

# **GOLDQUEST MINING CORP.**

## **Consolidated Financial Statements**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Goldquest Mining Corp.

We have audited the accompanying consolidated financial statements of Goldquest Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated 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 Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Goldquest Mining Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 23, 2018



**GoldQuest Mining Corp.**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

<i>As at</i>	<b>December 31, 2017</b>		<b>December 31, 2016</b>	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents (note 4)	\$	21,986,039	\$	6,283,734
Amounts receivable (note 5)		69,972		195,874
Prepaid expenses		162,963		274,987
Deposits		11,467		10,284
<b>Total current assets</b>		<b>22,230,441</b>		<b>6,764,879</b>
<b>Non-current assets</b>				
Long-term investment (note 6)		28,500		64,500
Equipment (note 7)		112,695		106,559
Evaluation and exploration assets (note 8)		1,247,000		1,247,000
<b>Total non-current assets</b>		<b>1,388,195</b>		<b>1,418,059</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>23,618,636</b>	<b>\$</b>	<b>8,182,938</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (notes 10 and 12(b))	\$	558,633	\$	646,802
<b>TOTAL LIABILITIES</b>		<b>558,633</b>		<b>646,802</b>
<b>EQUITY</b>				
Share capital (note 11)	\$	72,200,197	\$	49,308,286
Other reserve		11,384,121		8,918,403
Stock options reserve		6,303,919		5,373,358
Warrants reserve		618,176		901,527
Accumulated other comprehensive income		4,500		40,500
Deficit		(67,450,910)		(57,005,938)
<b>TOTAL EQUITY</b>		<b>23,060,003</b>		<b>7,536,136</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$</b>	<b>23,618,636</b>	<b>\$</b>	<b>8,182,938</b>

*Corporate information and continuance of operations (note 1)*

*Commitment (note 13)*

*Segmented information (note 14)*

*Subsequent events (note 18)*

*See accompanying notes to these audited consolidated financial statements.*

APPROVED BY THE BOARD:

*/s/ William Fisher* Director

*/s/ Florian Siegfried* Director

**GoldQuest Mining Corp.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

	For the year ended	
	December 31, 2017	December 31, 2016
<b>EXPENSES</b>		
Consulting fees	\$ 35,346	\$ -
Depreciation (note 7)	42,576	42,544
Directors' fees and management remuneration	873,600	720,910
Evaluation and exploration costs (note 9)	4,672,518	5,225,205
Foreign exchange loss	174,833	124,623
General and administrative	276,404	210,304
Investor relations and promotion	299,428	260,531
Professional fees	268,502	199,532
Regulatory and transfer agents	57,774	51,528
Rent	51,716	49,167
Salaries and wages	570,193	261,514
Share-based payments (note 11(d))	3,157,691	1,662,776
Travel	158,748	127,904
<b>TOTAL EXPENSES</b>	<b>10,639,329</b>	<b>8,936,538</b>
<b>OTHER ITEM</b>		
Interest income	(194,357)	(37,927)
<b>LOSS FOR THE YEAR</b>	<b>\$ 10,444,972</b>	<b>\$ 8,898,611</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Unrealized loss (gain) on available-for-sale assets (note 6)	36,000	(37,500)
<b>TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ 10,480,972</b>	<b>\$ 8,861,111</b>
<b>Basic and diluted loss per share for the year</b>		
attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	\$ 0.04	\$ 0.04
<b>Weighted average number of common shares outstanding - basic and diluted</b>		
	<b>247,068,206</b>	<b>201,388,338</b>

See accompanying notes to these audited consolidated financial statements.

**GoldQuest Mining Corp.**  
**Consolidated Statements of Changes in Equity**  
(Expressed in Canadian Dollars)

	Share capital		Reserves			Accumulated other comprehensive income	Deficit	Total
	Number of shares	Amount	Other reserve	Stock options reserve	Warrants reserve			
<b>Balance at December 31, 2015</b>	<b>177,682,225</b>	<b>\$ 40,223,041</b>	<b>\$ 8,503,320</b>	<b>\$ 4,418,794</b>	<b>\$ 759,357</b>	<b>\$ 3,000</b>	<b>\$ (48,107,327)</b>	<b>\$ 5,800,185</b>
Shares and warrants issued for cash - private placement	32,678,750	8,692,000	-	-	-	-	-	8,692,000
Share issue costs	-	(730,584)	-	-	-	-	-	(730,584)
Fair value of finder's warrants	-	(273,001)	-	-	273,001	-	-	-
Shares issued for cash - exercise of warrants	3,136,409	504,788	-	-	21,584	-	-	526,372
Shares issued for cash - exercise of stock options	2,235,000	446,498	-	-	-	-	-	446,498
Reclassification of grant-date fair value on exercise of warrants	-	152,415	-	-	(152,415)	-	-	-
Reclassification of grant-date fair value on exercise of stock options	-	293,129	-	(293,129)	-	-	-	-
Reclassification of grant-date fair value on expired stock options	-	-	415,083	(415,083)	-	-	-	-
Share-based payments	-	-	-	1,662,776	-	-	-	1,662,776
Other comprehensive income	-	-	-	-	-	37,500	-	37,500
Loss for the year	-	-	-	-	-	-	(8,898,611)	(8,898,611)
<b>Balance at December 31, 2016</b>	<b>215,732,384</b>	<b>\$ 49,308,286</b>	<b>\$ 8,918,403</b>	<b>\$ 5,373,358</b>	<b>\$ 901,527</b>	<b>\$ 40,500</b>	<b>\$ (57,005,938)</b>	<b>\$ 7,536,136</b>
Shares issued for cash - private placement	38,100,000	22,860,000	-	-	-	-	-	22,860,000
Share issue costs	-	(95,852)	-	-	-	-	-	(95,852)
Shares issued for cash - exercise of warrants	225,000	40,500	-	-	-	-	-	40,500
Shares issued for cash - exercise of stock options	310,000	42,500	-	-	-	-	-	42,500
Reclassification of grant-date fair value on exercise of warrants	-	10,350	-	-	(10,350)	-	-	-
Reclassification of grant-date fair value on exercise of stock options	-	34,413	-	(34,413)	-	-	-	-
Reclassification of grant-date fair value on expired warrants	-	-	273,001	-	(273,001)	-	-	-
Reclassification of grant-date fair value on expired stock options	-	-	2,192,717	(2,192,717)	-	-	-	-
Share-based payments	-	-	-	3,157,691	-	-	-	3,157,691
Other comprehensive loss	-	-	-	-	-	(36,000)	-	(36,000)
Loss for the year	-	-	-	-	-	-	(10,444,972)	(10,444,972)
<b>Balance at December 31, 2017</b>	<b>254,367,384</b>	<b>\$ 72,200,197</b>	<b>\$ 11,384,121</b>	<b>\$ 6,303,919</b>	<b>\$ 618,176</b>	<b>\$ 4,500</b>	<b>\$ (67,450,910)</b>	<b>\$ 23,060,003</b>

See accompanying notes to these audited consolidated financial statements.

**GoldQuest Mining Corp.**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

	For the year ended	
	December 31, 2017	December 31, 2016
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (10,444,972)	\$ (8,898,611)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	42,714	50,666
Share-based payments	3,157,691	1,662,776
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	125,902	(126,896)
Prepaid expenses	112,024	(7,532)
Deposits	(1,183)	112,076
Accounts payable and accrued liabilities	(88,169)	206,455
<b>Net cash flows used in operating activities</b>	<b>(7,095,993)</b>	<b>(7,001,066)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance, net of share issue costs	22,847,148	8,934,286
<b>Net cash flows from financing activities</b>	<b>22,847,148</b>	<b>8,934,286</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(48,850)	(55,586)
<b>Net cash flows used in investing activities</b>	<b>(48,850)</b>	<b>(55,586)</b>
<b>Net increase in cash and cash equivalents</b>	<b>15,702,305</b>	<b>1,877,634</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>6,283,734</b>	<b>4,406,100</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 21,986,039</b>	<b>\$ 6,283,734</b>
<b>Cash received during the period from interest</b>	<b>\$ 194,357</b>	<b>\$ 37,927</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Supplementary cash flow information</b>		
Finders' warrants issued (note 11(b))	\$ -	\$ 273,001
Fair value of warrants issued (note 11(b))	-	21,584
Reclassification of the fair value of warrants exercised	10,350	152,415
Reclassification of the fair value of options exercised	34,413	293,129
Reclassification of the fair value of warrants expired	273,001	-
Reclassification of the fair value of options expired	2,192,717	415,083
	<b>\$ 2,510,481</b>	<b>\$ 1,155,212</b>

See accompanying notes to these audited consolidated financial statements.

**GoldQuest Mining Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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**1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS**

GoldQuest Mining Corp. (the “Company” or “GoldQuest”) is a publicly listed company incorporated in British Columbia on July 12, 1989 and its shares are listed on the TSX Venture Exchange under the symbol “GQC”. The Company together with its subsidiaries (collectively referred to as the “Company”) is engaged in the identification, acquisition and exploration of mineral properties in the Dominican Republic. The Company’s registered office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of evaluation and exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's exploration assets are located outside of Canada and are subject to the risk of foreign investment, including political uncertainty, increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2017, the Company had not advanced its property to commercial production. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to fund operating costs over the next twelve months with cash and cash equivalents and through further equity financings. Management believes that the Company has sufficient working capital to meet its liabilities for the next twelve months.

The consolidated financial statements of GoldQuest for the year ended December 31, 2017 were approved by the Board of Directors on April 20, 2018.

**GoldQuest Mining Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

**a) *Statement of compliance with International Financial Reporting Standards***

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

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**b) *Basis of preparation***

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2017.

**c) *Basis of consolidation***

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiaries of the Company:

- GoldQuest Mining (BVI) Corp., a company incorporated under the laws of British Virgin Islands (“BVI”);
- Goldquest Dominicana SRL (formerly known as INEX Ingeniería y Exploración S.A.), a company incorporated under the laws of Dominican Republic.

All subsidiaries have a reporting date of December 31.

**i. *Subsidiaries***

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

**ii. *Acquisitions and disposals***

The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.



**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

**d) Significant management judgment and estimates in applying accounting policies**

**CRITICAL ACCOUNTING ESTIMATES**

***Carrying value and recoverability of exploration and evaluation assets***

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

***Share-based payments***

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

***Income taxes and recoverability of potential deferred tax assets***

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

**GoldQuest Mining Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

**d) Significant management judgment and estimates in applying accounting policies (continued)**

**CRITICAL ACCOUNTING JUDGMENTS**

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

In accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”, management determined that the functional currency of the Company and its subsidiaries is the Canadian dollar, as this is the currency of the primary economic environment in which the Company operates.

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

**e) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand.

**f) Financial instruments**

**Financial assets**

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 at fair value through profit or loss (“FVTPL”).

Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its amounts receivable as loans and receivables.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash and cash equivalents as FVTPL.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has classified its long-term investment as available-for-sale.

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

**GoldQuest Mining Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

**f) *Financial instruments (continued)***

*Financial liabilities*

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

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

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss. The Company has no financial liabilities classified as FVTPL.

*Derecognition of financial assets and liabilities*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of loss.

*Impairment of financial assets*

The Company assesses at each financial reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on loans and receivables and held-to-maturity investments 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, excluding future credit losses that have not been incurred, discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. Objective evidence of impairment of loans and receivables exists if the counter-party is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counter-party that would not normally be granted, or it is probable that the counter-party will enter into bankruptcy or a financial reorganization.

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. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

**GoldQuest Mining Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

**g) *Taxation***

Income tax on the profit or loss for the years 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 year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting 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.

**h) *Loss per share***

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

**i) *Share-based payments***

*Share-based payment transactions*

Employees (including directors and senior executives) of the Company, and individuals providing similar services to those performed by direct employees, 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"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments issued to non-employees are measured at the fair value of goods or services received.

**GoldQuest Mining Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

*i) Share-based payments (continued)*

Equity-settled transactions

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the year 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. The profit or loss charge or credit for a year represents the movement in cumulative expense recognized as at the beginning and end of that year and the corresponding amount is represented in stock option reserve. No expense is recognized for awards that do not ultimately vest. For those awards that expire after vesting, the recorded value is transferred to other reserve.

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 as additional dilution in the computation of earnings per share unless it is considered to be anti-dilutive.

Other reserve

Other reserve records the fair value of the expired options and warrants initially recorded in stock options reserve and warrants reserve.

Warrants reserve

The warrants reserve records the grant date fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to other reserve.

Stock options reserve

The stock options reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to other reserve.

**GoldQuest Mining Corp.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

*j) Evaluation and exploration*

*Evaluation and exploration assets*

Evaluation and exploration assets include acquired mineral rights for mineral exploration properties held by the Company. The amount of consideration paid (in cash or share value) for mineral rights is capitalized. The amounts shown for evaluation and exploration assets represent costs of acquisition, incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be written off if the evaluation and exploration assets are abandoned or sold. Included in the cost of evaluation and exploration assets is the cost of any estimated decommissioning liability. The Company has classified evaluation and exploration assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon reserves.

Ownership in evaluation and exploration assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the evaluation and exploration assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its evaluation and exploration assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of evaluation and exploration assets carrying values.

*Evaluation and exploration costs*

Evaluation and exploration costs, other than those described above, are expensed as incurred until such time as mineral reserves are proven or probable, permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves, receipt of permits to commence mining operations and obtaining necessary financing, evaluation and exploration costs are capitalized as deferred development expenditures included within equipment.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

***k) Impairment of non-financial assets***

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For evaluation and exploration assets, indicators of impairment include, but are not limited to, expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area.

Impairment losses of continuing operations are recognized in net loss in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years.

***l) Currency translation***

The presentation currency and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

The functional currency for each entity in the Company is determined as the currency of the primary economic environment in which it operates. Transactions other than those in the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated at year end exchange rates. Gains and losses on translation are included in net profit or loss for the year.

The functional currency of the entities in the Company has remained unchanged during the reporting year.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

***m) Equipment***

Equipment and vehicles are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment and vehicles are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight line basis over the estimated useful lives of the equipment at the following annual rates:

- Computer Equipment 15%
- Office and Field Equipment 10% or 30%
- Software 100%
- Vehicles 25%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the consolidated statements of loss during the financial year in which they are incurred.

***n) Employee benefits***

*Wages, salaries and annual vacation leave*

Liabilities arising in respect of wages and salaries, vacation leave and any other employee benefits expected to be settled within twelve months of the financial position reporting date are measured at undiscounted amounts based on remuneration rates which are expected to be paid when the liabilities are settled. In respect of employees' services up to the financial position reporting date, wages and salaries are recognized in trade and other payables and other employee benefits including annual vacation leave are recognized in current provisions.

*Employee and management bonus plans*

A liability is recognized for the amount expected to be paid under the Company's bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Where the effect is material, the liabilities for bonus payments not expected to be settled within twelve months are discounted using a pre-tax risk-free rate, which most closely match the terms of maturity of the related liabilities.

Bonus liabilities expected to be settled within twelve months of the consolidated statement of financial position date are recognized in current provisions, and those that are not expected to settle within twelve months are recognized in non-current provisions.



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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

***o) Decommissioning liability***

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the year in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development / construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

For the years presented, the Company has no decommissioning liabilities.

***p) Contingencies***

*Contingent assets*

Contingent assets are not recognized in the financial statements but they are disclosed by way of a note if they are deemed probable.

*Contingent liabilities*

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are recognized in the financial statements unless the possibility of an outflow of economic resources is considered remote, in which case they are disclosed in the notes to the consolidated financial statements.

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**3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

***New standards and interpretations not yet adopted***

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company:

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. The Company has evaluated the new standard, except for the additional disclosures on financial instruments, there is no material impact from the adoption.
- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018. The Company has evaluated the new standard and there is no material impact from the adoption.
- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact from adopting this standard.

**4. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents are broken down as follows:

	December 31, 2017		December 31, 2016	
Cash	\$	21,951,039	\$	6,248,734
Term deposits		35,000		35,000
	\$	21,986,039	\$	6,283,734

**5. AMOUNTS RECEIVABLE**

The Company's amounts receivable is broken down as follows:

	December 31, 2017		December 31, 2016	
Harmonized sales tax receivable and value-added tax receivable	\$	55,993	\$	170,396
Other receivables		13,979		25,478
	\$	69,972	\$	195,874

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**6. LONG-TERM INVESTMENT**

*As at December 31, 2017*

	Number of shares	Carrying value	Closing market price	Fair value
Portex Minerals Inc.	15,151,273	\$ -	\$ -	-
Precipitate Gold Corporation	300,000	64,500	0.095	28,500

*As at December 31, 2016*

	Number of shares	Carrying value	Closing market price	Fair value
Portex Minerals Inc.	15,151,273	\$ -	\$ -	-
Precipitate Gold Corporation	300,000	64,500	0.215	64,500

**Portex Minerals Inc.**

On April 30, 2012, the Company received 15,151,273 shares of Portex Minerals Inc. (“Portex”) with a fair value of \$909,076 in exchange for the sale of its wholly owned entities with business interests in Spain.

During the year ended December 31, 2015, the Company reduced the carrying value of the 15,151,273 shares of Portex to \$nil as it determined the impairment was permanent given the financial conditions of Portex.

**Precipitate Gold Corporation**

On September 30, 2015, the Company reached a data sharing and collaboration agreement (the “Agreement”) with Precipitate Gold Corporation (“Precipitate”). According to the Agreement, the Company and Precipitate will share all current and future Tireo belt exploration data in a collaborative effort to assist and accelerate the search for new gold discoveries in the Dominican Republic’s Tireo volcanic belt. In exchange of the exploration data, Precipitate agreed to issue 300,000 common shares to the Company.

During the year ended December 31, 2015, the Company received 300,000 shares from Precipitate with a fair value of \$24,000.

As at December 31, 2017, the Company recognized \$28,500 as the fair value of the 300,000 common shares received from Precipitate (December 31, 2016 – \$64,500). The change in fair value of \$36,000 for the year ended December 31, 2017 is recognized as other comprehensive income (December 31, 2016 – a gain of \$37,500).

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**7. EQUIPMENT**

The Company's equipment is broken down as follows:

	Computer equipment	Field equipment	Office equipment	Software	Vehicles	Total
<b>Cost</b>						
As at December 31, 2015	\$ 123,470	\$ 172,110	\$ 14,890	\$ 117,930	\$ 277,723	\$ 706,123
Additions for the year	14,311	-	-	3,165	38,110	55,586
<b>Balance as at December 31, 2016</b>	<b>\$ 137,781</b>	<b>\$ 172,110</b>	<b>\$ 14,890</b>	<b>\$ 121,095</b>	<b>\$ 315,833</b>	<b>\$ 761,709</b>
<b>Depreciation</b>						
As at December 31, 2015	\$ (54,244)	\$ (163,850)	\$ (12,681)	\$ (117,930)	\$ (255,779)	\$ (604,484)
Charged for the year	(17,487)	(8,122)	(282)	(2,374)	(22,401)	(50,666)
<b>Balance as at December 31, 2016</b>	<b>\$ (71,731)</b>	<b>\$ (171,972)</b>	<b>\$ (12,963)</b>	<b>\$ (120,304)</b>	<b>\$ (278,180)</b>	<b>\$ (655,150)</b>
<b>Net book value</b>						
As at December 31, 2015	\$ 69,226	\$ 8,260	\$ 2,209	\$ -	\$ 21,944	\$ 101,639
<b>As at December 31, 2016</b>	<b>\$ 66,050</b>	<b>\$ 138</b>	<b>\$ 1,927</b>	<b>\$ 791</b>	<b>\$ 37,653</b>	<b>\$ 106,559</b>
<b>Cost</b>						
As at December 31, 2016	\$ 137,781	\$ 172,110	\$ 14,890	\$ 121,095	\$ 315,833	\$ 761,709
Additions for the year	1,427	-	1,654	3,248	42,521	48,850
Write-off fully depreciated assets	-	(172,110)	-	-	-	(172,110)
<b>Balance as at December 31, 2017</b>	<b>\$ 139,208</b>	<b>\$ -</b>	<b>\$ 16,544</b>	<b>\$ 124,343</b>	<b>\$ 358,354</b>	<b>\$ 638,449</b>
<b>Depreciation</b>						
As at December 31, 2016	\$ (71,731)	\$ (171,972)	\$ (12,963)	\$ (120,304)	\$ (278,180)	\$ (655,150)
Charged for the year	(18,895)	(138)	(324)	(3,228)	(20,129)	(42,714)
Write-off fully depreciated assets	-	172,110	-	-	-	172,110
<b>Balance as at December 31, 2017</b>	<b>\$ (90,626)</b>	<b>\$ -</b>	<b>\$ (13,287)</b>	<b>\$ (123,532)</b>	<b>\$ (298,309)</b>	<b>\$ (525,754)</b>
<b>Net book value</b>						
As at December 31, 2016	\$ 66,050	\$ 138	\$ 1,927	\$ 791	\$ 37,653	\$ 106,559
<b>As at December 31, 2017</b>	<b>\$ 48,582</b>	<b>\$ -</b>	<b>\$ 3,257</b>	<b>\$ 811</b>	<b>\$ 60,045</b>	<b>\$ 112,695</b>

During the year ended December 31, 2017, a total of \$138 (December 31, 2016 – \$8,122) depreciation expenses was included in evaluation and exploration costs (Note 9).

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**8. EVALUATION AND EXPLORATION ASSETS**

The Company's evaluation and exploration assets are broken down as follows:

	Balance as at December 31, 2015		Additions	Balance as at December 31, 2016		Additions	Balance as at December 31, 2017			
<b>Dominican Republic</b>	\$	<b>1,247,000</b>	\$	-	\$	<b>1,247,000</b>	\$	-	\$	<b>1,247,000</b>

**Dominican Republic – 100% owned**

On August 5, 2009, the Company entered into a purchase agreement with Gold Fields Dominican Republic BVI Limited ("GFL") to acquire its gold-focused portfolio in the Dominican Republic. As consideration for GFL's interest in the joint venture projects, the Company issued 8,600,000 common shares and granted a 1.25% Net Smelter Royalty ("NSR") on the claims in favour of GFL.

The transaction was completed on November 18, 2009 with the issuance of the shares at a fair value of \$1,247,000.

**9. EVALUATION AND EXPLORATION COSTS**

The Company's evaluation and exploration costs during the year ended December 31, 2017 and 2016 related to projects in the Dominican Republic are broken down as follows:

	For the year ended December 31, 2017		
	Tireo	General	Total
Access fees	\$ 8,158	\$ 4,079	\$ 12,237
Depreciation	-	138	138
Drilling	1,676,992	-	1,676,992
Equipment rental	525	-	525
Field	591,336	48,777	640,113
Field technicians	623,288	4,765	628,053
Geological	289,793	15,917	305,710
Lodging and food	214,891	23,800	238,691
Salaries and wages	-	223,027	223,027
Sample analysis	126,982	-	126,982
Social responsibility	153,421	3,213	156,634
Technical studies	653,999	-	653,999
Transportation	9,390	27	9,417
	<b>\$ 4,348,775</b>	<b>\$ 323,743</b>	<b>\$ 4,672,518</b>
		<b>Cumulative costs, beginning of year</b>	<b>30,220,968</b>
		<b>Cumulative costs, end of year</b>	<b>\$ 34,893,486</b>

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**9. EVALUATION AND EXPLORATION COSTS (continued)**

For the year ended December 31, 2016			
	Tireo	General	Total
Access fees	\$ 10,151	\$ 6,851	\$ 17,002
Depreciation	2,987	5,135	8,122
Drilling	473,082	-	473,082
Equipment rental	136	1,850	1,986
Field	455,421	56,116	511,537
Field technicians	511,259	13,324	524,583
Geological	385,373	16,597	401,970
Lodging and food	188,092	345	188,437
Salaries and wages	-	209,481	209,481
Sample analysis	321,449	-	321,449
Social responsibility	60,359	285	60,644
Technical studies	2,501,564	-	2,501,564
Transportation	4,797	551	5,348
	<b>\$ 4,914,670</b>	<b>\$ 310,535</b>	<b>\$ 5,225,205</b>
		Cumulative costs, beginning of year	24,995,763
		Cumulative costs, end of year	<b>\$ 30,220,968</b>

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's accounts payable and accrued liabilities are broken down as follows:

	December 31, 2017	December 31, 2016
Trade payables	\$ 427,833	\$ 329,778
Accrued liabilities	130,800	317,024
	<b>\$ 558,633</b>	<b>\$ 646,802</b>

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**11. SHARE CAPITAL**

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At December 31, 2017, the Company had 254,367,384 common shares (December 31, 2016 – 215,732,384) common shares issued and outstanding with a value of \$72,200,197 (December 31, 2016 – \$49,308,286).

**During the year ended December 31, 2017:**

- On March 7, 2017, the Company completed a non-brokered private placement ("Private Placement") of 38,100,000 common shares of the Company with Agnico Eagle Mines Limited ("Agnico") for total proceeds of \$22,860,000. After the completion of the Private Placement, Agnico owns approximately 15% of the issued and outstanding common shares of the Company.

In connection with the Private Placement, Agnico and the Company entered into an investor rights agreement ("Investor Rights Agreement") which grants Agnico the right to maintain its interest in the Company through participation in future equity financings of the Company and to, at its election, nominate one person to the Company's Board of Directors (and in the case of an increase in the size of the Board of Directors to 10 or more directors, two persons). These rights may only be exercised by Agnico if it owns at least a 10% interest in the Company (calculated in accordance with the Investor Rights Agreement). Agnico has not elected to exercise its director nomination right at this time. Additionally, the Investor Rights Agreement prohibits Agnico from taking certain actions, including acquiring more than 19.99% of the issued and outstanding common shares of the Company for a period of two years, subject to certain exceptions.

In connection with the private placement, the Company incurred \$95,852 in share issuance costs.

- 225,000 warrants were exercised for proceeds of \$40,500. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$10,350 from warrants reserve to share capital.
- 310,000 stock options were exercised for proceeds of \$42,500. In addition, the Company reclassified the grant date fair value of the exercised stock options of \$34,413 from stock options reserve to share capital.

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**11. SHARE CAPITAL (continued)**

**b) Issued share capital (continued)**

**During the year ended December 31, 2016:**

- On April 1, 2016, the Company completed a private placement and issued 14,710,000 common shares at a price of \$0.20 per share for gross proceeds of \$2,942,000.

In connection with the private placement, the Company incurred \$168,671 in share issuance costs which included a finder's fee of \$135,940.

- On June 9, 2016, the Company completed a private placement and issued 17,968,750 common shares at a price of \$0.32 per share for gross proceeds of \$5,750,000.

In connection with the private placement, the Company issued 1,257,811 broker warrants. Each broker warrant will be exercisable into one common share of the Company with an expiry date of December 9, 2017. The broker warrants are exercisable at a purchase price of \$0.36 per share. The Company estimated the fair value of broker's warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.52%, an expected life of 18 months, an expected volatility of 89.05% and an expected dividend yield of 0%, which totaled \$273,001, and recorded these values as share issuance costs.

In connection with the private placement, the Company incurred \$561,913 in share issuance costs which included a finder's fee of \$402,500.

- 545,455 finder's unit purchase warrants, which were issued in connection with the privately placement completed on November 6, 2015, were exercised for proceeds of \$60,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant is exercisable for an additional common share at an exercise price of \$0.18. The warrants have an expiry date of November 6, 2018.

In addition, the Company reclassified the grant date fair value of the exercised warrants of \$33,230 from warrants reserve to share capital.

For accounting purposes, the Company estimated the grant date fair value of warrants issued with the exercise of finder's unit purchase warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.52%, an expected life of 2.5 years, an expected volatility of 83.17% and an expected dividend yield of 0%, which totaled \$21,584, and recorded this value in warrants reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of \$71,646 was recorded as common shares.

- 2,590,954 warrants were exercised for proceeds of \$466,372. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$119,185 from warrants reserve to share capital.
- 2,235,000 options were exercised for proceeds of \$446,498. In addition, the Company reclassified the grant date fair value of the exercised options of \$293,129 from stock options reserve to share capital.



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**11. SHARE CAPITAL (continued)**

**c) Warrants**

The changes in warrants during the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Balance, beginning of year	14,803,174	\$ 0.20	16,409,048	\$ 0.18
Issued	-	-	1,530,535	0.33
Expired	(1,257,811)	0.36	-	-
Exercised	(225,000)	0.18	(3,136,409)	0.17
<b>Balance, end of year</b>	<b>13,320,363</b>	<b>\$ 0.18</b>	<b>14,803,174</b>	<b>\$ 0.20</b>

During the year ended December 31, 2017, 1,257,811 warrants expired unexercised (December 31, 2016 – nil).

The following summarizes information about warrants outstanding at December 31, 2017:

Grant date	Expiry date	Warrants outstanding	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
October 19, 2015	October 19, 2018	9,045,455	\$ 0.180	\$ 412,488	0.80
November 6, 2015	November 6, 2018	4,002,181	\$ 0.180	\$ 184,104	0.85
May 9, 2016	November 6, 2018	272,727	\$ 0.180	\$ 21,584	0.85
		<b>13,320,363</b>		<b>\$ 618,176</b>	<b>0.82</b>

**d) Stock options**

Under the Company's stock option plan, the Board of Directors may grant options for the purchase of up to a total of 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan may vest over a period of time at the discretion of the board of directors. Under the plan, the exercise price of each option equals the market price of the Company's stock as determined on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

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**11. SHARE CAPITAL (continued)**

**d) Stock options (continued)**

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value of the Company's common shares on the date of the grant. The changes in options during the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Balance, beginning of year	18,780,166	\$ 0.43	16,107,666	\$ 0.34
Granted	6,338,666	0.50	6,147,500	0.57
Expired	(3,473,333)	0.61	(1,201,667)	0.41
Forfeited	(683,332)	0.51	(38,333)	0.56
Exercised	(310,000)	0.14	(2,235,000)	0.20
Balance, end of year	<u>20,652,167</u>	<u>\$ 0.42</u>	<u>18,780,166</u>	<u>\$ 0.43</u>

**During the year ended December 31, 2017:**

- On April 10, 2017, the Company granted 6,158,666 options with an exercise price of \$0.50 to certain officers, directors and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- On April 18, 2017, the Company granted 230,000 options with an exercise price of \$0.50 to certain officers and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- 3,473,333 options expired unexercised.

**During the year ended December 31, 2016:**

- On June 1, 2016, the Company granted 200,000 options with an exercise price of \$0.325 to an investor relation consultant. The options are exercisable for a period of five years. One-twelve vest one month from the date of grant and one-twelve will vest every one month thereafter.
- On August 12, 2016, the Company granted 5,347,500 options with an exercise price of \$0.60 to certain officers, directors and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- On October 13, 2016, the Company granted 600,000 options with an exercise price of \$0.36 to the Company's VP, Corporate Development. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- 1,201,667 options expired unexercised.

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**11. SHARE CAPITAL (continued)**

**d) Stock options (continued)**

The following summarizes information about stock options outstanding and exercisable at December 31, 2017:

Grant date	Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
March 8, 2013	March 8, 2018	2,345,000	2,345,000	\$ 0.500	\$ 838,534	0.18
May 22, 2013	May 22, 2018	500,000	500,000	\$ 0.350	\$ 131,412	0.39
December 19, 2013	December 19, 2018	2,177,000	2,177,000	\$ 0.250	\$ 452,740	0.97
May 14, 2014	May 14, 2019	50,000	50,000	\$ 0.310	\$ 13,309	1.37
January 20, 2015	January 20, 2020	1,414,000	1,414,000	\$ 0.150	\$ 156,145	2.05
December 14, 2015	December 14, 2020	2,545,000	2,545,000	\$ 0.130	\$ 283,345	2.96
June 1, 2016	June 1, 2021	200,000	200,000	\$ 0.325	\$ 58,711	3.42
August 12, 2016	August 12, 2021	5,075,834	3,395,006	\$ 0.600	\$ 2,619,811	3.62
October 13, 2016	October 13, 2021	600,000	400,000	\$ 0.360	\$ 218,833	3.79
April 10, 2017	April 10, 2022	5,565,333	1,859,562	\$ 0.500	\$ 2,229,066	4.28
April 18, 2017	April 18, 2022	180,000	60,002	\$ 0.500	\$ 70,397	4.30
		<b>20,652,167</b>	<b>14,945,570</b>		<b>\$ 7,072,303</b>	<b>2.86</b>

The estimated grant date fair value of the options granted during the years ended December 31, 2017 and 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the year ended	
	December 31, 2017	December 31, 2016
Number of options granted	<b>6,338,666</b>	6,147,500
Risk-free interest rate	<b>1.01%</b>	0.57%
Expected annual volatility	<b>130%</b>	131%
Expected life	<b>5.00</b>	5.00
Expected dividend yield	<b>0.00%</b>	0.00%
Grant date fair value per option	\$ <b>0.40</b>	\$ 0.49
Share price at grant date	\$ <b>0.47</b>	\$ 0.57

During the years ended December 31, 2017 and 2016, the Company recognized share-based payments expense of \$3,157,691 and \$1,662,776, respectively. For the years ended December 31, 2017 and 2016, share-based payments expense consists of the following:

	For the year ended	
	December 31, 2017	December 31, 2016
<b>For services in respect of:</b>		
Directors' fees	\$ <b>983,648</b>	\$ 466,384
Investor relations	<b>7,209</b>	51,503
Management fees	<b>1,713,281</b>	1,003,208
Salaries and wages	<b>453,553</b>	141,681
	<b>\$ 3,157,691</b>	\$ 1,662,776

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**11. SHARE CAPITAL (continued)**

**e) Earnings (loss) per share**

The Company calculated the basic earnings (loss) per share by using the weighted-average number of shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period. In determining the weighted average number of common shares outstanding during the period for the diluted loss per share, warrants and options are not included as the impact would be anti-dilutive.

**12. RELATED PARTY TRANSACTIONS AND BALANCES**

The financial statements include the accounts of GoldQuest Mining Corp. and its subsidiaries listed in the following table:

Name	Country of Incorporation	Equity Ownership as at	
		September 30, 2017	December 31, 2016
GoldQuest Mining (BVI) Corp	British Virgin Islands	100%	100%
Goldquest Dominicana SRL	Dominican Republic	100%	100%

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

**a) Related party transactions**

The Company's related parties as defined by IAS 24, Related Party Disclosures, include the Company's subsidiaries (above), and the following directors, executive officers, key management personnel, and enterprises which are controlled by these individuals:

Related Party	Relationship
William Fisher	President, CEO and Executive Chairman
Frank Balint	Director
Patrick Michaels	Director
Florian Siegfried	Director
Julio Espaillat	Director
Paul Robertson	CFO
Quantum Advisory Partners LLP	A partnership in which the CFO is a partner
David Massola	Vice President, Corporate Development
Felix Mercedes	Country Manager, Dominican Republic

The Company considered the executive officers and directors as the key management of the Company.

**GoldQuest Mining Corp.**  
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**12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**a) Related party transactions (continued)**

Total compensation of key company personnel for the years ended December 31, 2017 and 2016 is as follows:

	For the year ended	
	December 31, 2017	December 31, 2016
Directors' fees	\$ 154,000	\$ 84,000
Management remuneration	719,600	636,910
Salaries and wages	107,246	110,100
Evaluation and exploration costs	207,648	192,800
Share-based compensation	2,722,457	1,469,592
	<b>\$ 3,910,951</b>	<b>\$ 2,493,402</b>

During the year ended December 31, 2017, the Company paid professional fees of \$161,000 (December 31, 2016 – \$160,214 of which \$15,250 was classified as share issue costs) to Quantum Advisory Partners LLP, a partnership in which the CFO is an incorporated partner, for professional services including accounting, corporate secretarial, transaction support and tax compliance.

**b) Related party balances**

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$58,228 as at December 31, 2017 (December 31, 2016 – \$214,498), which were paid subsequent to December 31, 2017. These amounts are unsecured, non-interest bearing and payable on demand.

**13. COMMITMENT**

The Company is a party to certain management contracts. These contracts contain clauses requiring that approximately \$1.94 million be paid to certain management personnel upon a change of control of the Company. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

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**14. SEGMENTED INFORMATION**

The Company has one reportable segment, being the evaluation and exploration of mineral exploration properties. The Company's assets and liabilities are as follows:

	Canada	Dominican Republic	Total
<b><i>As at December 31, 2017</i></b>			
Evaluation and exploration assets	\$ -	\$ 1,247,000	\$ 1,247,000
Long-term investment	28,500	-	28,500
Equipment	46,372	66,323	112,695
	<b>\$ 74,872</b>	<b>\$ 1,313,323</b>	<b>\$ 1,388,195</b>
<b><i>As at December 31, 2016</i></b>			
Evaluation and exploration assets	\$ -	\$ 1,247,000	\$ 1,247,000
Long-term investment	64,500	-	64,500
Equipment	64,350	42,209	106,559
	<b>\$ 128,850</b>	<b>\$ 1,289,209</b>	<b>\$ 1,418,059</b>

**15. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the evaluation and exploration of its mineral exploration properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of share capital.

There were no changes to the Company policy for capital management during the year ended December 31, 2017.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company and its subsidiaries are not subject to any externally imposed capital requirements.

The Company's investment policy is to invest its excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. By using this strategy, the Company preserves its cash resources and can marginally increase these resources through the yields on these investments. The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

The Company expects that its current capital resources will be sufficient to fund its present operational commitments and working capital needs for the coming twelve months.

**GoldQuest Mining Corp.**  
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**16. FINANCIAL INSTRUMENTS**

a) **Fair value**

The carrying values of cash and cash equivalents, amounts receivable, deposits, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. Long-term investment is determined by the closing market price of the securities held by the Company.

**As at December 31, 2017**

	Loans and receivables and other liabilities	Assets at fair value through profit or loss	Available-for- sale assets	Total
Cash and cash equivalents	\$ -	\$ 21,986,039	\$ -	\$ 21,986,039
Amounts receivable	13,979	-	-	13,979
Long-term investment	-	-	28,500	28,500
Accounts payable and accrued liabilities	558,633	-	-	558,633

**As at December 31, 2016**

	Loans and receivables and other liabilities	Assets at fair value through profit or loss	Available-for- sale assets	Total
Cash and cash equivalents	\$ -	\$ 6,283,734	\$ -	\$ 6,283,734
Amounts receivable	25,478	-	-	25,478
Long-term investment	-	-	64,500	64,500
Accounts payable and accrued liabilities	646,802	-	-	646,802

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

As at December 31, 2017 and 2016, the financial instrument recorded at fair value on the consolidated statement of financial position are cash and cash equivalents and long term investment which are measured using Level 1 of the fair value hierarchy.

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**16. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management**

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits.

The Company's cash and cash equivalents are held through large Canadian financial institutions. Guaranteed investment certificates are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These instruments mature at various dates over the current operating period and are cashable on the maturity date.

The total cash and cash equivalents, and amounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding cash and cash equivalents with reputable financial institutions with high credit ratings. The Company's amounts receivable balance is not significant and does not represent significant credit exposure as it is principally due from the Government of Canada.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

The Company maintained sufficient cash and cash equivalents at December 31, 2017 in the amount of \$21,986,039 (December 31, 2016 – \$6,283,734), in order to meet short-term business requirements. At December 31, 2017, the Company had accounts payable and accrued liabilities of \$558,633 (December 31, 2016 – \$646,802). All accounts payable and accrued liabilities are current.

Market risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2017 and 2016.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on cash and cash equivalents outstanding December 31, 2017 would result in an approximately \$220,000 change to the Company's net loss for the year ended December 31, 2017 (December 31, 2016 – \$63,000).

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and long-term investment are held in Canadian Dollars ("CAD"), US Dollars ("USD") and Dominican Pesos ("DOP"); therefore, USD and DOP accounts are subject to fluctuation against the Canadian dollar.



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**16. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management (continued)**

*Currency risk (continued)*

The Company had the following balances in foreign currency as at December 31, 2017:

	<b>in CAD</b>	<b>in USD</b>	<b>in DOP</b>
Cash and cash equivalents	20,728,862	905,388	4,641,109
Amounts receivable	55,993	-	536,816
Long-term investment	28,500	-	-
Accounts payable and accrued liabilities	(409,268)	(3,974)	(5,544,231)
	<b>20,404,087</b>	<b>901,414</b>	<b>(366,306)</b>
Rate to convert to \$1.00 CAD	1.000	0.7968	38.4010
<b>Equivalent to Canadian dollars</b>	<b>20,404,087</b>	<b>1,131,330</b>	<b>(9,540)</b>

Based on the above net exposures as at December 31, 2017, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DOP would have had the following impact:

	<b>Additional foreign exchange gain (loss) (before tax) (in CAD)</b>		
	<b>USD</b>	<b>DOP</b>	<b>Total</b>
<i>For the year ended December 31, 2017</i>			
<b>If CAD appreciated by 10%</b>	<b>\$ 113,133</b>	<b>\$ (954)</b>	<b>\$ 112,179</b>
<b>If CAD depreciated by 10%</b>	<b>(113,133)</b>	<b>954</b>	<b>(112,179)</b>

The Company had the following balances in foreign currency as at December 31, 2016:

	<b>in CAD</b>	<b>in USD</b>	<b>in DOP</b>
Cash and cash equivalents	5,049,244	776,146	6,767,404
Amounts receivable	55	3,510	731,361
Long-term investment	64,500	-	-
Accounts payable and accrued liabilities	(546,317)	(7,569)	(3,189,878)
	<b>4,567,482</b>	<b>772,087</b>	<b>4,308,887</b>
Rate to convert to \$1.00 CAD	1.000	0.7442	35.3195
<b>Equivalent to Canadian dollars</b>	<b>4,567,482</b>	<b>1,037,430</b>	<b>121,997</b>

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**16. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management (continued)**

Currency risk (continued)

Based on the above net exposures as at December 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DOP would have had the following impact:

	Additional foreign exchange gain (loss) (before tax) (in CAD)		
	USD	DOP	Total
<i>For the year ended December 31, 2016</i>			
If CAD appreciated by 10%	\$ 103,743	\$ 12,200	\$ 115,943
If CAD depreciated by 10%	(103,743)	(12,200)	(115,943)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk.

As December 31, 2017, the Company held 15,151,273 and 300,000 common shares of Portex and Precipitate, respectively, which are publicly traded on the Canadian National Stock Exchange and TSX Venture Exchange, respectively.

During the year ended December 31, 2015, the Company impaired the carrying value of the 15,151,273 shares of Portex to \$nil; as a result of the impairment, the Company believe price risk from the investment in Portex is minimal.

A 10% change in share price of Precipitate's shares at December 31, 2017 would result in a \$2,850 change to the Company's comprehensive loss for the year ended December 31, 2017 (December 31, 2016 – \$6,450)

Other than this, the Company is not exposed to significant other price risk.

Commodity risk

The Company is exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decision by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. As the Company does not have production assets, management believes this risk is minimal.

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**17. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>2017</b>	<b>2016</b>
Earnings (loss) for the year	\$ (10,480,972)	\$ (8,898,611)
Expected income tax (recovery)	\$ (2,725,000)	\$ (2,314,000)
Change in statutory, foreign tax, foreign exchange rates and other	(612,000)	(21,000)
Permanent Difference	1,497,000	1,400,000
Share issuance costs	(25,000)	(190,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	187,000
Change in unrecognized deductible temporary differences	1,865,000	938,000
<b>Total income tax expense (recovery)</b>	<b>-</b>	<b>\$ -</b>

The Canadian income tax rate increased during the year due to changes in the law that increased corporate income tax rates in Canada/British Columbia.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	<b>2017</b>	<b>2016</b>
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	\$ 1,085,000	\$ 654,000
Property and equipment	70,000	51,000
Share issue costs	153,000	172,000
Marketable securities	119,000	110,000
Non-capital losses available for future period	7,407,000	5,979,000
	8,834,000	6,966,000
Unrecognized deferred tax assets	(8,834,000)	(6,966,000)
<b>Net deferred tax assets</b>	<b>-</b>	<b>\$ -</b>

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**17. INCOME TAXES (continued)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 4,018,000	No expiry date	\$ 2,514,000	No expiry date
Property and equipment	259,000	No expiry date	238,000	No expiry date
Share issue costs	566,000	2017 to 2020	661,000	2035 to 2039
Marketable securities	881,000	No expiry date	845,000	No expiry date
Non-capital losses available for future period	27,434,000	2017 to 2036	22,556,000	2016 to 2036
Canada	13,837,000	2017 to 2036	12,216,000	2016 to 2036
Dominican Republic	13,597,000	2016 to 2024	10,340,000	2017 to 2021

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**18. SUBSEQUENT EVENTS**

Subsequent to December 31, 2017:

- On October 2015 GoldQuest submitted an Exploitation Application to advance the 100% owned Romero Project in the Dominican Republic. The Company has received notification in January 2018 that Minister of Energy and Mines ("MEM") of the Dominican Republic, has approved GoldQuest's Exploitation Permit Application. The Application has been sent to the President for ratification, which is required prior to receiving the final Exploitation Permit. The Exploitation Permit would give the Company the rights to the property for 75 years, with a Tax Stability Agreement that freezes the tax treatment for the project for a minimum of 25 years which is protected under the current Mining Law. After receipt of the Exploitation Permit the Company will be required to complete an Environment Assessment and receive an Environmental License from the Ministry of Environment prior to the start of construction activities.

The Company received notice that a group of individuals in the Dominican Republic filed a claim against the Company's wholly owned subsidiary, GoldQuest Dominicana SR in regards to the Romero project. The Penal Chamber of the First Instance Court of the Judicial District of San Juan de la Maguana reached a decision in late March, however, the only information the Company received regarding the decision is a verbal summary of the decision that was delivered by a Court clerk. The written decision of the court, including the reasons for the decision, was received in early April 2018. Upon review of the decision of the written decision by the Company's outside legal counsel, the decision simply restates the existing legal requirements under present Mining Law 146 and hence has no effect on the operations of the Company or its plans going forward. The injunction is limited to the Exploitation Permit Application for the Romero Concession, and does not relate to the Company's exploration licenses. The court's decision was appealed by the group of individuals and the Company is in the process of submitting a response to the appeal.

- 200,000 stock options were exercised for proceeds of \$65,000.
- 2,401,667 options expired unexercised.