LABRADOR GOLD CORP.

(Formerly Nikos Explorations Ltd.)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Labrador Gold Corp. (formerly Nikos Explorations Ltd.)

We have audited the accompanying financial statements of Labrador Gold Corp. (formerly Nikos Explorations Ltd.), which comprise the statements of financial position as at September 30, 2017 and 2016 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial statements present fairly, in all material respects, the financial position of Labrador Gold Corp. (formerly Nikos Explorations Ltd.) as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describe matters and conditions that indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
January 29, 2018

LABRADOR GOLD CORP. (FORMERLY NIKOS EXPLORATIONS LTD.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	September 30, 2017 ($)	September 30, 2016 ($)
ASSETS			
Current assets			
Cash		140,959	10,019
Amounts receivable		11,859	3,530
Prepaid expenses		498	-
		153,316	13,549
Non-current assets			
Unproven mineral right interests	4, 7	914,859	539,681
		1,068,175	553,230
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Amounts payable and accrued liabilities	6	26,124	49,697
Shareholders' equity			
Share capital	4	10,151,907	9,540,767
Share-based payments reserve	4	358,212	274,968
Deficit		(9,468,068)	(9,312,202)
		1,042,051	503,533
		1,068,175	553,230
Nature of operations and going concern	1		
Subsequent events	11		

On behalf of the Board:

"James Borland"
Director

"Trevor Boyd"
Director

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

(Expressed in Canadian Dollars)

	Note	Year ended September 30, 2017 ($)	2016 ($)
EXPENSES			
General and administration expenses			
Consulting fees	6	7,237	4,237
Management fees	6	12,000	12,000
Office and miscellaneous		7,897	3,229
Professional fees		16,071	13,143
Regulatory and transfer fees		22,342	21,096
Share-based compensation	4, 6	95,842	21,794
Shareholder communications		5,160	5,945
Loss before income taxes		166,549	81,444
Income tax recovery		(10,683)	-
Net loss and comprehensive loss		(155,866)	(81,444)
Weighted average number of shares outstanding		23,133,198	15,095,065
Basic and diluted loss per share		(0.01)	(0.01)

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

LABRADOR GOLD CORP. (FORMERLY NIKOS EXPLORATIONS LTD.)
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Note	Share Capital No. of Shares	Share Capital Amount ($)	Deficit ($)	Share-based payments reserve ($)	Total Shareholders' Equity ($)
Balance - October 1, 2015		12,295,074	9,213,475	(9,230,758)	267,616	250,333
Acquisition of unproven mineral right interests	4,7	1,600,000	102,000	-	-	102,000
Deferred exploration expenses settled with shar	4, 7	150,000	9,000	-	-	9,000
Private placements, net of issue costs	4	3,536,667	186,850	-	-	186,850
Exercise of options	4	300,000	29,442	-	(14,442)	15,000
Share-based compensation	4	-	-	-	21,794	21,794
Net loss		-	-	(81,444)	-	(81,444)
Balance - September 30, 2016		17,881,741	9,540,767	(9,312,202)	274,968	503,533
Balance - October 1, 2016		17,881,741	9,540,767	(9,312,202)	274,968	503,533
Acquisition of unproven mineral right interests	4, 7	600,000	38,400	-	-	38,400
Private placements, net of issue costs	4	7,124,984	546,550	-	-	546,550
Tax recovery on issuance of flow-through shares		-	(10,683)	-	-	-10,683
Exercise of options	4	340,000	32,998	-	(12,598)	20,400
Exercise of warrants	4	77,500	3,875	-	-	3,875
Share-based compensation	4	-	-	-	95,842	95,842
Net loss		-	-	(155,866)	-	(155,866)
Balance - September 30, 2017		26,024,225	10,151,907	(9,468,068)	358,212	1,042,051

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

LABRADOR GOLD CORP. (FORMERLY NIKOS EXPLORATIONS LTD.)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended September 30, 2017 ($)	Year ended September 30, 2016 ($)
CASH USED IN OPERATING ACTIVITIES		
Net loss	(155,866)	(81,444)
Items not affecting cash:		
Share-based payments	95,842	21,794
Income tax recovery	(10,683)	-
Changes in non-cash working capital items:		
Amounts receivable	(8,329)	692
Prepaid expenses	(498)	-
Amounts payable and accrued liabilities	2,477	4,924
Net cash used in operating activities	(77,057)	(54,034)
CASH PROVIDED BY FINANCING ACTIVITIES		
Issue of common shares for cash	570,825	202,100
Share issue costs	-	(250)
Net cash provided by financing activities	570,825	201,850
CASH USED IN INVESTING ACTIVITIES		
Unproven mineral right interests - acquisition	(15,000)	(57,160)
Unproven mineral right interests - exploration	(347,828)	(84,382)
Net cash used in investing activities	(362,828)	(141,542)
Increase in cash	130,940	6,274
Cash, beginning of the year	10,019	3,745
Cash, end of the year	140,959	10,019

Supplemental cash flow information (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Labrador Gold Corp. (formerly Nikos Explorations Ltd.) ("Labrador Gold" or the "Company") is a company involved in the acquisition and exploration of prospective gold projects in the Americas. It was incorporated under the Business Corporations Act (British Columbia) in 1987. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "LAB". Its principal office is located at Suite 1260-355 Burrard Street, Vancouver, B.C. V6C 2G8, Canada.

The Company is focused in conducting gold exploration in the province of Labrador, Canada, and also has mineral right interests in Ontario, Canada. At the date of these financial statements, the Company has not yet determined whether any of its mineral interests contain economically mineral reserves. Accordingly, the carrying amount of its mineral right interests represents the cumulative acquisition costs and exploration expenditures incurred to date, which does not necessarily reflect present or future values. The recovery of these costs is dependent on the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to undertake continuing exploration and development, and to resolve any environmental, regulatory or other constraints.

These financial statements have been prepared on a going concern basis, which assume that the Company will be able to continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of several material adverse conditions as set out below that cast significant doubt on the validity of this assumption.

The Company is a mineral exploration company with a history of recurring losses and without a source of revenue. At September 30, 2017, the Company had no source of operating cash flow. Operations in recent years have been funded from the issuance of share capital, payments received pursuant to an option agreement which has now been completed, and cash on hand.

Given its current stage of operations, the Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The low price of the Company's common shares makes it dilutive and difficult to raise funds by the sale of the Company's shares. In the event the Company is unable to raise adequate financing or meet its current obligations, the carrying value of the Company's unproven mineral right interests could be subject to adjustments.

These financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

These financial statements were authorized for issue by the Board of Directors on January 29, 2018 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2. BASIS OF PREPARATION

a) Basis of presentation

The financial statements have been prepared on an accrued basis and are based on the historical cost basis and modified where applicable.

(b) Adoption of new and revised standards and interpretations

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9, Financial Instruments

The Company has not early adopted this new standard to existing standards and does not expect the impact of this standard on the Company's consolidated financial statements to be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of judgments and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgments

a) Unproven mineral right interests

The application of the Company's accounting policy for unproven mineral right interests requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Title to unproven mineral right interests

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Going concern

Critical judgement and estimates are applied for the determination that the Company will continue as a going concern for the next year.

Estimates

a) Share-based payments:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date in which they are granted. Estimating fair values for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The model and assumptions used by the Company to estimate the fair value of share-based payments are disclosed in Note 4(c).

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. There were no cash equivalents at September 30, 2017 and 2016.

Unproven mineral right interests

All acquisition costs, exploration and direct field costs are capitalized into intangible assets until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property, or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral right interests on a periodic basis and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. Management’s assessment of the mineral right’s fair value is also based upon a review of other mineral right transactions that have occurred in the same geographic area as that of the rights under review. Administration costs and other exploration costs that do not relate to a specific mineral right are expensed as incurred.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations.

There may be material uncertainties associated with the Company’s title and ownership of its unproven mineral interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral right interests. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

Income taxes

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity or other comprehensive income (“OCI”) is recognized in equity or OCI and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

Share capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in the non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to the residual value method.

Basic loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

Financial assets

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

Financial assets classified as FVTPL are other assets and are measured at fair value with unrealized gains and losses recognized through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

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 when there is a significant or prolonged decline in the fair value of that investment below its cost, at which time the impairment is recognized in profit or loss.

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

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether any indicators exist that the Company's financial assets are impaired.

<u>Assets measured at amortized cost</u>

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

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 to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Assets classified as available for sale

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognized in profit or loss.

Reclamation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

4. EQUITY

a) Share capital

Authorized share capital consists of an unlimited number of common shares without par value.

On January 6, 2016, the Company issued an aggregate of 150,000 shares valued at $9,000 and 150,000 warrants to the Brunswick House, Chapleau Cree and Chapleau Ojibway First Nations, in connection with a Memorandum of Understanding with respect to the Company's Borden Lake Extension project, located near Chapleau, Ontario. Each warrant is exercisable into one additional share at a price of $0.05 and has a five-year term.

On January 18, 2016, the Company issued 1,450,000 shares valued at $87,000 for the acquisition of unproven mineral right interests (Note 7).

4. EQUITY (continued)

On March 30, 2016, the Company closed a non-brokered private placement for gross proceeds of $35,000 from the sale of 1,400,000 units at a price of $0.025 per unit. Each unit consisted of one share and one warrant exercisable into one additional share at a price of $0.05 for a one-year period. A further $10,100 was raised from the sale of 336,667 flow-through units at a price of $0.03 per unit. Each flow through unit consisted of one share and one-flow through warrant exercisable into one additional share at a price of $0.05 for a one-year period.

On April 12 and 14, 2016, the Company received proceeds of $15,000 from the exercise of 300,000 options. The Company also reclassified $14,442 of previously recorded share-based compensation payment reserve amounts with the exercise of these options.

On May 10, 2016, the Company issued 150,000 shares valued at $15,000 for the acquisition of unproven mineral right interests (Note 7).

On June 7, 2016, the Company closed a non-brokered private placement for gross proceeds of $132,000 from the sale of 1,650,000 units at a price of $0.08 per unit. Each unit consisted of one share and one warrant exercisable into one additional share at a price of $0.15 for a two-year period. A further $10,000 was raised from the sale of 100,000 flow-through units at a price of $0.10 per unit. Each flow through unit consisted of one share and one-half of a flow through warrant. Each full warrant is exercisable into one additional share at a price of $0.15 for a two- year period. Finders' fees of $250 in cash and 50,000 shares of the Company were paid on a portion of the private placement.

On December 23, 2016, the Company received gross proceeds of $140,400 from the sale of 1,755,000 units priced at $0.08 per unit. Each unit consisted of one share and one warrant exercisable into one additional share at a price of $0.13 for a two-year period. A further $96,150 was raised from the sale of 1,068,334 flow-through shares at a price of $0.09 per share. Finders fees comprised of 155,400 shares of the Company were issued in connection with this non-brokered private placement.

On February 2, 2017, the Company received gross proceeds of $310,000 from the sale of 3,875,000 units priced at $0.08 per unit. Each unit consisted of one share and one warrant exercisable into one additional share at a price of $0.13 for a two-year period. Finders fees comprised of 271,250 shares of the Company were issued in connection with this private placement.

On February 9, 2017, the Company received proceeds of $3,000 from the exercise of 60,000 warrants.

On March 13, 2017, the Company received proceeds of $875 from the exercise of 17,500 warrants.

On May 10, 2017 and June 28, 2017, the Company issued 180,000 and 420,000 shares, respectively, valued at $38,400 for the acquisition of unproven mineral right interests (Note 7).

On September 21, 25 and 27, 2017, the Company received proceeds of $20,400 from the exercise of 340,000 options. The Company also reclassified $12,598 of previously recorded share-based compensation payment reserve amounts with the exercise of these options.

In the year ended September 30, 2017, the Company recorded a reduction to share capital of $10,683 (2016: $nil) associated with the tax recovery booked in respect of flow-through financings undertaken in the year.

b) Equity reserve

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based payments.

4. EQUITY (continued)

c) Share options

On February 9, 2016, the Company granted 700,000 share purchase options to directors, officers and consultants. The options vested over one year, with 25% vesting every three months beginning on May 9, 2016, are exercisable at a price of $0.06 per share and have a five-year term to February 9, 2021.

The weighted average fair value of these options was estimated at $0.0371 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

- Weighted average share price: $0.04
- Weighted average exercise price: $0.06
- Dividend yield: 0%
- Risk-free interest rate: 0.51%
- Pre-vest forfeiture rate: 0%
- Expected life (years): 5 years
- Expected volatility: 167.47%

On March 6, 2017, the Company granted 1,100,000 share purchase options to directors, officers and consultants. The options vested upon grant, are exercisable at a price of $0.10 per share and have a five-year term to March 6, 2022.

The weighted average fair value of these options was estimated at $0.0834 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

- Weighted average share price: $0.09
- Weighted average exercise price: $0.10
- Dividend yield: 0%
- Risk-free interest rate: 1.16%
- Pre-vest forfeiture rate: 0%
- Expected life (years): 5 years
- Expected volatility: 160.91%

A compensation cost of $95,842 associated with vested options was recognized during the year ended September 30, 2017 (Year ended September 30, 2016: $21,794).

(Expressed in Canadian Dollars)

4. EQUITY (continued)

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

	Number of Options	Weighted Average Exercise Price ($)
At start of the year	1,000,000	0.06
Forfeited	(150,000)	0.05
Granted	1,100,000	0.10
Exercised	(340,000)	0.06
At end of the year	1,610,000	0.09
Vested and exercisable	1,610,000	0.09

For the 340,000 options exercised during the year ended September 30, 2017, the weighted average closing share price at the date of exercise was $0.19

At September 30, 2017, the weighted average exercise price of options outstanding was $0.09 (September 30, 2016: $0.06) and their weighted average remaining contractual life was 3.91 years (September 30, 2016: 3.72).

d) Warrants

On January 6, 2016, the Company issued 150,000 warrants to the Brunswick House, Chapleau Cree and Chapleau Ojibway First Nations. Each warrant is exercisable into one share of the Company at a price of $0.05 and has a five-year term to January 6, 2021.

On February 2, 2016, a total of 1,600,000 warrants with an exercise price of $0.10 per share expired unexercised.

On March 25, 2016, a total of 1,400,000 warrants with an exercise price of $0.15 per share expired unexercised.

On March 30, 2016, the Company issued 1,736,666 warrants exercisable into one Company share at a price of $0.05 for a one-year period.

On June 7, 2016, the Company issued 1,700,000 warrants exercisable into one Company share at a price of $0.15 for a two-year period.

On December 23, 2016, the Company issued 1,755,000 warrants exercisable into one Company share at a price of $0.13 for a two-year period.

On February 2, 2017, the Company issued 3,875,000 warrants exercisable into one Company share at a price of $0.13 for a two-year period.

On February 9, 2017, the Company received proceeds of $3,000 from the exercise of 60,000 warrants.

On March 13, 2017, the Company received proceeds of $875 from the exercise of 17,500 warrants.

(Expressed in Canadian Dollars)

4. EQUITY (continued)

On March 30, 2017, a total of 1,659,167 warrants with an exercise price of $0.05 per share expired unexercised.

The continuity of the number of warrants outstanding is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
At start of the year	3,586,667	0.10
Granted	5,630,000	0.13
Exercised	(77,500)	0.05
Expired	(1,659,167)	0.05
At end of the year	7,480,000	0.13
Vested and exercisable	7,480,000	0.13

5. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS

Financial risk management

The Company's activities expose it to a variety of financial risks, which include liquidity risk, interest rate risk, currency risk and credit risk.

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections, and by raising additional capital as required from time to time.

The Company's financial liabilities fall due as indicated in the following table:

At September 30, 2017	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	$ 26,124	$ 26,124	-	-	-

At September 30, 2016	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	$ 49,697	$ 49,697	-	-	-

5. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS (continued)

b) Currency risk

The Company is not exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and its functional currency is the Canadian Dollar. All of its cash is held in Canadian dollars and significantly all of the Company's costs are denominated in Canadian dollars.

c) Interest rate risk

The Company did not earn interest income on cash during the years ended September 30, 2017 and 2016. The Company has no outstanding debt subject to interest. Accordingly, the Company's management believes there currently is no interest rate risk for the Company.

d) Credit risk

The financial instrument that potentially subjects the Company to credit risk is cash, which is maintained with financial institutions in Canada and is redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Capital risk management

The Company's capital structure is comprised of working capital (current assets minus current liabilities) and equity. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations. The Company's management is responsible for capital management. This involves the use of corporate forecasting models, which facilitate analysis of the Company's financial position including cash flow forecasts to determine the future capital management requirements.

As of September 30, 2017, the Company is managing its existing working capital to ensure that it will be able to meet current commitments. Subsequent to year-end, the Company raised additional capital to fund its exploration program and ongoing operations (Note 11).

Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company's corporate and project requirements are met.

Financial instruments by category

The Company's financial instruments consist of cash and amounts payable and accrued liabilities. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The fair value of cash, and amounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these financial instruments.

(Expressed in Canadian Dollars)

5. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS (continued)

The Company is required to make disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly;
- Level 3 – Inputs that are not based on observable market data.

The Company has made the following classifications for its financial instruments

	2017	2016
	$	$
Loans and receivables		
Cash and cash equivalents	140,959	10,019

	2017	2016
	$	$
Other liabilities at amortized cost		
Amounts payable and accrued liabilities	26,124	49,697

6. RELATED PARTY TRANSACTIONS

a. Trading transactions

The Company's related parties consist of a proprietorship controlled by the Company's Chief Executive Officer ("CEO") and a company controlled by the Company's Chief Financial Officer ("CFO").

	Nature of Transaction
Moss Exploration Services	Management
Delphis Financial Strategies Inc.	Management

The Company incurred the following fees in the normal course of operations in connection with the companies controlled by key management. Transactions have been measured at the exchange amount which is determined on a cost recovery basis.

	Note	For the years ended September 30,	
		2017	2016
		$	$
Management and consulting fees	(i)	19,238	16,238
Geological consulting fees	(ii)	8,063	10,613
		27,301	26,851

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (continued)

i. During the year ended September 30, 2017, the Company incurred management and consulting fees of $12,000 (2016: $ 12,000) for accounting services paid to a company controlled by the Company's CFO and $7,238 (2016: $4,238) for consulting fees paid to a proprietorship controlled by the Company's CEO.

ii. During the year ended September 30, 2017, the Company incurred geological consulting fees of $8,063 (2016: $10,613) paid to a proprietorship controlled by the Company's CEO.

iii. Included in accounts payable and accrued liabilities as at September 30, 2017 is $4,213 (September 30, 2016: $30,866), owing to the Company's CEO.

iv. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

b. Key Management Compensation

The remuneration of members of key management during the year ended September 30, 2017 and 2016 is as follows:

	Year ended September 30,	
	2017	2016
	$	$
Management and geological consulting fees	27,301	26,851
Share-based payments	34,766	7,472
	62,067	34,323

Share-based payments are the fair value of options vested to directors and key management.

7. UNPROVEN MINERAL RIGHT INTERESTS

Borden Lake Property

The Company has a 100% undivided interest in the Borden Lake Property (the "Borden Lake Property") located near Chapleau Ontario. The 1,598-hectare property lies immediately east of Goldcorp's Borden Lake gold project. The original vendors of the Borden Lake Property retain a 2% net smelter return ("NSR") royalty, half of which may be bought back by the Company for $1 million at any time

The Company also entered into an option agreement to earn a 100% interest in six claims located to the south of the Property (the "Additional Claims"). The terms of the option have been completed and are the following:

- On receipt of TSX-V approval: payment of $6,000 and issuance of 75,000 shares;
- On or before May 13, 2015: payment of $15,000 and issuance of 105,000 shares;
- On or before May 13, 2016: payment of $24,000 and issuance of 150,000 shares;
- On or before May 13, 2017: payment of $36,000 and issuance of 180,000 shares (renegotiated and completed in June 2017 with a cash payment of $15,000 and the issuance of 600,000 shares);

(Expressed in Canadian Dollars)

7. UNPROVEN MINERAL RIGHT INTERESTS (continued)

- A 2% NSR royalty, half of which may be bought back by Labrador Gold for $1million at any time; and

- On receipt of a National Instrument 43-101 compliant report showing an indicated resource of at least 1million ounces of gold: payment of $600,000.

The Company added a further five claims to the option agreement to purchase the Additional Claims, paying consideration to the vendors of an amount equal to the staking costs of these five claims. Finally, in the year ended September 30, 2016, Labrador Gold announced the addition of nine claims tying on to the south of the Borden Lake Property. The Company paid consideration to the vendors of an amount equal to the staking costs of these nine claims. With the addition of these claims, the area of the Borden Lake Property was increased to approximately 55 square kilometres.

As at September 30, 2017, the Company had incurred the following acquisition and development costs on the Borden Lake Property:

	At September 30, 2016	Year ended September 30, 2017	At September 30, 2017
	$	$	$
Acquisition costs	260,785	53,400	314,185
Exploration costs:			
Automobile	9,857	8,240	18,097
Assays	25,164	17,931	43,095
Community relations	10,641	6,426	17,067
Drilling	-	175,316	175,316
Equipment rental	-	21,210	21,210
Exploration administration and field supplies	2,852	26,184	29,036
Food and accomodation	8,595	19,577	28,172
Geological consulting	69,924	44,144	114,068
Geophysical	151,863	2,750	154,613
	278,896	321,778	600,674
Total	539,681	375,178	914,859

<u>Labrador Properties</u>

On September 5, 2017, the Company entered into an option agreement to earn a 100% interest on the Ashuanipi property and a right of first refusal on both the Nain and Hopedale properties, located in Labrador (the “Labrador Properties”). The terms of the option are the following:

- On receipt of TSX-V approval: payment of $75,000 and issuance of 450,000 shares in respect of the Ashuanipi property. In addition, the Company will retain for a period of sixty days, the right to option Nain and/or the Hopedale properties, under the same terms for each property optioned (completed subsequent to year end (Note 11));

- On or before September 5, 2018: payment of $100,000 and issuance of 300,000 Shares;

- On or before September 5, 2019: payment of $150,000 and issuance of 350,000 Shares;

(Expressed in Canadian Dollars)

7. UNPROVEN MINERAL RIGHT INTERESTS (continued)

- On or before September 5, 2020: payment of $175,000 and issuance of 400,000 shares;
- On or before September 5, 2021: payment of $250,000 and issuance of 500,000 shares;

The vendors of the Labrador Properties retain a 2% NSR royalty, half of which may be bought back by Labrador Gold at any time for $2 million plus $1 per ounce of gold in a measured and indicated resources. An advance royalty of $25,000 per annum for each property will be payable starting in 2023.

Ownership in mineral right interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the ambiguous conveyance history of many mineral right interests. The Company has investigated ownership of its mineral right interests and, to the best of its knowledge, ownership of its interests are in good standing.

8. SEGMENTED INFORMATION

At September 30, 2017, the Company has one reportable operating segment, being mineral exploration.

The Company operates in one geographical area, being Canada.

9. INCOME TAXES

a) Income tax expense reported differs from the amount computed by applying the tax rates applicable to the Company to the loss before the tax provision due to the following:

	2017	2016
	$	$
Loss before income taxes	(155,866)	(81,444)
Statutory tax rate	26%	26%
Expected income tax recovery	(40,525)	(21,175)
Changes attributable to:		
Net adjustment for amortization of non-deductible and other amounts	47,077	5,456
Unrecognized benefit of deferred tax assets	4,131	15,719
Flow-through tax recovery	(10,683)	-
Total income tax expense	-	-

(Expressed in Canadian Dollars)

9. INCOME TAXES (continued)

2. The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	2017	2016
	$	$
Non-capital losses	1,565,000	1,485,000
Share issue costs	35,439	3,400
Mineral properties	2,612,636	2,708,786
Capital losses	1,540,946	1,540,946
Unrecognized deductible temporary differences	5,754,021	5,738,132

At September 30, 2017, the Company has non-capital operating losses of approximately $1,565,000 (2016: $1,485,000) for deduction against future taxable income in Canada. The operating losses expire as follows:

	$
2026	294,000
2027	573,000
2028	163,000
2029	79,000
2030	-
2031	86,000
2032	41,000
2033	60,000
2034	71,000
2035	58,000
2036	60,000
2037	80,000
Total	1,565,000

10. SUPPLEMENTAL CASH FLOW INFORMATION

At September 30, 2017, net exploration costs included in amounts payable and accrued liabilities were $975 (September 30, 2016: $27,025).

During the year ended September 30, 2017, the Company issued $38,400 in shares for option payments on the Property (2016: $102,000), $nil in shares issued to settle exploration expenses (2016: $9,000) and 426,650 shares issued in settlement of finders' fees.

11. SUBSEQUENT EVENTS

Subsequent to September 30, 2017:

a) The Company received gross proceeds of $1,757,000 from the sale of 8,785,000 units priced at $0.20 per unit. Each unit consisted of one share and one warrant exercisable into one additional share at a price of $0.30 for a two-year period. A further $20,000 was raised from the sale of 80,000 flow-through units at a price of $0.20 per unit. Each unit consisted of one flow-through common share and one non-flow through warrant exercisable into one additional share at a price of $0.35 for a two-year period. Finders fees comprised of $39,120 in cash and 285,600 warrants of the Company were issued in connection with this non-brokered private placement.

b) The Company exercised its right of first refusal to option the Nain and Hopedale properties in Labrador, and completed the first option milestone in respect of the Ashuanipi, Nain and Hopedale properties through the payment of $225,000 in cash and the issuance of 1,350,000 shares of the Company.