
Mineral property interests (note 5)	2,166,106	605,232
Total assets	**$ 18,022,273**	**$ 6,792,568**
Liabilities and Equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 201,719	$ 633,673
	201,719	633,673
Non-current liability:		
Gecon financial liability (Note 7)	151,049	218,472
	352,768	852,145
Equity		
Share capital	48,977,100	36,103,136
Share option and warrant reserve	7,094,897	5,039,680
Accumulated other comprehensive loss	(4,313)	(1,024)
Deficit	(38,398,179)	(35,201,369)
	17,669,505	5,940,423
Total liabilities and equity	**$ 18,022,273**	**$ 6,792,568**

Approved on behalf of the Board of Directors:

"Shawn Wallace"
Director

"Steve Cook"
Director

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

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except share amounts)

	Year ended December 31, 2017	2016
Operating expenses		
Consulting fees, wages and benefits	$ 466,276	$ 50,794
Legal and professional fees	93,746	35,639
Regulatory, transfer agent and shareholder information	64,703	22,707
Office and administration	174,682	63,633
Share-based compensation (note 9)	1,232,009	–
Travel, marketing and investor relations	68,535	1,760
Bank charges	6,906	2,416
	2,106,857	176,949
Other expenses (income)		
Project investigation costs (note 6)	1,248,276	246,484
Interest income	(146,577)	(10,872)
Change in fair value of Gecon financial liability and startup costs (note 7)	(67,423)	245,935
Foreign exchange loss	55,677	2,003
	1,089,953	483,550
Loss for the year	**3,196,810**	**660,499**
Other comprehensive loss, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Unrealized currency loss on translation of foreign operations	3,289	1,024
Other comprehensive loss for the year	**3,289**	**1,024**
Total comprehensive loss for the year	**$ 3,200,099**	**$ 661,523**
Basic and diluted loss per share (note 15)	$ 0.04	$ 0.02
Weighted average number of common shares outstanding (basic and diluted) (note 15)	73,943,342	43,472,109

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

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars, except share amounts)

	Number of shares	Share capital	Share option and warrant reserve	Accumulated other comprehensive loss	Deficit	Total
Balance at December 31, 2015	36,724,164	$ 29,086,748	$ 5,039,680	$ –	$ (34,540,870)	$ (414,442)
Net loss and comprehensive loss for the year	–	–	–	(1,024)	(660,499)	(661,523)
Proceeds from private placement, net of share issue costs (note 8 (b))	20,000,000	6,956,388	–	–	–	6,956,388
Shares issued for acquisition of mineral property - Newfoundland (note 8 (b))	100,000	60,000	–	–	–	60,000
Balance at December 31, 2016	56,824,164	$ 36,103,136	$ 5,039,680	$ (1,024)	$ (35,201,369)	$ 5,940,423
Net loss and comprehensive loss for the year	–	–	–	(3,289)	(3,196,810)	(3,200,099)
Proceeds from private placement, net of share issue costs (note 8 (b))	20,300,000	12,747,964	–	–	–	12,747,964
Share-based compensation (note 9)	–	–	2,055,217	–	–	2,055,217
Shares issued for acquisition of mineral property - Newfoundland (note 8 (b))	200,000	126,000	–	–	–	126,000
Balance at December 31, 2017	77,324,164	$ 48,977,100	$ 7,094,897	$ (4,313)	$ (38,398,179)	$ 17,669,505

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

TORQ RESOURCES INC. (Formerly Stratton Resources Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31, 2017	2016
Cash (used in) provided by:		
Operating activities:		
Net loss for the year	$ (3,196,810)	$ (660,499)
Items not involving cash:		
Share-based compensation (note 9)	1,773,158	–
Change in fair value of Gecon financial liability	(67,423)	218,472
Unrealized foreign exchange loss	(444)	(1,598)
Interest income	(146,577)	(10,872)
Changes in non-cash working capital:		
Amounts receivable	(57,185)	(30,860)
Prepaid expenses and deposits	(30,593)	(274,594)
Accounts payable and accrued liabilities	(19,231)	312,195
Cash used in operating activities	(1,745,105)	(447,756)
Investing activities:		
Mineral property expenditures, net of government grants	(1,566,106)	(251,700)
Deferred project acquisition costs	–	(10,019)
Interest received	146,577	10,872
Cash used in investing activities	(1,419,529)	(250,847)
Financing activities:		
Repayment of note payable (note 10)	–	(609,388)
Shares issued for cash, net of issuance costs (note 8 (b))	12,747,964	6,956,388
Cash provided by financing activities	12,747,964	6,347,000
Effect of foreign exchange rate changes on cash	(2,656)	115
Increase in cash	9,580,674	5,648,512
Cash, beginning of the year	5,864,033	215,521
Cash, end of the year	**$ 15,444,707**	**$ 5,864,033**

Supplemental cash flow information (note 12)

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

1. Corporate information

Torq Resources Inc. (formerly known as Stratton Resources Inc.) (the "Company" or "Torq") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange ("the Exchange") as a Tier 2 mining issuer. The Company changed its name to Torq Resources Inc. effective March 15, 2017 and its shares trade under the symbol TORQ.V in Canada and on the OTCQX under the US symbol TRBMF.

The Company is principally engaged in the acquisition, exploration, and development of mineral property interests globally with focus in the Americas. The Company has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, obtaining the necessary mining permits, and on future profitable production or the proceeds from the disposition of the exploration and evaluation assets.

The head office and principal address of the Company is located at 1199 Hastings Street, Suite 600, Vancouver, British Columbia, V6E 3T5, Canada.

2. Basis of presentation

(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"), effective for financial year ended December 31, 2017. IFRS include International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 24, 2018.

(b) Basis of preparation and consolidation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of the Gecon financial liability, which is measured at fair value (note 7).

The Company's functional currency is the Canadian dollar, which is also the Company's presentation currency. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted. Amounts in these financial statements denominated in Euros are denoted as EUR.

The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Subsidiary	Place of incorporation	Functional Currency	Beneficial Interest
Stratton Resources (Canada) Ltd.	BC, Canada	CAD	100%
Gecon OOD (note 7)	Bulgaria	EUR	100%
Archelaus Resources DOOEL (inactive)	Macedonia	EUR	100%
Balakros Resources DOOEL (inactive)	Macedonia	EUR	100%

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

Intercompany balances and transactions have been eliminated on consolidation.

2. Basis of presentation (continued)

(c) Critical accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Critical judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

ii. Economic recoverability and probability of future economic benefits of mineral property interests

Management has determined that exploration and evaluation of mineral properties and related costs incurred, which have been recognized on the consolidated statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

iii. Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

iv. Financial instruments

Financial assets and liabilities are classified upon initial recognition to various categories. The classification determines the method by which the financial instruments are measured on the statement of financial position subsequent to initial recognition and how changes in value are recorded. The classification may require the Company to make certain judgments, taking into account management's intention of the use of the financial instruments.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

i. Income taxes (note 14)

The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and to apply those findings to the Company's transactions.

ii. Deferred tax assets and liabilities (note 14)

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

2. Basis of presentation (continued)

(c) Critical accounting judgments and estimates (continued)

iii. Valuation of Gecon financial liability (note 7)

Management judgment and estimates are required in determining the expected cash settlement value and associated timing of cash settlement in estimating the fair value of the Gecon Financial Liability. These inputs are not based on observable market based measures and accordingly are subject to heightened risk and uncertainty. Changes in circumstances may alter expectations which may impact the fair value of the Gecon Financial Liability recognized on the consolidated statements of financial position. Changes in the fair value of the Gecon Financial Liability are recognized on the consolidated statements of loss and comprehensive loss in the period in which such changes occur.

iv. Share-based compensation (note 9)

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's loss and equity reserves.

3. Summary of significant accounting policies

(a) Foreign currency translation

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency determined on basis of the primary economic environment in which such entities operate. The presentation and functional currency of the Company and each of its Canadian subsidiaries is the Canadian dollar, while the functional currency of its Bulgarian and Macedonian subsidiaries is the Euro.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

For subsidiaries whose functional currency differs from the presentation currency of the Company, foreign currency balances and transactions are translated into the presentation currency as follows:

- Assets and liabilities are translated at the rates of exchange at the consolidated balance sheet date;
- Interest and other income and expenses are translated at average exchange rates throughout the reporting period or at rates that approximate the actual exchange rates; items such as depreciation are translated at the monthly average exchange rate;
- Exchange gains and losses on translation are included in other comprehensive loss.

The exchange gains and losses are recognized in comprehensive loss upon the substantial disposition, liquidation or closure of the entity that gave rise to such amounts.

3. Summary of significant accounting policies (continued)

(b) Financial instruments

The Company recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities and are described as follows:

Classification	Measurement after initial recognition	Recognition of gains or losses related to fair value changes
Financial assets:		
Loans and receivables	Amortized cost (using the effective interest method)	On de-recognition, impairment and write-downs
Held-to-maturity	Amortized cost (using the effective interest method)	On de-recognition, impairment and write-downs
Available-for-sale (“AFS”)	Fair value	Recognized in other comprehensive loss and reclassified to comprehensive loss on de-recognition and impairment
FVTPL	Fair value	Recognized in comprehensive loss
Financial liabilities:		
Other financial liabilities	Amortized cost (using the effective interest method)	On de-recognition, impairment and write-downs
FVTPL	Fair value	Recognized in comprehensive loss

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments.

As at December 31, 2017 and 2016, the Gecon Financial Liability was a financial liability classified at FVTPL (note 7).

(c) Mineral property interests

The Company accounts for exploration and evaluation expenditures in accordance with IFRS 6 - Exploration for and Evaluation of Mineral Resources (“IFRS 6”).

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset acquisition. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain. Exploration and evaluation expenditures are capitalized until properties are determined to contain economically recoverable mineral resources, are abandoned or the interest is sold. Option payments received are credited against the deferred exploration and evaluation expenditures. No gain or loss on disposition of a partial interest is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments received.

3. Summary of significant accounting policies (continued)

(c) Mineral property interests (continued)

Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the net income / loss as project investigation costs. Capitalized costs are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable mineral resources.

Exploration and evaluation assets are assessed for impairment when (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, deferred exploration and evaluation expenditures attributable to that area of interest are first tested for impairment and then reclassified to mineral interests and development assets within property and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(d) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset’s recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the statement of comprehensive loss.

(e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(f) Loss per share

Basic loss per share is calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the relevant period. Diluted loss per share is calculated by dividing net loss applicable to common shareholders by the weighted average number of diluted common shares outstanding during the year. Diluted common shares reflect the potential dilutive effect of exercising the share options and warrants based on the treasury share method.

3. Summary of significant accounting policies (continued)

(g) Share-based payments

From time to time, the Company grants share options to employees and non-employees. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where equity-settled share options are awarded to employees the fair value of the options, estimated using the Black-Scholes option pricing model, at the date of grant is charged to the net 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.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the net loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the net loss, unless they are related to the issuance of shares. Amounts 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 use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes 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.

(h) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in net loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position statement date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, a reduction in the asset is recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(Expressed in Canadian Dollars, unless otherwise stated)

3. Summary of significant accounting policies (continued)

(i) Changes in accounting standards

i) New accounting standards effective January 1, 2017

The Company has adopted the narrow scope amendments to IFRS 12 - Disclosure of Interests in Other Entities, IAS 7 - Statement of Cash Flows and IAS 12 - Income Taxes which are effective for annual periods beginning on or after January 1, 2017. The amendments did not have an impact on the Company's consolidated financial statements.

ii) New and amended accounting standards not yet effective for the year ended December 31, 2017

Revenue Recognition

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which 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, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of this standard will not impact the Company’s consolidated financial statements, as currently the Company does not earn revenues.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of this standard will not impact the Company’s consolidated financial statements as currently the Company does not hold any financial instruments for which the underlying accounting will be impacted.

Leases

In January 2016, the IASB published a new accounting standard, IFRS 16 – Leases ("IFRS 16") which supersedes IAS 17 – Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, has also been applied. The Company does not have any material lease agreements and does not expect the adoption of this standard to materially impact its consolidated financial statements.

4. Amounts receivable

As at December 31, 2017 the Company had incurred 100% of the required assessment work on its Newfoundland projects (note 5) to claim a refund on the $239,600 refundable deposit posted with the Department of Natural Resources of Newfoundland and Labrador (“DNRNFL”) in the year ended December 31, 2016. Accordingly, as at December 31, 2017 the refundable deposit has been reclassified from prepaid expenses and deposits to amounts receivable.

	December 31, 2017	**December 31, 2016**
Receivable from DNRNFL	$ 239,600	$ -
Value added tax receivable	50,059	31,938
Other receivables	39,064	-
	$ 328,723	**$ 31,938**

(Expressed in Canadian Dollars, unless otherwise stated)

5. Mineral property interests

a) Newfoundland exploration projects

Wildwood Option

On October 28, 2016, the Company entered into an option agreement with Wildwood Exploration Inc. to acquire the rights to approximately 119,000 hectares in Newfoundland, Canada (the " Wildwood Option"). Under the terms of the Wildwood Option, the Company may acquire a 100% interest, subject to a NSR royalty, in 4,777 mineral claims through a combination of work expenditures and cash and share payments as listed in the table below:

Due dates	Status	Cash Payments	Common Shares	Work Expenditures
Upon signing of the agreement	Complete	$ 75,000	100,000	$ -
On or before October 28, 2017	Complete	150,000	200,000	250,000
On or before October 28, 2018		200,000	250,000	500,000
On or before October 28, 2019		250,000	400,000	500,000
On or before October 28, 2020		175,000	500,000	1,000,000
On or before October 28, 2021		-	1,750,000	-
Total		**$ 850,000**	**3,200,000**	**$ 2,250,000**

The NSR is 2.0% with 50% (being 1.0%) buyable for $3,000,000 at any time.

Cracker Option

On June 26, 2017, the Company entered into an option agreement with a private individual to acquire the rights to certain mineral claims in northeastern Newfoundland, Canada (the "Cracker Option"), that are adjacent to the Company's Wildwood Option claims.

Under the terms of the Cracker Option, the Company may acquire either 75% or 100% interest in the mineral claims through a combination of work expenditures and cash or share payments as outlined in the table below:

Due dates	Status	Cash Payments	Cash or Share payments	Work Expenditures
On June 26, 2017	Complete	$ 25,000	$ -	$ -
On or before June 26, 2018		50,000	-	100,000
On or before June 26, 2019		-	-	250,000
On or before June 26, 2020		-	175,000	650,000
Cumulative totals to earn a 75% interest in the claims		**75,000**	**175,000**	**1,000,000**
On or before June 26, 2021		-	250,000	1,000,000
Cumulative totals to earn a 100% interest in the claims		**$ 75,000**	**$ 425,000**	**$ 2,000,000**

Should the Company elect to make share payments instead of cash, the shares would be subject to a four month resale restriction in Canada and the per share value would be the 5-day volume weighted average trading price calculated for the five trading days prior to the date such payment is made.

(Expressed in Canadian Dollars, unless otherwise stated)

5. Mineral property interests (continued)

b) The following is a continuity of costs capitalized as mineral property interests:

	Newfoundland
Balance as at December 31, 2015	$ -
Acquisition costs	
Option payments	135,000
Other acquisition costs	81,180
Exploration and evaluation costs	
Drilling and sampling	159,292
Logistics	9,642
Project support cost	115,574
Wages and consultants	104,544
Balance as at December 31, 2016	**$ 605,232**
Acquisition costs	
Option payments	316,000
Other acquisition costs	2,164
Exploration and evaluation costs	
Aircraft and travel	132,047
Assays	197,585
Equipment rental and maintenance	76,061
Geophysics and targeting	237,743
Project support cost	62,464
Share-based compensation	282,059
Wages and consultants	384,456
Total additions for the year	**$ 1,690,579**
Government grants	(129,705)
Balance as at December 31, 2017	**$ 2,166,106**

During the year ended December 31, 2017, the Company received a grant from the Government of Newfoundland and Labrador in the amount of $129,705 which was recorded as an offset to the exploration and evaluation expenditures incurred on the Newfoundland projects.

6. Project investigation costs

	Year ended December 31, 2017	2016
Assays	$ 91,494	$ 8,095
Equipment, vehicles rent and field supplies	42,614	5,807
Geological consulting, salaries and wages	425,652	178,750
Project support costs	44,832	16,696
Share-based compensation	541,149	-
Travel, meals, accommodation	102,535	37,136
	$ 1,248,276	**$ 246,484**

(Expressed in Canadian Dollars, unless otherwise stated)

7. Gecon financial liability

Effective November 16, 2016, pursuant to an investment agreement, the Company acquired a beneficial interest in 100% of the capital of a Bulgarian shell company, Gecon OOD ("Gecon"), for the purposes of establishing mineral exploration operations in the country. Pursuant to the investment agreement between the Company and Gecon's former shareholder, the Company will pay a minimum of USD 50,000 and a maximum of USD 200,000 at any time within a 3-year period of signing the investment agreement in exchange for its beneficial interest in Gecon.

As at December 31, 2017, the Company recognized a financial liability with a fair value estimated at $151,049 (2016 - $218,472). The fair value of the liability was determined using a probability weighted scenario based approach with the following assumptions:

- Average undiscounted cash settlement value of USD 125,000 (2016 - USD 170,000)
- Expected timing of the cash settlement of 2 years (2016 - 3 years)
- Risk free interest rate of 1.89% (2016 - 1.47%) based on US Treasury Bill interest rates
- Foreign exchange rate of 1.2545 CAD for 1 USD based on the Bank of Canada exchange rate at December 31, 2017 (2016 - 1.34 CAD for 1 USD).

As at December 31, 2017, the Company revalued the liability and recorded a fair value gain of $67,423 in the consolidated statement of loss and comprehensive loss for the year. For the year ended December 31, 2016, a total expense of $245,935 was recorded through the consolidated statement of loss and comprehensive loss and included the fair value of the liability of $218,472 as well as professional and other fees of $27,463 incurred in connection with the acquisition of the 100% beneficial interest in Gecon.

8. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Share issuances

Year ended December 31, 2017:

Pursuant to the Newfoundland Option Agreement (note 5 (a)), the Company issued 200,000 common shares with a total fair value of $126,000. The fair value of the shares was determined based on the closing price of the Company's shares quoted at TSX Venture Exchange at the date of issuance of the shares, October 10, 2017.

On February 27, 2017, the Company closed a non-brokered private placement for gross proceeds of $13,195,000 (the "February 2017 Private Placement") pursuant to which the Company issued an aggregate of 20,300,000 common shares at a price of $0.65 per common share. Share issue costs related to the Private Placement amounted to $447,036, which included finder's fees of $377,042 and professional and regulatory fees of $66,994. A reconciliation of the impact of the February 2017 Private Placement on share capital is as follows:

	Number of common shares issued	Impact on share capital
Common shares issued at $0.65 per share	20,300,000	$ 13,195,000
Cash share issue costs	-	(447,036)
	20,300,000	**$ 12,747,964**

(Expressed in Canadian Dollars, unless otherwise stated)

8. Share capital (continued)

(b) Share issuances (continued)

Year ended December 31, 2016:

Pursuant to the Newfoundland Option Agreement (note 5 (a)) the Company issued 100,000 common shares with a total fair value of $60,000. The fair value of the shares was determined based on the closing price of the Company's shares quoted at TSX Venture Exchange at the date of issuance of the shares, December 1, 2016.

On August 30, 2016, the Company closed a private placement for gross proceeds of $7,000,000 (the "Private Placement") pursuant to which the Company issued an aggregate of 20,000,000 common shares at a price of $0.35 per common share. Share issue costs related to the Private Placement, which included professional and regulatory fees, totaled $43,612. There were no commissions or brokerage fees paid in connection with the Private Placement. A reconciliation of the impact of the Private Placement on share capital is as follows:

	Number of common shares issued	Impact on share capital
Common shares issued at $0.35 per share	20,000,000	$ 7,000,000
Cash share issue costs		(43,612)
	20,000,000	**$ 6,956,388**

9. Share option and warrant reserve

Share-based options

The Company maintains a Rolling Share-based Option Plan providing for the issuance of share options up to 10% of the Company's issued and outstanding common shares. The Company may grant from time to time share options to its directors, officers, employees and other service providers. The share options vest 25% on the date of the grant and 12½% every three months thereafter for a total vesting period of 18 months.

The continuity of the number of share options issued and outstanding is as follows:

	Number of share options	**Weighted average exercise price**
Outstanding, December 31, 2016	-	$ -
Granted	6,500,000	0.85
Forfeited	(60,000)	0.85
Outstanding, December 31, 2017	**6,440,000**	**$ 0.85**

As at December 31, 2017, the number of share options outstanding and exercisable was:

	Outstanding			**Exercisable**		
Expiry date	Number of options	Exercise price	Remaining contractual life (years)	Number of options	Exercise price	Remaining contractual life (years)
Aug 30, 2022	6,440,000	$0.85	4.67	2,415,000	$0.85	4.67

(Expressed in Canadian Dollars, unless otherwise stated)

9. Share option and warrant reserve (continued)

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the year ended December 31, 2017 the Company recognized share-based compensation expense as follows:

	Year ended December 30, 2017
Recognized in net loss:	
Included in operating expenses	$ 1,232,009
Included in project investigation costs	541,149
Capitalized to mineral interest	282,059
	$ 2,055,217

During the year ended December 31, 2016, the Company did not grant any share options and had no outstanding or exercisable share options as at December 31, 2016.

The fair value of the share options granted during the year ended December 31, 2017 of $0.51 per share option was estimated using the Black-Scholes option valuation model with the following assumptions on a weighted average basis:

	Year ended December 31, 2017
Risk-free interest rate	1.51%
Expected dividend yield	nil
Share price volatility	99%
Expected life in years	4.30

The expected volatility assumption is based on the historical and implied volatility of the Company's common shares. The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the share options.

Share purchase warrants

During the years ended December 31, 2017 and 2016, the Company did not issue share purchase warrants and has no outstanding or exercisable share purchase warrants.

(Expressed in Canadian Dollars, unless otherwise stated)

10. Related party transactions

All transactions with related parties have occurred in the normal course of operations. All amounts payable and receivable are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	Year ended December 31, 2017	Year ended December 31, 2016
Universal Mineral Services Ltd. [1]		
Included in the statement of loss and comprehensive loss:		
Bank charges	$ 1,952	$ 910
Consulting fees, wages and benefits	175,862	82,697
Office, rent and administration	134,219	57,010
Project investigation costs	93,621	3,265
Regulatory, transfer agent and shareholder information	8,197	2,153
Travel, marketing and investor relations	4,029	-
Capitalized to mineral property interest:		
Newfoundland project	194,897	13,486
Total transactions for the years	**$ 612,777**	**$ 159,521**

1) Universal Mineral Services Ltd., ("UMS") is a private company with two directors and one officer in common that, pursuant to an agreement dated December 30, 2015, provides office space and administrative services to the Company on a cost recovery basis. The outstanding balance owing at December 31, 2017 was $43,194 (December 31, 2016 - $30,388) and prepaid expenses and deposits balance was $50,000 (December 31, 2016 - $31,000).

   Effective June 30, 2013, UMS agreed to settle historic payable balances totaling $609,388 with a note payable for an equivalent value. The note payable was repaid in full effective August 30, 2016.

Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members:

	Year ended December 31, 2017	Year ended December 31, 2016
Short-term benefits	$ 233,735	$ -
Share-based compensation	1,041,246	-
	$ 1,274,981	**$ -**

11. Financial instruments

The Company's financial assets and liabilities are as follows:

	Category	Carrying value	December 31, 2017	December 31, 2016
Financial assets				
Cash	Loans and receivables	Amortized cost	$ 15,444,707	$ 5,864,033
Amounts receivable	Loans and receivables	Amortized cost	328,723	31,938
			$ 15,773,430	**$ 5,895,971**
Financial liabilities				
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	$ 201,719	$ 633,673
Gecon financial liability	FVTPL	Fair value	151,049	218,472
			$ 352,768	**$ 852,145**

11. Financial instruments (continued)

Financial instruments are evaluated under a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (market prices) or indirectly (derived from market prices);

Level 3 – Inputs for the asset or liability that are not based upon observable market data.

As at December 31, 2017 and 2016, the only financial instrument measured at fair value was the Gecon Financial Liability which is classified under level 3 of the fair value hierarchy (Note 7). The Gecon Financial Liability was remeasured at December 31, 2017 and 2016 with the change in fair value for the year then ended recognized in the comprehensive statement of loss.

The Company's financial instruments are exposed to certain financial risks including credit risk, liquidity risk and market risks. As at December 31, 2017 and 2016 credit risk and liquidity risk do not have a material impact on the Company's consolidated financial statements. The quantitative impact of the market risk on the Company's net loss for the period is presented as follows:

(a) Market risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the company is exposed are:

Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency (the Canadian dollar). As at December 31, 2017, the Company held net financial assets denominated in US dollars in the amount of $817,715 (December 31, 2016 - $165,642) and net financial assets denominated in Euro of $26,530 (December 31, 2016 – $33,632).

A 10% increase or decrease in the US dollar and Euro exchange rates would result in an increase/decrease of approximately $84,425 in the Company's net loss for the year ended December 31, 2017.

Interest rate risk

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

The Company's cash earns interest at floating rates paid on deposits. The interest is typical of Canadian banking rates, which are at present low, however the conservative investment strategy mitigates the risk of deterioration to the investment. A 1% change in the annualized interest rate would not result in a material change in the Company's net loss for the year ended December 31, 2017.

12. Supplemental cash flow information

	December 31, 2017	December 31, 2016
Common shares issued in connection with the acquisition of Mineral property interest	$ 126,000	$ 60,000
Share-based payments capitalized as exploration and evaluation expenditures	$ 282,059	$ -
Change in accounts payable included in Mineral property Interest	$ 413,291	$ 293,523

Cash and cash equivalents at December 31, 2017 included $28,750 (2016 - $nil) held in a guaranteed investment certificate as security against corporate credit cards.

(Expressed in Canadian Dollars, unless otherwise stated)

13. Segmented information

The Company operates as one operating segment being acquisition, exploration and development of mineral resource properties. As at December 31, 2017 and 2016 all of the Company's non-current assets are located in Canada.

14. Income taxes

(a) Income tax recovery provision

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

	December 31, 2017	December 31, 2016
Net loss for the year before income taxes	$ (3,196,810)	$ (660,499)
Canadian federal and provincial income tax rates	26%	26%
Expected income tax recovery	(831,171)	(171,730)
Increase (decrease) in income tax recovery resulting from:		
Share-based compensation	461,021	-
Share issuance costs	(120,700)	(11,339)
Differences in future and foreign jurisdiction tax rates	(100,971)	30,008
Non-deductible expenses and other	81,457	56,610
Increase (decrease) in unrecognized tax assets	510,364	96,451
Income tax recovery	**$ -**	**$ -**

(b) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2017	December 31, 2016
Exploration and evaluation assets	$ 7,604,125	$ 7,927,243
Non-capital losses carried forward	9,419,844	7,967,786
Share issuance costs and other	468,027	119,144
	$ 17,491,996	**$ 16,014,173**

(c) Tax losses

The Company has accumulated non-capital losses of $8,836,367 in Canada as at December 31, 2017 (December 31, 2016 - $7,780,232) for income tax purposes, which may be carried forward to reduce taxable income of future years. The Canadian non-capital losses will, if unused, expire in:

Year of expiry	Amount
2026	$ 627,760
2027	1,036,992
2028	682,444
2029	652,086
2030	981,145
2031	1,465,623
2032	869,967
2033	890,382
2034	154,636
2035	152,042
2036	195,067
2037	1,128,223
	$ 8,836,367

As at December 31, 2017, the Company has accumulated non-capital losses of $583,477 (December 31, 2016 - $187,554) in Bulgaria which expire in 2022.

(Expressed in Canadian Dollars, unless otherwise stated)

15. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

	December 31, 2017	December 31, 2016
Loss attributable to ordinary shareholders	$ 3,196,810	$ 660,499
Weighted average number of common shares	73,943,342	43,472,109
Basic and diluted loss per share	**$0.04**	**$0.02**

All of the outstanding share-purchase options at December 31, 2017 and 2016 were antidilutive for the years then ended as the Company was in a loss position

16. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of resource properties, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The capital of the Company is determined as follows:

	December 31, 2017	December 31, 2016
Equity	$ 17,669,505	$ 5,940,423
Less cash and cash equivalents	15,444,707	5,864,033
	$ 2,224,798	**$ 76,390**

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to maximize ongoing development efforts, the Company does not pay out dividends, does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital and is able to meet its ongoing current obligations as they become due. However, the Company will likely require additional capital in the future to meet its project related expenditures. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.