CALIFORNIA GOLD MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2017 and 2016

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of California Gold Mining Inc.:

We have audited the accompanying consolidated financial statements of California Gold Mining Inc., which comprise the consolidated statements of financial position as at August 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained 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 California Gold Mining Inc. as at August 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on California Gold Mining Inc.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

December 20, 2017 — Licensed Public Accountants

MNP LLP

California Gold Mining Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		August 31, 2017		August 31, 2016
ASSETS				
Current assets				
Cash	**$**	**218,493**	$	4,854
HST recoverable, accrued interest and amounts receivable		**12,178**		34,775
Prepaid expenses		**42,112**		58,440
Total current assets		**272,783**		98,069
Other assets				
Prepaid expenses		**-**		6,206
Property, plant and equipment (note 4)		**6,118,947**		6,427,232
Total assets	**$**	**6,391,730**	$	6,531,507
EQUITY AND LIABILITIES				
Current liabilities				
Amounts payable and other liabilities (notes 10 and 13)	**$**	**613,815**	$	312,289
Loans (notes 10 and 12)		**400,000**		-
Subscription proceeds received (note 15)		**205,000**		-
Total current liabilities		**1,218,815**		312,289
Equity				
Share capital (note 5)		**17,846,354**		17,142,527
Reserves (note 11)		**10,336,355**		9,783,702
Accumulated other comprehensive loss		**(287,338)**		(3,884)
Accumulated deficit		**(22,722,456)**		(20,703,127)
Total equity		**5,172,915**		6,219,218
Total equity and liabilities	**$**	**6,391,730**	$	6,531,507

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

Nature of operations and going concern (note 1)

Provisions (note 13)

Subsequent events (note 15)

Approved on behalf of the Board:

Signed “VG”, Director

Signed “PC“”, Director

California Gold Mining Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Year ended	
		August 31	**August 31**
		2017	**2016**
Operating expenses			
Exploration costs expensed (note 3)	**$**	**448,592**	$ 5,075,254
Management fees (note 10)		**287,000**	285,833
Investor relations		**279,070**	208,238
Salaries and wages		**222,888**	318,225
Professional fees (note 13)		**262,696**	126,673
Occupancy costs		**148,018**	32,413
Share-based compensation (notes 6 and 10)		**86,658**	357,183
Property taxes		**71,438**	58,721
Shareholder information and compliance		**64,680**	69,869
Depreciation (note 4)		**48,688**	44,333
Interest and bank charges		**33,831**	4,404
Insurance		**31,682**	32,885
Other general and administrative		**33,041**	151,850
Loss on foreign exchange		**3,160**	18,781
Loss before interest and other income		**(2,021,442)**	(6,784,662)
Interest Income		**-**	2,052
Other income		**2,113**	6,365
Net loss for the year		**(2,019,329)**	(6,776,245)
Other comprehensive loss for the year			
Items that will be reclassified to profit or loss			
Foreign exchange translation		**(283,454)**	(62,962)
Net comprehensive loss for the year	**$**	**(2,302,783)**	$ (6,713,283)
Basic and diluted net loss per share (note 7)	**$**	**(0.06)**	$ (0.24)
Weighted average number of common shares outstanding (basic and diluted)		**32,031,022**	28,351,246

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

California Gold Mining Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended August 31, 2017	Year ended August 31, 2016
Operating activities		
Net loss for the year	$ (2,019,329)	$ (6,776,245)
Adjustments for non-cash items:		
Depreciation	48,688	44,333
Share-based compensation	86,658	357,183
Unrealized foreign exchange gains	-	(44,181)
Changes in non-cash working capital		
HST recoverable, accrued interest and amounts receivable	22,597	(7,576)
Prepaid expenses	22,534	(12,377)
Amounts payable and other liabilities	301,526	147,017
Net cash used in operating activities	(1,537,326)	(6,291,846)
Investing activity		
Purchase of property, plant and equipment	(22,737)	(75,064)
Net cash used in investing activity	(22,737)	(75,064)
Financing activity		
Issue of securities, net of costs	1,169,822	1,614,557
Loan proceeds	400,000	-
Subscription proceeds received	205,000	-
Net cash provided by financing activity	1,774,822	1,614,557
Net change in cash and cash equivalents	214,759	(4,752,353)
Effect of foreign currency translation	(1,120)	127,422
Cash and cash equivalents, beginning of the year	4,854	4,629,785
Cash and cash equivalents, end of the year	$ 218,493	$ 4,854

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

California Gold Mining Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

Equity attributable to shareholders

	Number of shares	Share capital	Reserves (note 11)	Accumulated other comprehensive loss	Accumulated deficit	Total equity
	#	$	$	$	$	$
Balance, August 31, 2015	**27,004,643**	**16,203,489**	**8,751,000**	**(66,846)**	**(13,926,882)**	**10,960,761**
Private placements (note 5(i), (ii) and (iii))	3,318,500	1,659,250	-	-	-	1,659,250
Valuation of warrants	-	(681,982)	681,982	-	-	-
Transaction costs	-	(38,230)	(6,463)	-	-	(44,693)
Share-based payments	-	-	357,183	-	-	357,183
Net loss and comprehensive loss of year	-	-	-	62,962	(6,776,245)	(6,713,283)
Balance, August 31, 2016	**30,323,143**	**17,142,527**	**9,783,702**	**(3,884)**	**(20,703,127)**	**6,219,218**
Private placements (note 5 (iv) and (v))	1,855,806	1,206,274	-	-	-	1,206,274
Valuation of warrants	-	(453,035)	453,035	-	-	-
Transaction costs	-	(49,412)	12,960	-	-	(36,452)
Share-based payments	-	-	86,658	-	-	86,658
Net loss and comprehensive loss of year	-	-	-	(283,454)	(2,019,329)	(2,302,783)
Balance, August 31, 2017	**32,178,949**	**17,846,354**	**10,336,355**	**(287,338)**	**(22,722,456)**	**5,172,915**

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

1. Nature of operations and going concern

California Gold Mining Inc. ("California Gold" or the "Corporation"), which, prior to April 11, 2013 was named Upper Canada Gold Corporation and prior to January 29, 2010 was named Washmax Corp. On February 9, 2010, the Corporation's shares commenced trading on the TSX Venture Exchange under the symbol "UCC" and on April 15, 2013, the Corporation's symbol was changed to "CGM". Effective June 2, 2016, the Corporation continued to the Business Corporations Act (Ontario) from the Business Corporations Act (Alberta) where the Corporation was initially incorporated on September 17, 1998. The registered office of the Corporation is located at Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, Canada, M5X 1E3.

On January 29, 2010, the Corporation acquired the Dingman Property and became a junior exploration company engaged in the acquisition, exploration and development of mineral resource properties. On March 1, 2013, the Corporation purchased a fee simple interest (subject to a 3% net smelter royalty) in approximately 3,351 acres of land located 15 miles north of the town of Mariposa, California which the Corporation has previously referred to as the Pine Tree Property and that is now referred to as the Fremont Property (note 3(b)). The Corporation has not earned any income from operations.

For the year ended August 31, 2017, the Corporation incurred a loss of $2,019,329 and had an accumulated deficit of $22,722,456. As at August 31, 2017, the Corporation had a working capital deficit of $946,032. These factors indicate the existence of material uncertainties that cast significant doubt regarding the Corporation's ability to continue as a going concern. In order to meet future expenditures and cover administrative costs, the Corporation may need to raise additional financing. These consolidated financial statements have been prepared on the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue operations.

2. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Corporation's reporting for the year ended August 31, 2017.

The accounting policies set out below have been applied consistently to all periods presented.

The consolidated financial statements were authorized by the Board of Directors on December 14, 2017.

(b) New accounting standards and interpretations

<u>Recent accounting pronouncements</u>

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in its final form in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation has not assessed the impact of IFRS 9 on its consolidated financial statements and the standard will be adopted on its effective date.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off- statement of financial position operating leases. Instead, there is a single, on- statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

2. Significant accounting policies (continued)

(c) Basis of presentation

These consolidated financial statements are presented in Canadian dollars. The consolidated financial statements are prepared on the historical cost basis.

The preparation of the consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are described in note 2 (n).

(d) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries: Washmax (Weston) Ltd, California Gold Mines (US) Inc. and Fremont Gold Mining LLC. All significant intercompany transactions and balances have been eliminated on consolidation.

(e) Foreign currency translation

i) Functional and presentation currency

The consolidated financial statements of the Corporation are presented in Canadian Dollars. The Canadian Dollar is the functional currency of California Gold Mining Inc. and Washmax (Weston) Ltd. The functional currency of California Gold Mines (US) Inc. and Fremont Gold Mining LLC is the US Dollar.

Translation gains or losses resulting from the translation of consolidated financial statements into Canadian dollars are recorded in other comprehensive income or loss.

ii) Translations and balances

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the consolidated statements of financial position date. Exchange gains and losses on settlement of transactions, and the translation of monetary assets and liabilities other than in functional currency are recorded in the consolidated statements of loss and comprehensive loss.

(f) Cash

Consists of cash, demand deposits and highly-liquid short-term investments with an initial term of 90 days or less.

2. Significant accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives at the following rates per annum:

Furniture and fixtures	-	20% declining balance basis
Computer equipment and software	-	30% declining balance basis
Vehicles	-	30% declining balance basis
Field equipment	-	30% declining balance basis
Building	-	20 years straight line

(h) Impairment of non-current assets

The Corporation's non-current assets are reviewed for indications of impairment at the end of each reporting period. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

The recoverable amount is the greater of the asset's fair value less costs to sell and its 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(i) Share-based payments

The Corporation has in effect a share option plan ("the Plan"), which allows Corporation employees, directors, officers and consultants to acquire shares of the Corporation. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(j) Mineral interests, deferred exploration and development expenditures

The Corporation expenses acquisition, exploration, and development expenditures as incurred on mineral properties not yet determined to be commercially viable and technically feasible. Acquisition, exploration, and development expenditures include acquisition costs of mineral properties, property option payments, evaluation, exploration, and permitting activities.

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

Exploration and development expenditures are capitalized if the Corporation can demonstrate that these expenditures meet the criteria of an identifiable intangible asset. To date, no such exploration and development expenditures have been identified and capitalized.

2. Significant accounting policies (continued)

(k) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

(l) Financial instruments

Financial assets:

The Corporation classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Fair value through profit or loss
This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statements of loss and comprehensive loss.

Available-for-sale
Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities:

The Corporation classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Corporation's accounting policy for each category is as follows:

Fair value through profit or loss
This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(l) Financial instruments (continued)

Other financial liabilities
This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Corporation's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash and cash equivalents	Loans and receivables
Accrued interest and amounts receivable	Loans and receivables

Financial liabilities:	**Classification:**
Amounts payable and other liabilities	Other financial liabilities

The Corporation classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:
- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Corporation does not currently carry any assets or liabilities at fair value.

The following summarizes the carrying values of the Corporation's financial Instruments:

	August 31, 2017	August 31, 2016
Cash and cash equivalents	**$ 218,493**	$ 4,854
Loans and receivables	**$ 12,178**	$ 34,775
Other financial liabilities	**$ 1,218,815**	$ 312,289

(m) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

2. Significant accounting policies (continued)

(m) Impairment of financial assets (continued)

For certain categories of financial assets, such as amounts receivable and assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(n) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(o) Significant estimates and assumptions

The following are the key estimates and assumption uncertainties as considered by management:

- The allocation of purchase price for Fremont Property among land, building and acquisition expense is based on an appraisal commissioned by the Corporation dated June 20, 2013 (Note 3(b)).

- Prior to the year ended August 31, 2017, the series of loans made from the parent company were not considered parts of its net investment in the subsidiary as the Corporation planned to settle these balances in the foreseeable future. As a result of this assessment, the unrealized foreign exchange gains and losses were recorded through loss from operations. In fiscal 2017, the Corporation determined that settlement of these amounts was neither planned nor likely in the foreseeable future and were therefore considered to be part of the net investment in the foreign operation. On a prospective basis commencing September 1, 2016, the resultant foreign exchange gains and losses are recorded through comprehensive loss.

(Expressed in Canadian Dollars)

3. Exploration and evaluation expenditures on mineral properties

a) Dingman Property:

Costs incurred on the mineral interests for the Dingman Property for the year ended August 31, 2017 and 2016 are summarized as follows:

	2017	2016
Exploration costs	$ 16,914	$ 5,700

Total cumulative costs incurred on the Dingman Property as of August 31, 2017 are summarized as follows:

Acquisition costs	$ 2,139,055
Exploration costs	1,210,944
Land access fees	85,500
Finder fee	25,000
	$ 3,460,499

b) Fremont Property

On March 1, 2013, the Corporation completed the acquisition of a fee simple interest (subject to a 3% net smelter royalty) of 3,351 acres of land in Mariposa County, California known as the Fremont Property. The purchase was completed through the Corporation's wholly owned subsidiary, Fremont Gold Mining LLC. The purchase price consisted of aggregate consideration to the Vendor of US$5,120,000 of which US$4,999,949 was paid on closing. The Corporation also paid a third party an aggregate finder's fee of US$303,600 of which US$253,600 was paid on closing. On the basis of an appraisal commissioned by the Corporation and dated June 20, 2013, the purchase price paid upon closing of US$4,999,949 was allocated as follows:

Land	US$4,650,000
Building	US$160,000
Acquisition expense	US$189,949

(Expressed in Canadian Dollars)

3. Exploration and evaluation expenditures on mineral properties (continued)

b) Fremont Property (continued)

Costs incurred on the fee simple interest for the Fremont Property for the year ended August 31, 2017 and 2016 are summarized as follows:

		2017		2016
Exploration and development expenditures	$	431,678	$	4,725,373

Total cumulative costs incurred on the Fremont Property as of August 31, 2017 are summarized as follows:

Acquisition and improvement costs	$	5,885,901
Exploration and development costs		7,551,754
	$	13,437,655

4. Property, plant and equipment

Cost	**Furniture and Fixtures**	**Leasehold improvements**	**Computer equipment**	**Computer Software**	**Vehicles**	**Field equipment**	**Building**	**Land**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, August 31, 2015	**7,503**	**8,927**	**15,415**	**19,118**	**52,187**	**50,196**	**230,929**	**6,131,666**	**6,515,941**
Additions	4,327	-	4,653	-	-	66,084	-	-	75,064
Effect of foreign exchange adjustment	(11)	-	(52)	(21)	(163)	(875)	(720)	(19,108)	(20,950)
Balance, August 31, 2016	**11,819**	**8,927**	**20,016**	**19,097**	**52,024**	**115,405**	**230,209**	**6,112,558**	**6,570,055**
Additions	2,550	-	-	-	-	20,187	-	-	22,737
Effect of foreign exchange adjustment	(153)	-	(329)	(293)	(2,301)	(6,088)	(10,180)	(270,302)	(289,646)
Balance, August 31, 2017	**14,216**	**8,927**	**19,687**	**18,804**	**49,723**	**129,504**	**220,029**	**5,842,256**	**6,303,146**

Accumulated depreciation	**Furniture and Fixtures**	**Leasehold improvements**	**Computer equipment**	**Computer Software**	**Vehicles**	**Field equipment**	**Building**	**Land**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, August 31, 2015	**2,474**	**8,927**	**8,632**	**8,416**	**28,537**	**16,985**	**25,190**	**-**	**99,161**
Additions	1,218	-	2,739	3,217	7,152	18,369	8,728	-	41,423
Effect of foreign exchange adjustment	(8)	-	(18)	(21)	(168)	(251)	2,704	-	2,238
Balance, August 31, 2016	**3,684**	**8,927**	**11,353**	**11,612**	**35,521**	**35,103**	**36,622**	**-**	**142,822**
Additions	2,578	-	1,975	2,251	4,986	25,309	11,589	-	48,688
Effect of foreign exchange adjustment	(85)	-	(161)	(228)	(1,824)	(2,808)	(2,205)	-	(7,311)
Balance, August 31, 2017	**6,177**	**8,927**	**13,167**	**13,635**	**38,683**	**57,604**	**46,006**	**-**	**184,199**

Net carrying value	**Furniture and Fixtures**	**Leasehold improvements**	**Computer equipment**	**Computer Software**	**Vehicles**	**Field equipment**	**Building**	**Land**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
August 31, 2015	5,029	-	6,783	10,702	23,650	33,211	205,739	6,131,666	6,416,780
August 31, 2016	**8,135**	**-**	**8,663**	**7,485**	**16,503**	**80,302**	**193,587**	**6,112,558**	**6,427,232**
August 31, 2017	**8,040**	**-**	**6,520**	**5,168**	**11,040**	**71,900**	**174,023**	**5,842,256**	**6,118,947**

5. Share capital

a) Authorized share capital

Unlimited number of voting common shares
Unlimited number of non-voting first preferred shares
Unlimited number of non-voting second preferred shares

b) Equity activity

(i) On March 17, 2016, the Corporation closed a non-brokered private placement of 1,800,000 units ("Units") at a price of $0.50 per Unit for total proceeds of $900,000 (the "Offering"). Each Unit was comprised of one common share and one common share purchase warrant with each warrant entitling the holder to acquire a further common share of the Cororation at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $354,313.

The Corporation incurred transaction costs of $9,034, of which $3,564 was allocated to warrants.

1,600,000 Units representing gross proceeds of $800,000 were issued to a corporation controlled by a director of the Corporation.

(ii) On April 22, 2016, the Corporation closed a non-brokered private placement of 798,500 units ("Units") at a price of $0.50 per Unit for total proceeds of $399,250. Each Unit was comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Corporation at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $164,524.

The Corporation incurred transaction costs of $8,160, of which $2,898 was allocated to warrants.

(iii) On May 5, 2016, the Corporation closed a non-brokered private placement of 720,000 units ("Units") at a price of $0.50 per Unit for gross proceeds of $360,000 (the "Offering"). Each Unit was comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Corporation at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $146,832.

The Corporation incurred transaction costs of $27,500. In connection with the Offering, the Corporation issued 48,300 broker warrants (valued at $6,463) with each broker warrant entitling the holder to acquire a further common share of the Corporation at a price of $1.00 for three years following the date of issuance.

(iv) On September 8, 2016, the Corporation closed a non-brokered private placement of 720,421 units ("Units") at a price of $0.65 per Unit for total proceeds of $468,274. Each Unit was comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire a further common share of the Corporation at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $134,475.

The Corporation incurred cash transaction costs of $20,150. In connection with the Offering, the Corporation issued 23,100 broker warrants (valued at $12,960) with each broker warrant entitling the holder to acquire one Unit of the financing at a price of $0.65 for three years following the date of issuance.

(v) On October 20, 2016, the Corporation closed a non-brokered private placement of 1,135,385 units ("Units") at a price of $0.65 per Unit for total proceeds of $738,000. Each Unit was comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire a further common share of the Corporation at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $318,560.

(Expressed in Canadian Dollars)

5. Share capital (continued)

The Corporation incurred transaction costs of $16,300.

1,075,923 Units representing gross proceeds of $700,000 were issued to a corporation controlled by a director of the Corporation.

6. Stock options

On April 4, 2013, the shareholders of the Corporation approved an amendment to its stock option plan (the "Plan") whereby the Corporation is authorized to grant options to purchase up to 2,561,500 outstanding common shares of the Corporation to directors, senior officers, full time employees and/or consultants of the Corporation. The terms of the awards under the Plan are determined by the Board of Directors.

	Number of stock options	Weighted average exercise price (iii) ($)
Balance, August 31, 2015	850,000	1.63
Granted (i)	620,000	1.50
Balance, August 31, 2016	**1,470,000**	**1.60**
Granted	120,000	0.75
Expired	(360,000)	0.75
Balance, August 31, 2017	**1,230,000**	**0.75**

The following table reflects the actual stock options issued and outstanding as of August 31, 2017:

Expiry date	Exercise price(iii)($)	Options outstanding	Weighted average remaining contractual life (yrs)	Options exercisable	Grant date fair value ($)
April 22, 2018	0.75	240,000	0.64	240,000	367,920
May 14, 2018	0.75	25,000	0.70	25,000	30,900
December 20, 2018	0.75	100,000	1.30	100,000	28,362
July 27, 2019	0.75	60,000	1.90	60,000	34,200
September 2, 2019	0.75	125,000	2.01	125,000	45,777
July 27, 2021	0.75	300,000	3.91	300,000	177,000
July 27, 2021	0.75	20,000	3.91	20,000	11,600
July 27, 2021	0.75	240,000	3.91	240,000	136,800
March 30, 2022	0.75	120,000	4.58	120,000	45,600
		1,230,000	2.77	1,230,000	878,159

(i) On July 29, 2016, the Corporation granted certain members of its Board of Directors, officers and consultants options to purchase an aggregate of 620,000 common shares of the Corporation with such options being exercisable on or before the expiry of three or five years from the date of grant. These options vested immediately upon grant or over the next 12 months and are exercisable at a price that initially ranged from $1.00 to $2.0 per common share (see (iii) for change in exercise price). The fair value of the stock options has been determined to be $354,040 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 0.65%, dividend yield of 0%, expected stock volatility of 172% and expected life of 3 or 5 years.

(Expressed in Canadian Dollars)

6. Stock options (continued)

(ii) On March 31, 2017, the Corporation granted, to a member of its Board of Directors, options to purchase an aggregate of 120,000 common shares of the Corporation with such options being exercisable on or before the expiry of five years from the date of grant. These options vested immediately and are exercisable at a price of $0.75. The fair value of the stock options has been determined to be $45,600 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.06%, dividend yield of 0%, expected stock volatility of 148% and expected life of 5 years.

(iii) On February 28, 2017 at the Corporation's annual general meetings, the shareholders voted to approve the change in exercise price for the 1,130,000 outstanding options at that time, to $0.75. Reflected in the share based payment expense is an adjustment in the amount of $35,500 to reflect the fair value adjustment to these options as result of the change in exercise price.

7. Net loss per common share

The calculation of basic and diluted loss per share for the year ended August 31, 2017 was based on the net loss attributable to common shareholders of $2,019,329 (August 31, 2016 - $6,776,245) and the weighted average number of common shares outstanding of 32,031,022 (August 31, 2016 – 28,351,246). Diluted loss per share did not include the effect of 1,230,000 stock options and 15,752,012 warrants as they are anti-dilutive.

8. Broker warrants

The following table reflects the continuity of broker warrants:

	Number of broker warrants	**Grant date fair value ($)**
Balance, August 31, 2015	76,400	75,025
Granted (note 5(b)(iii))	48,300	9,850
Balance, August 31, 2016	**124,700**	**84,875**
Granted (note 5(b)(iv))	23,100	12,960
Expired	(76,400)	(75,025)
August 31, 2017	**71,400**	**22,810**

The following table reflects the actual broker warrants issued and outstanding as of August 31, 2017:

Expiry date	**Exercise price ($)(i)**	**Broker warrants outstanding**	**Grant date fair value ($)**
May 5, 2019	0.75	48,300	9,850
September 8, 2019	0.75	23,100	12,960
		71,400	22,810

(i) See Warrants – Note 9(i) for change in exercise price.

(Expressed in Canadian Dollars)

9. Warrants

	Number of warrants	Grant date fair value, net of issuance costs ($)
Balance, August 31, 2015	18,634,207	5,383,750
Issued (notes 5(b)(i)(ii)(iii)	3,318,500	665,669
Balance, August 31, 2016	**21,952,707**	**6,049,419**
Issued (notes 5(b)(iv) (v))	927,905	453,035
Expired	(7,200,000)	(3,184,899)
Balance, August 31, 2017	**15,680,612**	**3,317,555**

The following table reflects the actual warrants issued and outstanding as of August 31, 2017:

Expiry date	Exercise price(i) ($)	Warrants outstanding	Grant Date fair value, net of issuance costs ($)
September 10, 2017	0.75	1,586,000	411,191
October 2, 2017	0.75	168,207	39,521
August 10, 2018	0.75	9,680,000	1,748,139
March 17, 2019	0.75	1,800,000	354,313
April 22, 2019	0.75	798,500	164,524
May 5, 2019	0.75	720,000	146,832
September 8, 2019	0.75	360,212	134,475
October 20, 2019	0.75	567,693	318,560
		15,680,612	3,317,555

(i) On February 28, 2017 at the Corporation's annual general meetings, the shareholders voted to approve the change in exercise price for the 15,680,612 outstanding warrants at that time, to $0.75. As a result, all exercise prices for outstanding warrants have been changed to $0.75.

The fair values of the warrants issued during the year ended August 31, 2017 and for the year ended August 31, 2016 were estimated using the Black-Scholes option pricing model with the following assumptions:

	August 31, 2017	August 31, 2016
Risk free interest rate	0.54 – 0.62%	0.52%
Expected dividend yield	Nil	Nil
Expected volatility	164%	139 - 140%
Expected life	3 years	3 years

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Corporation's warrants at the date of issue.

(Expressed in Canadian Dollars)

10. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, including any directors (executive and non-executive) of the Corporation.

The Corporation did not have any new transactions with related parties during the year ended August 31, 2017 and the year ended August 31, 2016, except for those noted in Note 5 (b) – Share Capital Transactions.

Remuneration of key management personnel of the Corporation was as follows:

		Year ended August 31, 2017		Year Ended August 31, 2016
Short-term benefits	**$**	**286,996**	$	200,833
Termination benefits	**$**	**-**	$	60,000
Share based payments	**$**	**86,658**	$	319,840
	$	**373,654**	$	580,673

As at August 31, 2017, the Corporation had a loan from a family member of management in the amount of $220,000. The loan is unsecured, repayable in ninety days and earns interest of three percent per month. See note 12 for further details.

As at August 31, 2017, the Corporation owed key management personnel $183,950 (August 31, 2016 - $61,671) which is included in accounts payable and accrued liabilities.

11. Reserves

As of:		**August 31, 2017**		August 31, 2016
Warrants	**$**	**3,317,555**	$	6,049,419
Broker warrants		**22,810**		84,875
Contributed surplus		**6,995,990**		3,649,408
	$	**10,336,355**	$	9,783,702

12. Loans

A series of loans were utilized in the current year to fund certain current payable obligations. The loans were unsecured bearing interest at 3% per month and repayable in 90 days. The total amount of loans at year end was $400,000, all of which were repaid subsequent to year end. A portion of the loans, $220,000 were from related parties. See note 10 for further information. The interest accrued for on the loans as at August 31, 2017 and included in accounts payable and other liabilities was $21,142 (2016 - $Nil) and was paid subsequent to year end.

13. Provisions

During the year the Corporation tentatively settled a claim for $40,000 to facilitate a new property and exploration access agreement. The amount was paid during the year and was expensed in professional fees.

During the year end Corporation settled a claim by the former Chief Operating Officer of the Corporation that involves a payment of US$25,000 and $2,500 for costs and claims. The amount has been settled, subject to finalizing the agreement. This amount has been accrued for in accounts payable and expensed as professional fees for current year.

(Expressed in Canadian Dollars)

14. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2015 - 26.5%) to the effective tax rate is as follows:

		2017		2016
Net loss before recovery of income taxes	$	**2,019,329**	$	**6,776,245**
Combined statutory income tax rate		**26.5%**		**26.5%**
Expected income tax recovery		**(535,120)**		(1,795,700)
Difference in foreign tax rates		**(110,590)**		(813,730)
Non-deductible expenses and other adjustments		**25,890**		(129,300)
Change in tax benefits not recognized		**619,820**		2,738,730
Income tax expenses	**$**	**-**	$	-

The following table summarizes the components of deferred tax:

		2017		2016
Deferred tax assets (liabilities):				
Non-capital losses carried forward	**$**	**591,560**	$	618,250
Unrealized foreign exchange		**(591,560)**		(618,250)
Net deferred tax assets (liabilities)	**$**	**-**	$	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Corporation has the legal right and intent to offset.

(Expressed in Canadian Dollars)

14. Income taxes (continued)

Unrecognized deferred tax

Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits:

August 31,	**2017**	2016
Mineral properties	**$ 8,799,930**	$ 9,398,530
Share issuance costs	**97,100**	107,610
Non-capital losses - Canada	**5,670,530**	4,592,210
Non-capital losses - US	**3,140,230**	2,009,280
Net capital losses carried forward	**27,200**	27,200
Other temporary differences	**89,950**	59,610
Accumulated other comprehensive income	**579,400**	-
	$ 18,404,340	$ 16,194,440

The Canadian non-capital losses carried forward expire as noted in the table below. The US non-capital loss carry forwards expire between 2033 and 2036. The net capital loss carry-forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2021. Investment tax credit expire from 2016 - 2026. The remaining deductible temporary differences may be carried forward indefinitely.

The Corporation's non-capital income tax losses expire as follows:

	Canada (CAD)	**United States (USD)**
2026	$ 58,790	$ -
2027	45,700	-
2028	120,770	-
2029	260,020	-
2030	387,120	-
2031	789,710	-
2032	478,670	-
2033	185,130	924,280
2034	680,050	613,710
2035	782,960	427,020
2036	805,410	796,130
2037	1,076,190	901,950
	$ 5,670,520	$ 3,663,090

15. Subsequent events

Financing September 21, 2017

On September 21, 2017, the Corporation completed a non-brokered private placement consisting of a total of 8,000,000 units at a price of $0.25 per unit, for gross proceeds of $2,000,000. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.50. Finders fees associated with this financing included $28,700 in cash and 114,800 warrants. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.50. $205,000 of the proceeds were received before August 31, 2017 and are presented as subscription proceeds received.

Insiders subscribed for a total of 2,090,000 Units as part of this offering.

Financing November 20, 2017

On November 20, 2017, the Corporation completed a non-brokered private placement consisting of a total of 3,002,500 units at a price of $0.40 per unit, for gross proceeds of $1,201,000. Each unit is comprised of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share of the Corporation for a period of 24months from the date of issue at an exercise price of $0.75. Finder's fees associated with this financing included an aggregate of $9,170 in cash and 22,925 warrants. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.75.

Insiders subscribed for a total of 1,250,000 Units as part of this offering.