ARCTIC STAR EXPLORATION CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by the Management)

PERIODS ENDED JUNE 30, 2018 AND 2017
(Expressed in Canadian dollars)

Index

FINANCIAL STATEMENTS

NOTICE – NO Auditor Review of the Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of Arctic Star Exploration Corp. ("the Company"), for the six months ended June 30, 2018, have been prepared by management and have not been the subject of a review by the Company's external independent auditor.

Arctic Star Exploration Corp.
Consolidated Statements of Financial Position
(expressed in Canadian Dollars)

		June 30, 2018		December 31, 2017
ASSETS				
Current				
Cash	$	**388,687**	$	1,069,976
Accounts receivable (Note 5)		**114,211**		102,524
Due from related parties (Note 11 (h))		**288,203**		17,654
Loan receivable (Note 6)		**9,000**		9,000
Prepaid expenses		**137,082**		154,885
		937,183		1,354,039
Security deposit (Note 8 (a))		**44,000**		44,000
Other assets (Note 7)		**4,005**		-
Exploration advances (Note 8 (b))		**100,462**		27,056
Mining properties (Note 8)		**5,392,996**		4,697,211
	$	**6,478,646**	$	6,122,306
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable	$	**315,757**	$	444,052
Accrued liabilities		**14,044**		39,000
Due to related parties (Note 11 (i)		**99,638**		131,883
		429,439		614,935
Shareholders' equity				
Share capital (Note 9)		**52,471,874**		50,960,166
Contributed surplus (Note 10)		**6,362,226**		6,378,041
Deficit		**(52,784,893)**		(51,830,836)
		6,049,207		5,507,371
	$	**6,478,646**	$	6,122,306

Nature and continuance of operations (Note 1)
Commitments (Note 15)
Subsequent events (Note 16)

"Scott Eldridge"
Director – Scott Eldridge

"Buddy Doyle"
Director – Buddy Doyle

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

Arctic Star Exploration Corp.
Interim Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian Dollars)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	**Six Months Ended June 30, 2018**	Six Months Ended June 30, 2017
Expenses				
Accounting and audit (Note 11 (b))	$ **26,567**	$ 21,000	$ **51,799**	$ 42,000
Advertisement and promotional	**25,520**	6,585	**25,520**	6,585
Amortization (Note 7)	**582**	557	**1,163**	1,113
Bank charges	**270**	254	**478**	605
Consulting fees (Note 11(a))	**250,593**	132,821	**569,782**	243,498
Filing fees	**24,167**	7,345	**31,317**	14,129
Foreign exchange	**15,546**	-	**(5,317)**	-
Legal	**19,159**	20,829	**64,403**	25,549
Office and administration	**12,589**	5,131	**31,643**	13,030
Public relations	**42,807**	43,431	**88,781**	86,551
Rent (Note 11 (c))	**12,694**	12,694	**25,388**	25,388
Shareholders' information	**5,432**	102	**8,617**	513
Stock-based compensation (Note 10)	**66,107**	-	**66,107**	30,202
Trade shows (Note 11 (e))	-	-	**2,373**	11,540
Transfer agent fees	**4,133**	2,305	**6,189**	5,720
Travel	**54,707**	27,292	**66,241**	30,872
	560,873	280,346	**1,034,484**	537,295
Loss before other items	**(560,873)**	(280,346)	**(1,034,484)**	(537,295)
Other items				
Interest income (Note 6)	**8**	246	**21**	986
Write-off loan receivables	-	(58,912)	-	(58,912)
Recovery of bond (Note 8 (b))	**73,406**	-	**73,406**	-
Recovery of rent (Note 11 (d))	**3,500**	8,308	**7,000**	15,617
Net Loss and Comprehensive loss for the period	$ **(483,959)**	$ (330,704)	$ **(954,057)**	$ (579,604)
Loss per common share – basic and diluted	$ **(0.00)**	$ (0.01)	$ **(0.01)**	$ (0.01)
Weighted average number of common shares outstanding	**103,630,836**	53,300,843	**99,857,626**	52,685,038

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

Arctic Star Exploration Corp.
Interim Consolidated Statements of Changes in Equity
(expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Shareholder's Equity
Balance December 31, 2017	**95,789,484**	**$ 50,960,166**	**$ $ 6,378,041**	**$ (51,830,836)**	**$ 5,507,371**
Private placements - net	7,323,647	1,174,300	-	-	1,174,300
Warrants exercised	1,833,333	165,486	-	-	165,486
Options exercised	500,000	90,000	-	-	90,000
Fair value of option exercised	-	66,107	(66,107)	-	-
Fair value of broker's warrants exercised	-	52,575	(52,575)	-	-
Fair value of stock options granted	-	-	66,107	-	66,107
Fair value of broker's warrants granted	-	(36,760)	36,760	-	-
Loss for the period	-	-	-	(954,057)	(954,057)
Balance June 30, 2018	**105,446,464**	**$ 52,471,874**	**$ $ 6,362,226**	**$ (52,784,893)**	**$ 6,049,207**
Balance December 31, 2016	48,876,707	$ 45,936,418	$ $ 5,497,212	$ (49,003,869)	$ 2,429,761
Private placements - net	4,671,666	488,935	-	-	488,935
Stock options exercised	750,000	75,250	-	-	75,250
Fair value of stock options exercised	-	61,910	(61,910)	-	-
Warrants exercised	429,250	34,130	-	-	34,130
Fair value of warrants exercised	-	3,542	(3,542)	-	-
Fair value of broker's warrants granted	-	(24,870)	24,870	-	-
Fair value of stock options granted	-	-	30,202	-	30,202
Loss for the period	-	-	-	(579,604)	(579,604)
Balance June 30, 2017	54,727,623	$ 46,575,315	$ $ 5,486,832	$ (49,583,473)	$ 2,478,674

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

Arctic Star Exploration Corp.
Interim Consolidated Statements of Cash Flows
(expressed in Canadian Dollars)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	**Six Months Ended June 30, 2018**	Six Months Ended June 30, 2017
Cash flows from (used in)				
Operating activities				
Net loss for the period	$ **(483,959)**	$ (330,704)	$ **(954,057)**	$ (579,604)
Items not affecting cash:				
Amortization	**582**	557	**1,163**	1,113
Write-down loan receivables	-	58,912	-	58,912
Accrued interest on loan receivables	-	(247)	-	(987)
Stock-based compensation	**66,107**	-	**66,107**	30,202
	(417,270)	(271,482)	**(886,787)**	(490,364)
Changes in non-cash working capital items:				
(Increase) decrease in accounts receivable	**75,308**	3,939	**(11,687)**	149,166
(Increase) decrease in due from related parties	**(143,050)**	(34,800)	**(270,549)**	(172,200)
(Increase) decrease in prepaid expenses	**(39,318)**	27,411	**17,803**	73,141
Increase (decrease) in accounts payable and accrued liabilities	**(140,415)**	(46,803)	**(153,252)**	(114,069)
	(664,745)	(321,735)	**(1,304,472)**	(554,326)
Investing activities				
Other assets	-	-	**(5,167)**	-
Loan receivables	-	6,546	-	6,546
Exploration advances	**(73,406)**	(69,653)	**(73,406)**	(69,653)
Resource property expenditures	**(288,950)**	(170,348)	**(695,785)**	(224,483)
	(362,356)	(233,455)	**(774,358)**	(287,590)
Financing activities				
Common shares	**692,519**	404,130	**1,500,506**	634,680
Shares issue costs	**(13,600)**	(28,000)	**(70,720)**	(36,365)
Shares subscribed	**(141,000)**	-	-	-
Due to related parties	**(87,062)**	57,774	**(32,245)**	(58,625)
	450,857	433,904	**1,397,541**	539,690
Change in cash during the period	**(576,244)**	(121,286)	**(681,289)**	(302,226)
Cash, beginning of the period	**964,931**	191,171	**1,069,976**	372,111
Cash, end of the period	$ **388,687**	$ 69,885	$ **388,687**	$ 69,885

Supplemental disclosure with respect to cash flows (Note 13)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Arctic Star Exploration Corp. (the "Company") was federally incorporated under the Canada Business Corporations Act on January 5, 2001. In addition, effective September 15, 2004, the Company registered as an extra-territorial corporation in the Northwest Territories. The Company's registered office is located at Suite 1400 – 1111 West Georgia Street, Vancouver BC, V6E 4M3.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from mining properties or proceeds from their disposition.

At June 30, 2018, the Company had a working capital (which excludes prepaid expenses) of $370,662 (December 31, 2017– $584,219), had not yet achieved profitable operations, has accumulated losses of $52,784,893 (December 31, 2017 - $51,830,836) since its inception and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work programs on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned work programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, the consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements.

2. BASIS OF PRESENRATION

(a) Statement of compliance

These interim consolidated financial statements, as at and for the six months ended June 30, 2018, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issue by the Board of Directors on August 29, 2018.

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these consolidated financial statements is presented in Canadian dollars which is the functional currency of the parent Company and its subsidiary. The accounting policies set out below have been applied consistently by the Company and its subsidiary.

These consolidated financial statements include the financial statements of the Company and of the entities it controls, its wholly-owned subsidiaries, Foriet Oy. All significant inter-company balances and transactions have been eliminated.

(c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the consolidated financial statements, along with reported amounts of expenses and net losses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

2. BASIS OF PRESENTATION (continued)

Judgments:

- the Company is entitled to refundable input tax credits and tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether expenditures are eligible for claiming such credits;
- the Company is required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management's judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities can materially increase the flow-through premium liability and outstanding commitments (Note 16);
- the recoverability of mineral properties and exploration and evaluation expenditures incurred on its Canadian projects; the Company capitalizes acquisition, exploration and evaluation expenditures on its statement of financial position, and evaluates these amounts at least annually for indicators of impairment; and
- the Company determines the flow-through share premium by allocating the total funds received between common share and flow-through premium liability by first assessing the fair value of the common shares issued, based on market price at issuance, with any excess considered being allocated to warrants (if any) and the flow-through premium.
- The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to asses at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting.

Estimates:

- the estimated useful lives and residual value of property, plant and equipment which are included in the statement of financial position and the related amortization included in the statement of loss and comprehensive loss;
- the estimated fair value of the loans receivable;
- the inputs in accounting for share-based payment transactions in the statement of loss and comprehensive loss (using the Black-Scholes model) including volatility, probable life of options granted, time of exercise of the options and forfeiture rate; and
- the determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

(d) Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company and its subsidiary, as determined by management, is the Canadian dollar and this is also the currency in which it presents these consolidated financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

(i) Mining properties and exploration and evaluation expenditures

Acquisition costs of resource properties together with direct exploration and evaluation expenditures thereon are recorded in the accounts at costs. These are classified as intangible assets. Once a project has been established as commercially viable and technically feasible, mineral properties are reclassified as tangible assets and related development expenditures are capitalized. When production is attained these costs will be amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made. The Company recognizes in income costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

The amounts shown for mining properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(ii) Other assets

Other assets are reported at cost. Amortization is provided over the assets' estimated useful life using the declining balance method at the following rates per annum.

Machinery and equipment	20%
Computer equipment	45%

(iii) Subsequent costs

The cost of replacing part of an item within property, plant and equipment is capitalized or deferred when the cost is incurred if it is probable that the future economic benefits will flow to the company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

(iv) Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. 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.

(v) Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(b) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary Foriet Oy. Subsidiaries are entities controlled by the Company, and are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiary have been changed where necessary to align them with policies adopted by the Company.

(c) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing 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 similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Common shares

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is more appropriate. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as contributed surplus.

Common shares designated by agreement as flow-through shares, may be issued at a premium to non-flow-through common shares. On issuance, the Company allocates the flow-through share into i) fair value of capital stock and ii) the residual as a flow-through share premium, which is recognized as a liability. On issuance of a flow-through unit when no comparable non flow-through units have been issued, the Company allocates the flow-through unit into i) fair value of capital stock, ii) fair value of a warrant and iii) the residual as a flow-through share premium, which is recognized as a liability. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax recovery. The Company is required to spend the proceeds received from issuance of flow-through shares on Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received, but not yet expended at the end of the Company's period is disclosed in Note 15.

(e) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

(f) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mining properties and other assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments

Financial Assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following categories: available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets at FVTPL include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in profit or loss. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified cash as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its loan receivable, due from related parties and other receivables as loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has classified its short-term investment as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial Liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and due to related parties as other financial liabilities.

(h) Agent warrants and warrants

Warrants issued to agents in connection with a financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

(i) 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 benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) New standards

(i) Effective for annual periods beginning on or after January 1, 2017

There are no new accounting pronouncements adopted which had a significant impact on the Company's consolidated financial statements.

(ii) Effective for annual periods beginning on or after January 1, 2018

IFRS 9 Financial Instruments:

Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard.

IFRS 16 Leases:

This standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard.

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES

(a) Fair value of financial instruments

As at June 30, 2018, the Company's financial instruments consist of cash, loans receivable, accounts payable and accrued liabilities, and due to and due from related parties.

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS prioritizes the inputs into three levels that may be used to measure fair value.

<u>Level 1</u>

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

<u>Level 2</u>

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the net asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

(expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES (continued)

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

	Level 1	Level 2	Level 3	Total
June 30, 2018				
Cash	**$ 388.687**	**$ -**	**$ -**	**$ 388,687**
	$ 388,687	**$ -**	**$ -**	**$ 388,687**
December 31, 2017				
Cash	$1,069,976	$ -	$ -	$ 1,069,976
	$ 1,069,976	$ -	$ -	$ 1,069,976

The fair value of cash is determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. As at June 30, 2018, the Company believes that the carrying values of accounts receivable, loan receivable, accounts payable and accrued liabilities and due to and due from related parties approximate the fair values because of their nature and relatively short maturity dates or durations.

(b) Risk Management

Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligation resulting in financial loss to the Company. Credit risk is primarily related to the Company's cash and loans receivable. To minimize this risk, cash has been placed with major Canadian financial institutions. The maximum exposure to credit risk for cash is $388,687 (December 31, 2017 – 1,069,976).

The maximum exposure to credit risk for loans receivable is $9,000 (December 31, 2017 - $9,000).

Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, and cash and cash equivalent holdings. As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital requirements (Note 1).

Commodity Price Risk

The Company's ability to raise capital to find exploration or development activities is subject to risk associated with fluctuations in the market prices of gold, silver, nickel, diamonds and copper.

(c) Capital management

The Company considers its capital structure to include working capital and shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable. The Company's share capital is not subject to any external restriction and the Company did not change its approach to capital management during the period.

(expressed in Canadian dollars)

5. ACCOUNTS RECEIVABLE

		June 30, 2018		December 31, 2017
GST receivable	$	**42,279**	$	48,556
VAT receivable		**11,532**		
Others		**10,400**		3,968
Share subscriptions receivable (Note 16)		**50,000**		50,000
	$	**114,211**	$	102,524

6. LOANS RECEIVABLE

		June 30, 2018		December 31, 2017
(a) Red Oak Mining Corp.		-		50,000
Accrued interest		-		15,458
Paid out		-		(6,546)
Wrote-off		-		(58,912)
(b) Montan Mining Corp.		**9,000**		9,000
	$	**9,000**	$	9,000

(a) During the year ended December 31, 2017 the Company loaned $Nil (December 31, 2016 - $nil) to Red Oak Mining Corp. a publicly traded company related by an officer who is a director of Red Oak.

The total loan of $50,000 (December 31, 2016 - $50,000) is unsecured and due on demand with interest at 6.00% per annum and can be repaid in shares of Red Oak Mining Corp. at any time at the Company's discretion. The loans receivable were issued by the Company for the purpose of providing assistance to smaller companies.

During year ended December 31, 2017, the Company received $6,546 against the loan receivables. The rest of the loan was not collectable; therefore the Company wrote-off $58,912 against the balance of the loan amount.

(b) During the period ended June 30, 2018 the Company loaned $nil (December 31, 2017 - $9,000) to Montan Mining Corp. The total loan of $9,000 is unsecured and due on July 12, 2018 with interest at 6.00% per annum. The loans receivable were issued by the Company for the purpose of providing assistance to smaller companies.

(expressed in Canadian dollars)

7. OTHER ASSETS

Cost		**Computer Equipment**		**Machinery and Equipment**		**Total**
Balance at December 31, 2016	$	69,877	$	56,818	$	126,695
Additions		-		-		-
Disposals		(69,877)		(56,818)		(126,695)
Balance at December 31, 2017		-		-		-
Additions		5,167		-		5,167
Disposals		-		-		-
Balance June 30, 2018	**$**	**5,167**	**$**	**-**	**$**	**5,167**

Accumulated depreciation and amortization		**Computer Equipment**		**Machinery and Equipment**		**Total**
Balance at December 31, 2016	$	67,853	$	50,247	$	118,100
Additions		2,024		6,571		8,595
Disposals		(69,877)		(56,818)		(126,695)
Balance at December 31, 2017		-		-		-
Additions		1,162		-		1,162
Disposals		-		-		-
Balance June 30, 2018	**$**	**1,162**	**$**	**-**	**$**	**1,162**

Net carrying amounts		**Computer Equipment**		**Machinery and Equipment**		**Total**
At December 31, 2017	$	-	$	-	$	-
At June 30, 2018	**$**	**4,005**	**$**	**-**	**$**	**4,005**

(expressed in Canadian dollars)

8. MINING PROPERTIES

	Diagras	Redemption	Cap	Stein	Timantti	Total
Deferred Exploration Expenditures:						
Balance on December 31, 2017	$ 553,082	$ 979,999	$ 640,358	$ 128,947	$ 40,992	$ 2,343,378
Drilling	-	-	-	-	450,975	450,975
Travel	-	-	-	-	44,742	44,742
Field and camp	-	-	-	-	-	-
Consulting	-	-	-	-	66,089	66,089
Assays and lab processing	-	-	-	-	-	-
Frieght	-	-	-	-	16,550	16,550
Rental	-	-	-	-	-	-
Claims	-	-	-	105,631	-	105,631
Aircraft – fixed wings	-	-	-	-	-	-
Helicopter	-	-	-	-	-	-
Others	-	-	-	-	11,798	11,798
	553,082	979,999	640,358	234,578	631,146	3,039,163
Property Acquisitions:						
Balance on December 31, 2017	246,460	50,000	-	33,970	2,023,403	2,353,833
Additions	-	-	-	-	-	-
Write-down	-	-	-	-		-
	246,460	50,000	-	33,970	2,023,403	2,353,833
Balance on June 30, 2018	**$ 799,542**	**$ 1,029,999**	**$ 640,358**	**$ 268,548**	**$ 2,654,549**	**$ 5,392,996**

(expressed in Canadian dollars)

8. MINING PROPERTIES (continued)

	Diagras	Redemption	Cap	Stein	Timantti	Total
Deferred Exploration Expenditures:						
Balance on December 31, 2016	$ 360,138	$ 979,774	$ 522,370	$ 76,132	$ -	$ 1,938,414
Drilling	-	-	36,715	-	-	36,715
Travel	2,147	-	1,468	-	-	3,615
Field and camp	59,309	-	10,582	-	-	69,891
Consulting	87,836	225	33,074	-	28,654	149,789
Assays and lab processing	-	-	17,458	-	-	17,458
Rental	-	-	609	-	-	609
Claims	-	-	-	-	8,459	8,459
Aircraft – fixed wings	43,652	-	-	-	-	43,652
Helicopter	-	-	18,082	-	-	18,082
Others	-	-	-	52,815	3,879	56,694
	553,082	979,999	640,358	128,947	40,992	2,343,378
Property Acquisitions:						
Balance on December 31, 2016	246,460	50,000	-	33,970	-	330,430
Additions	-	-	-	-	2,023,403	2,023,403
Write-down	-	-	-	-		-
Balance on December 31, 2017	**$ 799,542**	**$ 1,029,999**	**$ 640,358**	**$ 162,917**	**$ 2,064,395**	**$ 4,697,211**

8. MINING PROPERTIES (continued)

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and to the best of its knowledge, title to all of its properties are in good standing.

(a) Redemption project, Lac-De- Gras

During the year ended December 31, 2013, the Company signed an agreement with GGL Resource Corp. ("GGL") regarding four mining leases, south of Lac de Gras. Per the agreement, the Company has acquired a 100-per-cent interest in the four mining leases for $50,000. The Company and GGL subsequently added an addendum to the agreement under which the Company purchased one additional mining lease for $17,500. GGL retains a 1.5% gross overriding royalty on any diamond production from the property and a 1.5% net smelter royalty for any other commodity mined. The Company may buy 0.5% of this royalty for $2-million. The mining leases are contiguous with the Company's Redemption project which was staked during fiscal 2012.

During the year ended December 31, 2013 the Company deposited a security deposit of $44,000 with Aboriginal Affairs and Northern Development Canada, which will be held for the duration of the permit.

During the year ended December 31, 2013, the Company signed an option agreement with North Arrow Mineral Inc. ("North"). Under the agreement, North can earn a 55-per-cent interest in the Redemption property, including the mining leases acquired from GGL, by incurring $5 million in exploration expenditure prior to July 1, 2017, including a firm commitment to spend $1,000,000 prior to July 1, 2014 (completed) and paying $17,500 (paid).

In July 2016 North Arrow notified the Company that they decided not to elect to earn in to the option agreement. The property remains 100% owned by Arcitc. The claims are in good standing for a number of years.

(b) Diagras JV, formerly T-Rex property, Lac De Gras NT

During the year ended December 31, 2014, the Company staked 54,000 hectares of ground, for $246,460, in an area previously held by other diamond explorers in the Lac de Gras kimberlite field 20km North of Diavik and 24 km East of Ekati.

In November 2016, the Company and Margaret Lake Diamonds Inc. ("Margaret Lake") entered into an option and joint venture agreement (the "JV Agreement"). Margaret Lake Diamonds earned a 60% interest in certain claims covering all the known kimberlites by making a bond payment of $186,990 to the Government of the Northwest Territories in lieu of required exploration expenditures and a non-refundable filing fee of $4,675 to obtain extension of the mineral claims such that they are maintained in good standing. The Company and Margaret Lake formed a joint venture to further explore and evaluate the T-Rex Property renaming the project the DIAGRAS JV. No separate entity was formed under the JV Agreement. The Company and Margaret Lake will contribute to exploration and development costs in proportion to their interests (40% and 60% respectively) with Margaret Lake acting as operator. During the period ended March 31, 2018, the Company has advances $27,056 (December 31, 2017 - $27,056) to Margaret lake for an exploration work. During the period ended June 30, 2018, the Company recovered $73,406 bond payment.

(c) Triceratops property, Lac De Gras NT

During the year ended December 31, 2015, the Company acquired "Triceratops Property," Northwest Territories, Canada. The 100 % owned property consists of 62 contiguous prospecting permits covering an area of 46,840 hectares in the Lac de Gras kimberlite field. The Company has no further plans for this property and as a result all costs have been written-down as at December 31, 2016.

8. MINING PROPERTIES (continued)

(d) Stein property, Nunavut

During the year ended December 31, 2015 the Company acquired "Stein Diamond Property," Nunavut, Canada. The 100 % owned property consists of 4 contiguous prospecting permits covering an area of 105,637 hectares on the Boothia Peninsula.

(e) Diamond Dunes, Athabasca

On July 11, 2016, the Company has acquired a Diamond Dunes Project, located in the Western Athabasca Basin, Saskatchewan, a 100 percent interest in mineral claims comprising 40,831 hectares in the Athabasca Basin by paying $25,000 cash plus issuing 250,000 common shares of the Company to the vendor.

As at December 31, 2016 the Company has decided not to continue with the project and as a result all costs have been written off as at December 31, 2016.

(f) Cap & Seebach, BC

The property was entirely written-off as at December 31, 2012 as the Company did not intend to do further exploration on this property. During the year ended December 31, 2017, the Company decided to perform further work on the property.

The Company owns the property 100%. The property vendors 877384 and Zimtu will retain a 2-per-cent net smelter royalty.

(g) Timantti – Finland

During the year ended December 31, 2017, the Company acquired a 100% interest in an Exploration Permit over the Black Wolf (*Masta Susi*) and the White Wolf (*Valkoinen Susi*) diamond bearing kimberlites (together the "Wolf kimberlites") in northern Finland, through the purchase of Finland company Foriet Oy (Note 12). The combined regional exploration and diamondiferous kimberlite property has been named the **Timantti Project**.

The Company has issued 10,000,000 common shares at a price of $0.14 per share for all the right, title and interest to Foriet Oy, a Finnish company that has the exploration permit over the Wolf kimberlites in North-Eastern Finland and an additional 4,500,000 were issued to the beneficial owners of a joint venture partner of Foriet Oy for 100% of their joint venture rights.

Management reviews the carrying values of its mining claims on at least an annual basis, or when an impairment event occurs, to determine whether impairment should be recognized.

9. SHARE CAPITAL

(a) Issued

During the period ended June 30, 2018:

(i) On March 29, 2018, the Company completed a private placement of 4,200,000 units at a price of $0.17 per unit for gross proceeds of $714,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.25 for a period of two years. The Company paid cash finder's fees of $57,120 and issued 336,000 brokers warrants at a price of $0.17 per shares for a period of 24 months from closing date. The warrants were valued at $28,425 using the Black-Scholes option pricing model with an average risk-free interest rate of 1.88%, expected life of 2 years, volatility of 103.13% and a dividend yield of 0%.

9. SHARE CAPITAL (continued)

(a) Issued (continued)

(ii) On April 12, 2018, closed private placements of 1,993,647 units @ $0.17 for gross proceed of $338,920. Each unit consist one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.25 per warrant share for a period of two years from the date of closing. The Company paid cash finder's fee $13,600 and also issued 80,000 finder's warrants at a price of $0.17 per warrant share for a period of two years from the date of closing. The warrants were valued at $8,335 using the Black-Scholes option pricing model with an average risk-free interest rate of 2.04%, expected life of 2 years, volatility of 103.16% and a dividend yield of 0%.

(iii) On June 04, 2018, closed private placements of 1,130,000 units @ $0.17 for gross proceed of $192,100. Each unit consist one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.25 per warrant share for a period of two years from the date of closing.

(iv) During the period ended June 30, 2018, the Company raised $165,486 by exercising of 1,833,333 warrants.

(v) During the period ended June 30, 2018, the Company raised $90,000 by exercising of 500,000 options.

During the year ended December 31, 2017:

(i) On January 12, 2017, the Company completed a private placement of 2,921,666 units at a price of $0.06 per unit for gross proceeds of $175,300. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.08 for a period of two years. The Company incurred $8,365 in share issue expense related to this private placement.

(ii) On January 05, 2017, 650,000 options were exercised for gross proceed of $55,250.
On June 19, 2017, 100,000 options were exercised for gross proceed of $20,000

(iii) On May 25, 2017, the Company completed a flow-through private placement of 1,750,000 units at a price of $0.20 per unit for gross proceeds of $350,000. Each unit consists of one common share and one half share purchase warrant. Each warrant is exercisable into one common share at a price of $0.30 for a period of two years. The Company paid $28,000 cash finder's fees and issued 140,000 brokers warrants at a price of $0.20 per shares for a period of 24 months from closing date. The warrants were valued at $24,870 using the Black-Scholes option pricing model with an average risk-free interest rate of 0.76%, expected life of 2 years, volatility of 213.88% and a dividend yield of 0%.

(iv) On May 15, 2017, 229,250 warrants were exercised for gross proceed of $18,130.
On June 15, 2017, 100,000 warrants were exercised for gross proceed of $8,000.
On June 21, 2017, 100,000 warrants were exercised for gross proceed of $8,000.
On July 7, 2017, 62,500 warrants were exercised for gross proceed of $12,500.
On July 19, 2017, 300,000 warrants were exercised for gross proceed of $24,000.
On October 03, 2017, 9,000,000 warrants were exercised for gross proceed of $720,000.
On November 02, 2017, 120,000 warrants were exercised for gross proceed of $7,200.
On December 01, 2017, 250,000 warrants were exercised for gross proceed of $15,000.

(expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

(a) Issued (continued)

(v) On October 31, 2017, the Company completed a private placement of 9,650,000 units at a price of $0.10 per unit for gross proceeds of $965,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.15 for a period of two years. The Company paid $40,800 cash finder's fees and issued 408,000 brokers warrants at a price of $0.10 per shares for a period of 24 months from closing date. The warrants were valued at $48,473 using the Black-Scholes option pricing model with an average risk-free interest rate of 1.11%, expected life of 2 years, volatility of 207.94% and a dividend yield of 0%.

(vi) On November 14, 2017, the Company issued 14,500,000 shares at a price of $0.14 per share pursuant to the acquisition of Foreiet Oy and certain joint venture rights (Notes 12 and 8 (g))).

(vii) On November 23, 2017, the Company completed a private placement of 7,179,361 units at a price of $0.10 per unit for gross proceeds of $717,936. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.15 for a period of two years. The Company paid legal fees of $5,032, cash finder's fees of $4,800 and issued 48,000 brokers warrants at a price of $0.10 per shares for a period of 24 months from closing date. The warrants were valued at $7,681 using the Black-Scholes option pricing model with an average risk-free interest rate of 1.11%, expected life of 2 years, volatility of 202.17% and a dividend yield of 0%.

(b) Share purchase warrants

(i) As at June 30, 2018, the Company had warrants outstanding enabling holders to acquire the following:

Number of shares	Exercise Price	Expiry Date
1,375,092	$0.40	June 30, 2020
3,053,334	$0.08	December 12, 2018
12,410,000	$0.08	December 29, 2018
1,488,333	$0.08	January 12, 2019
875,000	$0.30	May 26, 2019
140,000	$0.20	May 26, 2019
9,450,000	$0.15	October 31, 2019
7,129,361	$0.15	November 23, 2019
48,000	$0.10	November 23, 2019
4,200,000	$0.25	March 29, 2020
336,000	$0.17	March 29, 2020
1,993,647	$0.25	April 12, 2020
80,000	$0.17	April 12, 2020
1,130,000	$0.25	June 4, 2020
43,708,767		

(expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

(ii) A summary of the Company's issued and outstanding share purchase warrants as at June 30, 2018 and December 31, 2017 and changes during those years are presented below:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2016	29,173,426	$0.10	2.01 years
Issued	21,222,027	$0.14	
Expired/Cancelled	(10,161,750)	$0.08	
Balance, December 31, 2017	40,233,703	$0.13	1.58 years
Issued	7,739,647	$0.25	
Exercised	(1,833,333)	$0.09	
Expired/Cancelled	(2,431,250)	$0.20	
Balance, June 30, 2018	**43,708,767**	**$0.15**	**1.25 years**

(c) Share based payments

(i) As at June 30, 2018, the Company had stock options outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
425,000	$0.20	February 20, 2020
125,000	$0.20	June 30, 2020
150,000	$0.20	March 04, 2021
2,931,661	$0.085	December 30, 2021
350,000	$0.09	January 06, 2022
5,360,000	$0.175	November 21, 2022
9,341,661		

(ii) A summary of the status of the Company's stock options as at June 30, 2018 and December 31, 2017 and changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2016	4,887,911	$0.08	4.39 years
Granted	5,710,000	$0.17	
Exercised	(750,000)	(0.08)	
Expired/Cancelled	(387,500)	($0.29)	
Balance, December 31, 2017	9,460,411	$0.13	4.34 years
Granted	500,000	$0.18	
Exercised	(500,000)	$0.18	
Expired/Cancelled	(118,750)	$0.12	
Balance, June 30, 2018	**9,341,661**	**$0.13**	**3.90 years**

(expressed in Canadian dollars)

10. STOCK-BASED COMPENSATION AND CONTRIBUTED SURPLUS

The following table reconciles the Company's contributed surplus:

Balance, December 31, 2016	$	5,497,212
Options granted		865,257
Fair value of brokers warrants exercised		(3,542)
Warrants granted		81,024
Fair value of options exercised		(61,910)
Balance, December 31, 2017		6,378,041
Options granted		66,107
Fair value of options exercised		(66,107)
Fair value of brokers warrants exercised		(52,575)
Fair value of warrants granted		36,760
Balance, June 30, 2018	**$**	**6,362,226**

The Company has a stock option plan (the "Plan") for directors, senior officers, employees, consultants, and management. The Plan provides for the granting of stock options up to a maximum of 10% of the issued and outstanding common shares of the Company at the date of grant. Options are granted for a term not exceeding five years. Options granted to directors, senior officers, employees, and consultants vest fully on the grant date. Options granted to consultants performing investor relations activities vest over a period of twelve months with no more than one-quarter of the options vesting in any three month period.

During the period ended June 30, 2018, the Company has recognized $66,107 in compensation upon issuance of 500,000 stock options. These options vested 100% on the grant date. The fair values of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions.

During the year ended December 31, 2017, the Company has recognized $865,257 in compensation upon issuance of 5,710,000 stock options. These options vested 100% on the grant date. The fair values of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions.

	June 30, 2018	December 31, 2017
Risk-free interest rate	2.04%	0.72% - 1.68%
Experienced life of options	5	5
Annualized volatility	122.09%	1.68% - 181.94%
Dividend rate	-	-

(expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

(a) During the period ended June 30, 2018, the Company incurred consulting fees of $192,750 (June 30, 2017: $107,500) with directors and companies owned by directors.

(b) During the period ended June 30, 2018, the Company incurred accounting fees of $42,000 (June 30, 2017: $42,000) with an officer of the Company.

(c) During the period ended June 30, 2018 payment of rent of $25,388 (June 30, 2017: $25,388) pertains to rent paid to a company related by a common director for shared office premises.

(d) During the period ended June 30, 2018 recovery of rent of $7,000 (June 30, 2017: $15,617) pertains to rent collected from companies related by a common officer for shared office premises.

(e) During the period ended June 30, 2018, the Company incurred trade shows expenses of $nil (June 30, 2017: $2,500) with a company related by a common director.

(f) During the period ended June 30, 2018, the Company incurred public relation expenses of $nil (June 30, 2017: $49,590) with a company related by a common director

(g) During the period ended June 30, 2018, the Company incurred deferred exploration expenditures and consulting fees of $78,018 (June 30, 2017: $nil) with a director of the Company and a company.

(h) As at June 30, 2018 due from related parties include $288,203 (December 31, 2017: $17,654) due from a Company controlled by a director of the Company.

(i) As at June 30, 2018, $99,638 (December 31, 2017 - $131,883) was owing to companies controlled by directors and officers of the Company.

The amounts due from or to the related parties are unsecured and without interest or stated terms of repayment.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the period ended June 30, 2018, nil stock options (June 30, 2017 – 250,000) were granted to directors and officers.

The aggregate values of transactions relating to key management personnel were as follows:

	June 30, 2018	June 30, 2017
Consulting fees	**$ 192,750**	$ 107,500
Accounting fees	**42,000**	42,000
Stock based compensation	-	21,573
Rent	**25,388**	25,388
Trade shows	-	2,500
Public relations	-	49,590

(expressed in Canadian dollars)

12. PURCHASE OF SUBSIDIARY

On November 16, 2017, the Company completed its acquisition of a Finland company, Foriet Oy ("Foriet") pursuant to which the Company acquired all of the outstanding securities of Foreit in exchange for the issue of 10,000,000 common shares of the Company valued at $1,400,000. As part of the transaction, the Company issued an additional $4,500,000 common share of the Company valued at $630,000 to the beneficial owners of a joint venture partner of Foreit to acquire 100% of their joint venture rights to certain explorations permits (Note 8(g)). Foriet was not considered to meet the definition of a business under IFRS 3, Business Combinations, and accordingly the transaction was accounted for as an asset acquisition in accordance with IFRS 2, Share-based Payments. It was determined that the fair value of the common shares issued was the appropriate measurement for the assets acquired as the fair value of the exploration property was not reliably determinable.

	Total
Purchase price in shares	$ 1,400,000
Total Purchase Price	$ 1,400,000
Preliminary allocation of purchase price:	
Cash	$ 4,203
Prepaid expenses	21,656
Mineral property	1,393,402
Accounts payable	(19,261)
	$ 1,400,000

The fair value of the Company's net assets is estimated to be consistent with their carrying value.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO OPERTING, FINANCNG AND INVESTING ACTIVITIES

Non-cash investing and financing activities for the year ended December 31, 2017, were as follows:

(a) Issued 14,000,000 common shares with a value of $2,030,000 pursuant to acquiring the wholly owned subsidiary Foriet Oy and the mineral property rights.

(b) Accounts payable includes $371,184 related to mining property expenditures.

(c) Accounts receivable includes $50,000 related to subscriptions receivable for private placements completed during the year.

Non-cash investing and financing activities for the period ended June 30, 2018, were nil.

(expressed in Canadian dollars)

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment - mineral exploration. As at June 30, 2018, the Company's resource properties are located in Canada and Finland. The Company's non-current assets by geographic area are as follows:

		June 30, 2018		December 31, 2017
Canada	$	**3,009,543**	$	2,703,872
Finland		**2,531,920**		2,064,395
	$	**5,541,463**	$	4,768,267

15. COMMITMENTS

During the year ended December 31, 2016, the Company completed a private placement of flow-through shares for gross proceeds of $300,000 (Note 9). There was no flow-through share premium liability resulting from the issuance. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2017. As at December 31, 2017, the Company had spent $300,000 (2016 - $nil) of the flow-through fund on qualified programs. Under the look-back rules, effective from February 1, 2017, any flow-through funds spent in 2017 were charged a floating interest tax, which was set at 1% per annum and resulted in flow-through taxes payable of $1,236.

During the year ended December 31, 2017, the Company completed a private placement of flow-through shares for gross proceeds of $350,000 (Note 9). There was no flow-through share premium liability resulting from the issuance. The flow-through funds are required to be spent on qualified exploration programs no later than December 31, 2018. As at December 31, 2017, the Company had spent $nil of the flow-through fund on qualified programs and under the look-back rules permitted by Canadian tax authorities expects to spend the remaining funds in 2018.

16. SUBSEQUENT EVENTS

500,000 shares$0.10 returned to treasury.