



Gungnir Resources Inc.

AMENDED

Annual Financial Statements

December 31, 2017 and 2016

(expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gungnir Resources Inc.,

We have audited the accompanying financial statements of Gungnir Resources Inc. which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2017 and 2016, 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 whether the financial statements are free of 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 Gungnir Resources Inc. at December 31, 2017 and 2016 and its financial performance and its cash flows for the years ended December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.





Gungnir Resources Inc.

Statements of Financial Position

(expressed in Canadian dollars)

As at	Note	December 31, 2017	December 31, 2016
Assets			
Current assets			
Cash & cash equivalents	3	\$ 693,842	\$ 278,448
GST receivable and prepaids	4	3,337	2,824
		697,179	281,272
Non-current assets			
Deposits	3	11,568	5,764
Reclamation bonds	5	23,523	23,531
Exploration and evaluation properties	6	879,213	572,417
Total assets		\$ 1,611,483	\$ 882,984
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		253,440	219,059
Total liabilities		253,440	219,059
Equity			
Share capital	7	30,166,836	30,065,837
Stock-based payment reserve	7	235,065	344,665
Warrants	7	200,001	250,872
Contributed surplus	7	6,650,402	6,468,930
Deficit		(35,894,261)	(36,466,379)
Total equity		1,358,043	663,925
Total liabilities and equity		\$ 1,611,483	\$ 882,984

Nature and continuance of operations (Note 1)

See accompanying notes to the financial statements



Gungnir Resources Inc.

Statements of Comprehensive Loss

(expressed in Canadian dollars)

For the Years Ended December 31,	Note	2017	2016
Operating expenses			
General and administration	10	\$ 93,145	77,535
Compensation	10	316,083	375,573
Professional fees	10	24,537	17,353
Other items		(433,765)	(470,461)
Advance royalty income	6(a)	1,000,000	-
Interest income		5,883	535
Write-down of exploration and evaluation properties		-	(148,820)
Comprehensive income (loss)		\$ 572,118	(618,746)
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Weighted average number of shares outstanding		63,635,361	54,339,196
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Basic and diluted earnings/(loss) per share	8	\$ 0.01	(0.01)

See accompanying notes to the financial statements



Gungnir Resources Inc.

Statements of Cash Flows

(expressed in Canadian dollars)

For the Years Ended December 31,	Note	2017	2016
Operating activities			
Comprehensive income/(loss) for the year	\$	572,118	\$ (618,746)
Adjustments for:			
Accrued interest on reclamation bonds		8	(19)
Stock-based compensation		32,000	121,004
Recovery of accounts payable		(1,024)	-
Write-down of exploration and evaluation properties		-	148,820
		603,102	(348,941)
Net change in non-cash working capital			
GST receivable		(717)	1,216
Prepaid expenses		-	(204)
Accounts payable and other accrued liabilities		31,284	133,154
Net cash from (used in) operating activities		633,669	(214,775)
Financing activity			
Issue of units, net of share issue costs		-	344,250
Exercise of warrants		90,000	-
Net cash provided by financing activity		90,000	344,250
Investing activities			
Term deposits redeemed (purchased) – net, inclusive of interest accounts		(5,804)	112,588
Exploration and evaluation expenditures		(302,471)	(16,737)
Net cash (used in) provided by investing activities		(308,275)	95,851
Net change in cash		415,394	225,326
Cash and cash equivalents, beginning of year		278,448	53,122
Cash and cash equivalents, end of year	\$	693,842	\$ 278,448

See accompanying notes to the financial statements



Gungnir Resources Inc.

Statements of Changes in Equity

(expressed in Canadian dollars)

	Shares (note 8)	Share Capital	Share-based compensation	Warrants	Contributed surplus	Deficit	Total equity
January 1, 2016	51,248,785	\$ 29,901,587	\$ 223,661	\$ 70,872	\$ 6,468,930	\$ (35,847,633)	\$ 817,417
Private placement shares issued	12,000,000	360,000	-	-	-	-	360,000
Share issue costs	-	(195,750)	-	180,000	-	-	(15,750)
Share-based compensation	-	-	121,004	-	-	-	121,004
Comprehensive loss	-	-	-	-	-	(618,746)	(618,746)
December 31, 2016	63,248,785	\$ 30,065,837	\$ 344,665	\$ 250,872	\$ 6,468,930	\$ (36,466,379)	\$ 663,925
Exercise of warrants	1,800,000	90,000	-	-	-	-	90,000
Re-allocated on exercise of warrants	-	10,999	-	(10,999)	-	-	-
Re-allocated on expiry or cancellation of options and warrants	-	-	(141,600)	(39,872)	181,472	-	-
Share-based compensation	-	-	32,000	-	-	-	32,000
Comprehensive income	-	-	-	-	-	572,118	572,118
December 31, 2017	65,048,785	\$ 30,166,836	\$ 235,065	\$ 200,001	\$ 6,650,402	\$ (35,894,261)	\$ 1,358,043

See accompanying notes to the financial statements



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in British Columbia, Canada and is involved in the acquisition and exploration of mineral property interests. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. The Company is in the development stage with no major source of operating revenue and is dependent upon equity financing to maintain its current operations. These financial statements have been prepared on the basis of the Company being a going concern and able to realize its assets and discharge its liabilities in the normal course of business.

The Company will eventually need to seek additional financing to meet its ultimate exploration and development objectives. The Company has a reasonable expectation that additional funds will be available when necessary to meet ongoing exploration and development costs. However, there can be no assurance that the Company will continue to be able to obtain additional financial resources or will achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to re-evaluate its planned expenditures until additional funds can be raised through financing activities. These factors indicate the existence of a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern.

These Financial Statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The primary office of the Company is located at 1688 – 152nd Street, Suite 404, Surrey, BC, V4A 4N2.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance and Conversion to International Financial Reporting Standards

These financial statements have been prepared in accordance with, International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of presentation

These financial statements have been prepared on a going concern basis, under the historical cost basis except for financial instruments designated at fair value through profit and loss, which are stated at their fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Significant accounting judgments and estimates

The preparation of these financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the period. On an ongoing basis, management evaluates its judgments and estimates by using its experience and other factors it believes



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

to be reasonable. Actual results could differ from those estimates. These financial statements include estimates which are uncertain, the impacts of which are pervasive and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods if it affects both current and future periods. Significant estimates and judgments include, but are not limited to, valuation of mineral properties and deferred exploration costs, inputs used in the valuation of the Company's warrants and stock options and income taxes.

- *Valuation of mineral properties.* Management applies judgment in determining whether a property is technically feasible and commercially viable and the amounts recognized on the Company's statement of financial position.
- *Valuation of warrants and stock options.* Management makes certain estimates when determining the fair value of warrants and stock options awards, and the number of warrants and stock options that are expected to vest. For warrants issued, these estimates affect their amounts recognized either within assets or equity. For stock option awards, these estimates affect the amounts recognized in the statement of comprehensive loss.
- *Income taxes.* Income taxes payable and deferred income tax assets and liabilities require management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes becomes certain only when filed and accepted by the relevant authorities.

(d) Functional currency and foreign currency transactions

The functional and presentation currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

(e) Financial instruments and financial risk

(i) Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss (FVTPL) and loans and receivables.

A financial asset is classified as FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition material transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value and changes are recognized in profit or loss.

Cash, term deposits and reclamation bonds are classified as FVTPL and are accounted for at fair value. Cash investments include highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value. At December 31, 2017 and 2016, the Company didn't have any cash equivalents.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. GST receivable is classified as loans and receivables.

(ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial instruments liabilities are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities.

(f) Impairment of financial assets and non-financial assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows, discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are collectively assessed in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets

Non-financial assets are evaluated at least annually by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss. The recoverable amount of the asset is the greater of its fair value less cost to sell and value in use.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Exploration and evaluation assets

Acquisition costs of resource properties together with direct exploration expenditures thereon are deferred until the property to which they relate is placed into production, sold or abandoned or becomes impaired. Option or other payments received in respect of property interests are applied to reduce the carrying value of the properties. The carrying values of mineral properties are, where necessary, written down to the estimated fair value based on discounted estimated future net cash flows. Exploration and evaluation assets will be depreciated on a unit of production basis when the property is placed into production.

The Company reviews the carrying values of its resource properties whenever events or circumstances indicate that there may be a potential impairment. Where estimates of future cash flows are not available and where exploration results or other information suggest impairment has occurred, management assesses whether the carrying value can be recovered, and if not, an appropriate write-down is recorded.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, 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 in title registration.

Once mineral reserves are determined and the decision to proceed into project development has been approved, the expenditures related to development will be amortized over the life of the project based on estimated economic reserves.

Exploration costs renounced to shareholders due to flow-through share subscription agreements remain capitalized, however, for income tax purposes the Company has no right to claim these costs as tax deductible expenses.

(h) Reclamation bonds

Cash which is subject to contractual restrictions on use imposed by government agencies as a condition of granting permits in connection with exploration and evaluation assets is classified separately as reclamation bonds.

(i) Cash and cash equivalents

Cash and cash equivalents consists of balances with banks and investments in financial instruments that are readily convertible into known amounts of cash and have original maturities within 90 days held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. At December 31, 2017, the Company had cash and cash equivalents of \$14,585.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Flow-through shares

The Company from time to time issues flow-through common shares to finance a significant portion of its exploration programs. Pursuant to the terms of the applicable flow-through share subscription agreements, the tax deductibility of qualifying resource expenditures funded from the proceeds of the sales of such shares is transferred to the investors who purchased the flow-through shares. Under IFRS, on issuance of such shares, the Company bifurcates the flow-through share into: (i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (ii) share capital. Upon expenses being incurred, the Company derecognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and a deferred tax liability is recognized. To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the “Look-back” Rule, in accordance with flow-through regulations pursuant to the Income Tax Act (Canada). When applicable, this tax is accrued until paid.

(k) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

(l) Share-based payment transactions

The Company has a stock option plan that allows certain officers, directors, consultants and related company employees to acquire shares of the Company. The fair value of the options granted is recognized as an expense with a corresponding increase in equity.

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche is an award with graded vesting and is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Share-based payments 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



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The offset to the recorded cost is to share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments originally recorded as contributed surplus are transferred to share capital. Upon cancellations or expiry of an option, the recorded value is transferred to contributed surplus.

(m) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized on a discounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at December 31, 2017, the Company does not have any asset retirement obligations.

(n) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Loss per share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted loss per share are the same.

(p) 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. Related party 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.

(q) Future accounting pronouncements

IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses clarification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement (“IAS 39”) for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for other financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective as at January 1, 2018 and management is of the view that it will have no material impact on the Company’s financial statements.

IFRS 16, Leases (“IFRS 16”)

IFRS 16 establishes a new model for lease accounting and will be effective for annual periods beginning on or after January 1, 2019. The Company is in the process of analyzing IFRS 16 and determining the effect on its financial statements as a result of adopting this standard.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

3. CASH AND CASH EQUIVALENTS

Cash, cash equivalents and term deposits consist of the following:

	December 31, 2017	December 31, 2016
Cash bank accounts	\$ 14,585	\$ 278,448
Term deposits	690,825	5,764
	<u>\$ 705,410</u>	<u>\$ 284,212</u>

The Company estimates that the fair value of cash, cash equivalents and term deposits approximates the carrying values as of December 31, 2017 and 2016. Money market instruments held by the Company are convertible to cash on an "on demand" basis. Term deposits include \$11,500 (2016 - \$5,750) plus accrued interest that the Company deposited with the Bank of Montreal in Guaranteed Investments Certificates with respect to collateralizing its MasterCard Credit card account.

4. AMOUNTS RECEIVABLE AND PREPAYMENTS

Receivables and prepayments consist of the following:

	December 31, 2017	December 31, 2016
GST receivable and deposit receivable	\$ 3,337	\$ 2,619
Prepays	-	205
	<u>\$ 3,337</u>	<u>\$ 2,824</u>

5. RECLAMATION BONDS

The Company has reclamation bonds outstanding totalling a principal amount of \$23,500 (2016 - \$23,500) to satisfy certain performance obligations associated with the exploration of the Blu Starr properties. These investments are recorded at market value and earn interest at market rates.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION PROPERTIES

Exploration and Evaluation Properties	December 31, 2016	Exploration and evaluation	Impairment	Loss on sale of property	Recoveries	December 31, 2017
Blu Starr 6(b)	-	-	-	-	-	-
Gungnir Property 6(c) and (d)	572,417	306,796	-	-	-	879,213
	572,417	306,796	-	-	-	879,213

Exploration and Evaluation Properties	December 31, 2015	Exploration and evaluation	Impairment	Loss on sale of property	Recoveries	December 31, 2016
Blu Starr 6(b)	-	-	-	-	-	-
Gungnir Property 6(c) and (d)	704,500	16,737	(148,820)	-	-	572,417
	704,500	16,737	(148,820)	-	-	572,417



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION PROPERTIES (*continued*)

(a) Kenville, Canada

The Company had a 100% interest in the Kenville mineral property including on-site buildings and equipment with historic gold mine workings near Nelson, British Columbia.

On March 3, 2014, the Company entered into a binding letter agreement (the “Letter Agreement”) to sell its Kenville mineral property. The Company closed the sale of the Company’s Kenville mineral property on May 1, 2014. Total consideration of \$5,900,000 for the purchase of the Property was satisfied by (a) \$100,000 deposit (received); (b) \$800,000 payment on closing (received); and (c) \$5,000,000 cash balance to be satisfied by five (5) annual advance royalty payments of \$1,000,000 starting on or before May 1, 2017. The remaining payments are secured by a Royalty Agreement registered on title to the Kenville Gold Property and a Specific Security Agreement registered under the Personal Property Registry, British Columbia.

The Company has no residual interest in the property for accounting purposes and the \$5,000,000 in remaining proceeds will be recorded in income when received. The first annual payment of \$1,000,000 was received in May 2017.

(b) Blu Starr, Canada

The Blu Starr property covers a 65 square km staked mineral claim group located near Slocan, British Columbia. On certain mineral claims, the vendors retained 1.5% and 2% NSR royalties on any future non-gemstone production and a 3.5% NSR on any future gemstone production. During the year ended December 31, 2015 the Company analyzed the property for impairment and wrote down the carrying value to nil.

(c) Knaften-Nordanas, Sweden

On June 16, 2014, the Company through a Share Exchange Agreement, acquired a private company, Gungnir Resources Inc. (“Gungnir”), registered in Ontario, and 100% of its Nordanas and Knaften properties located in northern Sweden. Under the terms of the acquisition, the shareholders of Gungnir Resources Inc. received an amount of \$300,000 plus a total of 6,517,303 post consolidation shares of the Company. The claims are subject to a 2.4% NSR, of which one-third is owned by a related party. The Company has the right to purchase 50% of the royalty for \$1 million at any time up to twelve months after the commencement of commercial production. During 2016, the Nordanas claim was allowed to expire resulting in a write down of \$148,820 in capitalized costs associated with the Nordanas property. During the year ended December 31, 2017, the Company incurred additional exploration expenditures of \$301,980 on the Knaften property.

(d) Rormyrberget-Lappvattnet, Sweden

On February 24, 2015, the Company announced that it successfully staked two properties located in the Vasterbotten District of northern Sweden. The Rormyrberget and Lappvattnet properties are located east of the Company’s Knaften-Nordanas property. The properties are held 100% by Gungnir under two separate permits covering an area of 471.3 hectares. The permits are valid for an initial period of three years. The Company’s Swedish property interests are also referred to collectively as the “Gungnir Property.” During the year ended December 31, 2017, the Company incurred additional exploration expenditures of \$4,816 on the Rormyrberget-Lappvattnet properties.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

7. SHARE CAPITAL

The authorized share capital in Gungnir Resources Inc. consists of 500,000,000 common shares.

On September 28, 2016, the Company completed a private placement for 12,000,000 Units at a price of \$0.03 per Unit. Each Unit consists of one common share and one warrant. Each warrant entitles the holder to acquire an additional common share of the Company at \$0.05 for 60 months.

At December 31, 2017 there are 65,048,785 common shares issued.

Share-based Compensation

The Company has adopted a 2015 Incentive Stock Option Plan which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance in any twelve month period will not exceed 10% of the Company's issued and outstanding common shares.

Such options will be exercisable for a period of up to 10 years from the date of grant at a price not less than the closing price of the Company's shares on the last trading day before the grant of such options less any discount, if applicable, but in any event not less than \$0.05 per share.

Options may be exercised no later than 6 months following cessation of the optionee's position with the Company.

	December 31, 2017			December 31, 2016		
	Options	Weighted average exercise price		Options	Weighted average exercise price	
Options outstanding, beginning of year	6,300,000	\$ 0.11		3,850,000	\$ 0.14	
Granted	800,000	0.05		2,450,000	0.06	
Expired/Cancelled	(800,000)	0.50		-	-	
Options outstanding, end of year	6,300,000	\$ 0.05		6,300,000	\$ 0.11	
				2017	2016	
Options exercisable, end of year				6,300,000	6,300,000	
Weighted average contractual remaining life (years)				2.92	3.28	

2,450,000 options were issued during 2016 under the 2015 Incentive Stock Option Plan which entitles the holders to acquire a common share of the Company at \$0.06 for 60 months.

800,000 options were issued during 2017 under the 2015 Incentive Stock Option Plan which entitles the holders to acquire a common share of the Company at \$0.05 for 60 months.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Summary of post consolidation stock options outstanding at December 31, 2017:

Number outstanding	Exercise price (\$)	Expiry date
1,750,000	0.05	July 4, 2019
850,000	0.05	July 8, 2020
450,000	0.05	July 14, 2020
2,450,000	0.06	October 3, 2021
800,000	0.05	January 20, 2022
6,300,000		

Share-based compensation of \$32,000 was incurred during 2017 (2016 - \$121,003).

The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the expected dividend yield of \$nil (2015 - \$nil), average risk-free interest rate of 1.12% (2016 - 0.62%), expected life of 5 years (2016 - 5 years), stock price of \$0.04 (2016 - \$0.05) and an expected volatility of 321% (2016 - 226%).

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock based on historical volatility. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

Warrants

12,000,000 post consolidation warrants were issued during 2016 as part of a private placement financing that closed on September 28, 2016. Each warrant entitles the holder to acquire an additional common share of the Company at \$0.05 for 60 months.

The following table summarizes information about the warrants for years ended December 31, 2017 and 2016:

	December 31, 2017			December 31, 2016		
	Warrants	Weighted average exercise price		Warrants	Weighted average exercise price	
Beginning of year	19,800,000	\$ 0.05		7,800,000	\$ 0.05	
Granted	-	0.05		12,000,000	0.05	
Exercised	(1,800,000)	(0.05)		-	-	
Cancelled/Expired	(1,600,000)	(0.05)		-	-	
Warrants outstanding, end of year	16,400,000	\$ 0.05		19,800,000	\$ 0.05	
				2017	2016	
Weighted average contractual remaining life (years)				3.51	4.14	



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Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Summary of post consolidation warrants outstanding at December 31, 2017:

Number outstanding	Exercise price (\$)	Expiry date
4,600,000	0.05	December 2, 2020
11,800,000	0.05	September 28, 2021
16,400,000		

Contributed surplus

Contributed surplus includes the accumulated fair value of agent options and fair value of finders' warrants granted on private placements and the accumulated fair value of expired or cancelled stock options and unit warrants. Contributed surplus is comprised of the following:

	Options	Warrants	Total
December 31, 2016	\$ 3,463,693	\$ 3,005,237	\$ 6,468,930
Options expired	141,600	-	141,600
Warrants expired	-	39,872	39,872
December 31, 2017	\$ 3,605,293	3,045,109	\$ 6,650,402

Loss per Share

Years ended	December 31, 2017	December 31, 2016
Numerator: Net income / (loss) attributable to common shareholders – basic and diluted	\$ 572,118	\$ (618,745)
Denominator: Weighted average number of common shares outstanding – basic and diluted	63,635,361	54,339,196
Basic and diluted income / (loss) per share	\$ 0.01	\$ (0.01)

Diluted loss per share did not include the effect of 6,300,000 (2016 – 6,300,000) share purchase options, 16,400,000 (2016 – 19,800,000) warrants as they are anti-dilutive.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

8. CAPITAL MANAGEMENT

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

9. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is limited to cash, term deposits, GST receivable and reclamation bonds. As at December 31, 2017, the Company's financial instruments consist of interest-bearing short term investment-grade issued by a Canadian chartered bank. The Company does not believe that it is exposed to significant credit risk on financial instruments issued by the Canadian chartered bank.

Interest rate risk

The Company is exposed to interest rate risk on its cash, term deposits and reclamation bonds, but is not exposed to any interest rate risk on outstanding borrowing as there are none at December 31, 2017.

Liquidity risk

The Company manages its liquidity risk by ensuring that there is sufficient capital in order to meet the short-term business requirements. The Company maintains cash and short-term investments which are available on demand for this purpose.

Other risks

The Company considers commodity price risk, operational risk and foreign exchange risk to be immaterial and therefore does not include them in their sensitivity analysis.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

9. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT *(continued)*

FAIR VALUE HIERARCHY

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

* Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

* Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

* Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying values, fair market values, and fair value hierarchal classification of the Company's financial instruments are as follows:

		Level 1		Level 2		Level 3		Total
December 31, 2017	\$		\$				\$	
Cash and cash equivalents		14,585		-		-		14,585
Term deposits		690,825		-		-		690,825
Reclamation bonds		23,523		-		-		23,523
	\$	728,933	\$	-		-	\$	728,933



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

10. EXPENSES

The Company's expenses from operations for the years ended December 31, 2017 and 2016 are detailed as follows:

General and administration		2017		2016
Shareholder and regulatory	\$	27,397	\$	55,164
Travel and promotion		44,504		4,710
Office		22,268		19,923
Non-current accounts payable write-off		(1,024)		(2,262)
	\$	93,145	\$	77,535

Compensation	Note	2017		2016
Consulting fees and wages		\$ 284,083	\$	254,569
Stock-based compensation	7	32,000		121,004
		\$ 316,083	\$	375,573

Professional fees		2017		2016
Accounting fees	\$	15,237	\$	14,550
Legal fees		9,300		2,803
	\$	24,537	\$	17,353

11. RELATED PARTY TRANSACTIONS

Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount. The following are the related party transactions for the year:

Salaries paid to key management personnel for the year ended December 31, 2017 total \$234,500 (2016 - \$153,750). Stock-based compensation paid to key management personnel for the year ended December 31, 2017 total \$32,000 (2016 - \$121,004). Key management personnel are comprised of the Company's Chief Executive Officer and Chief Financial Officer.

At December 31, 2017, accounts payable and accrued liabilities include \$225,657 (2016 - \$184,475) due to directors and organizations controlled by directors.



Gungnir Resources Inc.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(expressed in Canadian dollars)

12. INCOME TAXES

The income taxes shown on the statements of comprehensive loss differ from the amounts obtained by applying statutory rates due to the following:

	2017	2016
	\$	\$
Net gain/(loss) for the year before income taxes	572,118	(618,745)
Expected income tax rate	26%	26%
Expected income tax recovery	148,751	(160,874)
Net effect of non-deductible amounts	(250,782)	69,729
Changes in tax benefits not recognized	102,031	91,145
Deferred income tax recovery for the year	-	-

The significant components of the Company's deferred income tax assets are as follows:

	2017	2016
	\$	\$
Capital and non-capital loss carry-forwards	2,563,896	2,429,000
Share issuance costs	2,457	(1,000)
Exploration and evaluation assets	986,206	1,246,000
Total deferred tax assets	3,552,559	3,674,000
Valuation allowance	(3,552,559)	(3,674,000)
Net deferred income tax assets	-	-

The Company estimates that it has approximately \$9.8 million in non-capital losses, expiring between 2017 and 2037, to reduce future income taxable income in Canada. The realization of income tax benefits related to these losses is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax asset has been recognized for accounting purposes. If unused, these losses will expire as follows:

Years of Origin	Years of Expiry	Non-capital Losses
2006	2026	326,000
2007	2027	862,000
2008	2028	1,191,000
2009	2029	1,044,000
2010	2030	1,109,000
2011	2031	831,000
2012	2032	601,000
2013	2033	503,000
2014	2034	2,136,000
2015	2035	362,000
2016	2036	472,000
2017	2037	396,000
		\$ 9,833,000