



**MOUNTAIN BOY MINERALS LTD.**

**FINANCIAL STATEMENTS**

**For the years ended November 30, 2017 and 2016**

Mountain Boy Minerals Ltd.  
Suite 410 – 325 Howe Street  
Vancouver, BC V6C 1Z7

Trading Symbol: MTB  
Telephone: 604-687-3520  
Fax: 1-888-889-4874

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## **INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of  
Mountain Boy Minerals Ltd.

We have audited the accompanying financial statements of Mountain Boy Minerals Ltd. which comprise the statements of financial position as at November 30, 2017 and 2016, and the statements of comprehensive loss, shareholders' equity and cash flows for the years then ended, and the related notes comprising 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.

### **Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 in our audits 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 Mountain Boy Minerals Ltd. as at November 30, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2(c) in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Mountain Boy Minerals Ltd. to continue as a going concern.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
March 26, 2018

**MOUNTAIN BOY MINERALS LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	Note	November 30, 2017	November 30, 2016
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 22,643	\$ 77,743
Receivables		50,997	17,100
Prepaid expenses		17,368	5,308
		91,008	100,151
<b>Non-current</b>			
Exploration and evaluation assets	5, 7	15,028,170	13,618,046
Reclamation bonds		118,648	100,216
		15,146,818	13,718,262
		\$ 15,237,826	\$ 13,818,413
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	7	\$ 573,479	\$ 161,721
Flow-through share premium liability		72,000	-
		645,479	161,721
<b>Non-current</b>			
Deferred tax liabilities	10	3,036,000	2,818,000
		3,681,479	2,979,721
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	22,936,871	21,317,786
Shares to be issued		50,000	-
Contributed surplus	6	3,804,077	3,889,058
Deficit		(15,234,601)	(14,368,152)
		11,556,347	10,838,692
		\$ 15,237,826	\$ 13,818,413

Corporate Information – Note 1  
Subsequent Event – Note 12

These financial statements were authorized for issue by the Board of Directors on March 26, 2018.  
They are signed on the Company's behalf by:

<u>“Mark T. Brown”</u> Mark T. Brown	Director	<u>“Rene Bernard”</u> Rene Bernard	Director
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*The accompanying notes are an integral part of these financial statements*

**MOUNTAIN BOY MINERALS LTD.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Note	For the years ended November 30	
		2017	2016
Expenses			
Accounting and audit fees		\$ 30,050	\$ 36,450
Consulting fees		64,650	18,500
Filing fees		21,259	13,807
Investor relations		39,000	11,375
Legal fees		41,996	33,199
Management fees		65,000	60,000
Office and miscellaneous		28,098	10,723
Shareholder communications		123,533	5,449
Share-based payments		234,000	761,634
Telephone		3,298	2,817
Transfer agent fees		11,539	8,262
		<u>662,423</u>	<u>962,216</u>
Other items			
Other income		(13,974)	(10,351)
		<u>(13,974)</u>	<u>(10,351)</u>
Net loss before income taxes		648,449	951,865
Income taxes			
Deferred income tax expense	10	<u>218,000</u>	<u>141,500</u>
Net loss and comprehensive loss		<u>\$ 866,449</u>	<u>\$ 1,093,365</u>
Basic and diluted loss per share		<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average number of common shares outstanding		<u>141,113,196</u>	<u>122,389,093</u>

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

**MOUNTAIN BOY MINERALS LTD.**  
**STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Total shareholders' equity
<b>Balance as at November 30, 2015</b>		119,685,116	\$ 20,537,326	\$ -	\$ 3,127,424	\$(13,274,787)	\$ 10,389,963
Private placement	6	11,000,000	550,000	-	-	-	550,000
Shares for debt	6	4,609,200	230,460	-	-	-	230,460
Share-based payments	6	-	-	-	761,634	-	761,634
Net loss and comprehensive loss		-	-	-	-	(1,093,365)	(1,093,365)
<b>Balance as at November 30, 2016</b>		135,294,316	21,317,786	-	3,889,058	(14,368,152)	10,838,692
Private placements	6	10,073,666	733,020	-	-	-	733,020
Share issuance costs	6	-	(14,845)	-	-	-	(14,845)
Exercise of options	6	7,300,000	365,000	-	-	-	365,000
Proceeds for shares to be issued		-	-	50,000	-	-	50,000
Exercise of warrants	6	200,000	14,000	-	-	-	14,000
Reclassification on exercise of options		-	318,981	-	(318,981)	-	-
Property option payments	6	2,671,428	202,929	-	-	-	202,929
Share-based payments	6	-	-	-	234,000	-	234,000
Net loss and comprehensive loss		-	-	-	-	(866,449)	(866,449)
<b>Balance as at November 30, 2017</b>		<b>155,539,410</b>	<b>\$ 22,936,871</b>	<b>\$ 50,000</b>	<b>\$ 3,804,077</b>	<b>\$(15,234,601)</b>	<b>\$ 11,556,347</b>

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

**MOUNTAIN BOY MINERALS LTD.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	<b>For the years ended</b>	
	<b>November 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net loss	\$ (866,449)	\$ (1,093,365)
Items not involving cash:		
Share-based payments	234,000	761,634
Deferred income tax expense	218,000	141,500
Other income	(13,000)	-
Changes in non-cash working capital items:		
Receivables	(33,897)	(14,501)
Prepaid expenses	(12,060)	(4,875)
Trade and other payables	(13,871)	(33,265)
Cash used in operating activities	(487,277)	(242,872)
<b>Investing activities</b>		
Exploration and evaluation assets	(781,566)	(369,230)
Proceeds on sale of exploration and evaluation assets	-	150,000
Reclamation bonds	(18,432)	(10,287)
Cash used in investing activities	(799,998)	(229,517)
<b>Financing activities</b>		
Net proceeds from issuance of common shares	1,182,175	550,000
Proceeds for shares to be issued	50,000	-
Cash provided by financing activities	1,232,175	550,000
<b>Net increase in cash</b>	(55,100)	77,611
<b>Cash - beginning of the year</b>	77,743	132
<b>Cash - end of the year</b>	\$ 22,643	\$ 77,743

*Supplemental disclosure with respect to cash flows - Note 8*

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

## Mountain Boy Minerals Ltd.

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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### 1. Corporate Information

Mountain Boy Minerals Ltd. (the "Company") is an exploration stage company incorporated on April 26, 1999, under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the Province of British Columbia, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "MTB".

The Company's head office is 410-325 Howe Street, Vancouver, BC V6C 1Z7 and principal business address is 306 – Suite D, 5<sup>th</sup> Avenue, PO Box 859, Stewart, British Columbia, Canada, V0T 1W0.

### 2. Basis of Preparation

#### a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### b) Basis of Measurement

These financial statements have been prepared using the historical cost basis except for financial instruments that have been measured at fair value.

The financial statements are presented in Canadian dollars, which is the Company's functional currency and presentation currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### c) Going Concern

At November 30, 2017, the Company has not generated revenue from operations, has a working capital deficit of \$554,471, an accumulated deficit of \$15,234,601 and expects to incur further losses in the exploration and evaluation of its mineral properties. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company's ability to obtain adequate financing to develop the reserves, and its ability to commence profitable operations in the future. These conditions form a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

To date, the Company has been able to fund its operations and its mineral property exploration programs through equity financings. The continued volatility in the equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make it more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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2. Basis of Preparation – (continued)

c) Going Concern (continued)

These financial statements do not include any adjustments relating 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.

3. Significant Accounting Policies

These financial statements have, in management's opinion, been properly and consistently prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.



**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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3. Significant Accounting Policies – (continued)

b) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss.

c) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise of cash, reclamation bonds and accounts payable. Management has classified financial assets and liabilities as follows:

Financial Assets

The Company has recognized its cash at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at 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. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

The Company has classified its reclamation bonds as loans and receivables. Loans and receivable are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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3. Significant Accounting Policies – (continued)

c) Financial Instruments (continued)

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of accounts payables. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

d) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. At November 30, 2017 and 2016, the Company did not have any rehabilitation provisions.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

## Mountain Boy Minerals Ltd.

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies – (continued)

#### e) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### f) Government Grants

The province of B.C. provides mining exploration tax credits for certain exploration expenditures incurred in B.C. that are recorded as a reduction of the exploration and development costs of the respective exploration and evaluation assets. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

#### g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

The fair value of the common shares issued in a private placement unit of shares and warrants is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted price on the issuance date. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. Management does not expect to record a value to the warrants in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes option pricing model and recognized in equity as a deduction from the proceeds.

Costs directly attributable to the issue of new shares are recognized in equity as a deduction from the proceeds. Costs attributable to the listing of existing shares are expensed as incurred.

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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3. Significant Accounting Policies – (continued)

h) Loss per Common Share

Basic loss per share is computed by dividing the net loss applicable to the common shares by the weighted average number of common shares outstanding during the period.

Diluted loss per common share is computed by dividing the net loss applicable to the common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When a loss is incurred during the period; basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is anti-dilutive.

i) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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3. Significant Accounting Policies – (continued)

j) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

k) New accounting standards and interpretations

There were no new accounting standards and interpretations which had a material impact on adoption during the year ended November 30, 2017.

Pronouncements that are not applicable or that do not have a significant impact on the Company have not been included in these financial statements. The following standards are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The company is currently evaluating the impact of these standards on its financial statements.

- IFRS 9 (Amended 2010) Financial Instruments (effective December 1, 2018);
- IFRS 15 Revenue from Contracts with Customer (effective December 1, 2018);
- IFRS 16 Leases (effective December 1, 2019)

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

## Mountain Boy Minerals Ltd.

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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### 4. Critical Accounting Estimates and Judgments

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

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

#### a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

#### b) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### c) Rehabilitation Provisions

Rehabilitation provisions have been determined to be \$Nil based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

#### d) Share-Based Payments

The Company uses the Black Scholes Option Pricing Model for valuation of share based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

#### e) Recognition of Deferred Tax Assets and Liabilities

The carrying amounts of deferred tax assets and liabilities are reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Changes in estimates of future taxable income can materially affect the amount of deferred income tax assets and liabilities recognized.

## Mountain Boy Minerals Ltd.

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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### 5. Exploration and Evaluation Assets

#### a) Barbara and Surprise Creek Properties

By an agreement dated September 21, 2006, the Company acquired a 50% interest in the Barbara property which consists of ten mineral claims situated in the Skeena Mining Division of British Columbia. The Company was required to complete an 800 metre drill program on the property (completed). The property is subject to a 2% net smelter return royalty to a director of the Company of which 1% may be purchased for \$500,000. During the year ended November 30, 2007, the Company acquired the remaining 50% interest in the property.

On January 28, 2010, the Company entered into an option and joint venture agreement with Great Bear Resources Ltd. ("Great Bear") which granted Great Bear the option to acquire up to a 70% interest in the Barbara, Stro, Booze and George Copper properties. On April 1, 2010, the Company received TSX-V approval for the agreement and issued 600,000 common shares valued at \$0.20 per share as a finder's fee with respect to this transaction. The agreement gave Great Bear the option to earn an initial 50% interest in the Barbara and George Copper properties by paying \$158,000 (paid) and incurring \$5,500,000 in exploration expenditures on or before December 31, 2013 (incurred).

The agreement was amended on October 25, 2010 in which Great Bear could earn an additional 20% interest by completing a bankable feasibility study on or before December 31, 2015. Great Bear did not complete a bankable feasibility study by December 31, 2015 and therefore did not execute their option to acquire an additional 20% interest in the properties. In consideration of the amendment, Great Bear included the Surprise Creek Property under the terms of the agreement and the acquisition costs for the Surprise Creek Property were borne entirely by Great Bear, and were applied against the earn-in requirement towards the Barbara Property. The Surprise Creek Property consists of 19 mineral claims situated in the Skeena Mining Division of British Columbia.

On October 18, 2016, the Company and Great Bear amended their agreement and entered into separate joint venture agreements for the Barbara and Surprise Creek Properties. The joint venture agreements set Great Bear as the operator of the Barbara Property and set the Company as the operator of the Surprise Creek Property. Both the Company and Great Bear retain a 50% ownership interest in the Surprise Creek and Barbara Properties.

On June 1, 2017, the Company and Great Bear entered into an additional option agreement in which the Company was granted the option to acquire Great Bear's 50% interest in the Barbara and Surprise Creek properties by issuing a total of 10,000,000 common shares and paying \$1,300,000 to Great Bear in stages between the date of TSX-V acceptance of the agreement and August 20, 2020. In addition, the Company will make cash payments to Great Bear on achieving certain milestones toward establishing an economic resource, which could amount to as much as \$3,700,000 were both properties to go into production.

As of November 30, 2017, the Company issued 2,500,000 common shares and paid Great Bear \$150,000. Subsequent to November 30, 2017, the Company paid another \$150,000 to Great Bear. The timing of further payments and share issuances under the terms of the option agreement is as follows: the Company is to pay additional amounts of \$300,000 in 2018, \$350,000 in 2019 and \$350,000 in 2020. The Company is also to issue 2,500,000 common shares in 2018, 2,500,000 common shares in 2019 and 2,500,000 common shares in 2020.

## Mountain Boy Minerals Ltd.

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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### 5. Exploration and Evaluation Assets – (continued)

#### b) Red Cliff Property

The Company had a 100% interest in the Red Cliff claims which are located in the Skeena Mining Division of British Columbia. The Red Cliff property was subject to a 2% net smelter return royalty (“NSR”) of which 1% may be purchased for \$1,000,000.

On November 19, 2008, Decade Resources Ltd. (“Decade”), a public company, with directors in common with the Company acquired a 60% interest in Red Cliff claims by incurring \$1,250,000 in exploration expenditures on the Red Cliff Claims. Decade became the operator of the property.

On October 31, 2011, the Company informed Decade that it could not finance its share of exploration expenditures and therefore would have its interest diluted under the terms of the joint venture agreement. At October 31, 2011, the Company owed Decade \$435,785 in exploration expenditures related to its 40% interest in the Red Cliff property. Effective November 1, 2011, the Company agreed to dilute its interest by 5% in lieu of the \$435,785 thereby reducing its interest to 35%.

On October 23, 2017, Decade and the Company purchased a 1% NSR in the Red Cliff claims whereby the Company paid \$3,500 in cash and issued 171,428 common shares for the Company’s 35% interest in the NSR.

During the year ended November 30, 2017, the Company incurred \$714,850 (2016: \$83,646) in joint venture exploration costs to Decade and \$19,474 (2016: \$nil) in joint venture acquisition costs on the Red Cliff property.

At November 30, 2017, the Company owed Decade \$392,709 (2016: \$33,646) for joint venture exploration costs on Red Cliff which was included in accounts payable and accrued liabilities.

#### c) Mountain Boy Property

The Company has a 100% interest in seven mineral claims located in the Skeena Mining Division in the Province of British Columbia.

The claims are subject to a 2% net smelter return royalty which may be purchased for \$1,000,000, or one half of it may be purchased for \$500,000.

#### d) Silver Coin Properties

The Silver Coin claims are a group of thirty-two mineral claims located in the Skeena Mining Division of British Columbia.

Pursuant to an option agreement dated March 26, 2004, the Company acquired a 55% interest in four mineral claims contiguous to the Silver Coin claims known as the Indi claims. In addition, the Company acquired a 29.4% interest in the Kansas claim, a claim contiguous to the Silver Coin claims.

By an agreement dated July 29, 2004, the Company granted Jayden Resources Inc. (“Jayden”) the option to earn up to 51% of the Company’s interest in the Silver Coin, Kansas and Indi claims by incurring \$1,750,000 in exploration expenditures (incurred).

The Company and Jayden agreed to form a joint venture to further develop the claims. Under the terms of the option agreement, if either the Company or Jayden acquires properties within 10 km of the Silver Coin properties, such additional properties will be part of the joint venture.



**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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5. Exploration and Evaluation Assets – (continued)

d) Silver Coin Properties – (continued)

On July 6, 2009, the Company signed an agreement with Jayden to sell 19% of the Silver Coin project (with the necessary adjustments to the Kansas and Indi claims percentages included) to Jayden for \$350,000 (received). As a result, Jayden owned a 70% interest in the Silver Coin project as a whole with the Company owning the remaining 30% interest.

Jayden could earn an additional 10% interest in the project by completing \$4,000,000 in exploration related expenditures by July 31, 2014.

During the year ended November 30, 2011, Jayden had completed the required expenditures and its interest was increased to 80%. The Company's interest then became 20% and it remains a carried interest for all future exploration expenditures.

e) Other Properties

Stro, Booze and George Copper Properties

The Company has a 100% interest in the Stro, Booze and George Copper mineral properties located in the Skeena Mining Division of British Columbia.

As part of the joint venture and option agreement on the Barbara property, the Company granted Great Bear Resources Ltd. the option to acquire up to a 70% interest in the Stro, Booze and George Copper properties. See Note 5(a) – Barbara and Surprise Creek Properties.

West George Copper Property

On August 30, 2017, the Company entered into an option agreement with Auramex Resource Corp. ("Auramex") whereby the Company can earn a 60% interest in West George Copper property as follows:

- On signing, Auramex will receive \$700,000 in portable assessment credits;
- \$10,000 cash and \$30,000 of work expenditures before the second anniversary;
- \$20,000 cash and \$50,000 of work expenditures before the third anniversary;
- After earning a 60% interest, each \$250,000 of work expenditures will increase the percentage ownership by 5%;
- If the Company earns a 95% interest, the remaining 5% converts to a 1.5% net smelter return royalty;
- Once the option is exercised, Auramex will receive a 2% net smelter return royalty of which 1% can be purchased for \$1,000,000.

The property consists of 288 hectares adjacent to the Company's 100% owned George Copper property.

Manuel Creek Property

On December 9, 2016, the Company acquired a 100% interest in the Manuel Creek zeolite property located northeast of Keremeos, British Columbia for \$15,000.

FR and Dave Properties

On January 6, 2016, the Company sold the FR and Dave Properties for total proceeds of \$150,000.

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

5. Exploration and Evaluation Assets – (continued)

	<b>Barbara and Surprise Creek</b>	<b>Red Cliff</b>	<b>Mountain Boy</b>	<b>Silver Coin</b>	<b>Other Properties</b>	<b>Total</b>
<b>Property acquisition costs</b>						
Balance November 30, 2016	\$ 365,940	\$ 182,500	\$ 920,547	\$ 80,124	\$ 25,057	\$ 1,574,168
Property payments	340,625	19,474	-	-	15,000	375,099
Balance November 30, 2017	706,565	201,974	920,547	80,124	40,057	1,949,267
<b>Deferred exploration costs</b>						
Balance November 30, 2016	3,849,530	3,760,988	1,563,271	2,754,336	115,753	12,043,878
Assays	16,301	23,339	573	-	289	40,502
Camp costs	6,298	-	-	-	-	6,298
Drilling	60,774	434,367	-	-	-	495,141
Equipment rental	-	44,395	-	-	-	44,395
Geological	17,825	33,811	1,200	-	900	53,736
Helicopter	129,122	5,521	-	-	-	134,643
Labour	48,650	112,273	10,500	-	16,100	187,523
Supplies and miscellaneous	6,376	61,144	2,254	-	3,014	72,787
	285,346	714,850	14,527	-	20,303	1,035,025
Balance November 30, 2017	4,134,876	4,475,838	1,577,798	2,754,336	136,056	13,078,903
<b>Total</b>	<b>\$ 4,841,441</b>	<b>\$4,677,812</b>	<b>\$ 2,498,345</b>	<b>\$2,834,460</b>	<b>\$ 176,113</b>	<b>\$15,028,170</b>

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

5. Exploration and Evaluation Assets – (continued)

	<b>Barbara and Surprise Creek</b>	<b>Red Cliff</b>	<b>Mountain Boy</b>	<b>Silver Coin</b>	<b>Other Properties</b>	<b>Total</b>
<b>Property acquisition costs</b>						
Balance November 30, 2015	\$ 365,940	\$ 182,500	\$ 920,547	\$ 80,124	\$ 175,057	\$ 1,724,168
Proceeds on sale of exploration and evaluation assets	-	-	-	-	(150,000)	(150,000)
Balance November 30, 2016	365,940	182,500	920,547	80,124	25,057	1,574,168
<b>Deferred exploration costs</b>						
Balance November 30, 2015	3,568,843	3,677,342	1,531,994	2,754,336	115,753	11,648,268
Assays	17,879	1,763	-	-	-	19,642
Drilling	40,719	42,544	-	-	-	83,263
Equipment rental	34,735	599	-	-	-	35,334
Geological	69,085	2,021	30,000	-	-	101,106
Helicopter	78,798	970	-	-	-	79,768
Labour	10,700	13,474	-	-	-	24,174
Supplies	27,677	22,275	1,277	-	-	51,229
Trucking	1,094	-	-	-	-	1,094
	280,687	83,646	31,277	-	-	395,610
Balance November 30, 2016	3,849,530	3,760,988	1,563,271	2,754,336	115,753	12,043,878
<b>Total</b>	<b>\$ 4,215,470</b>	<b>\$3,943,488</b>	<b>\$ 2,483,818</b>	<b>\$2,834,460</b>	<b>\$ 140,810</b>	<b>\$13,618,046</b>

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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6. Share Capital

a) Authorized

Unlimited common shares without par value

b) Details of issuance of common shares

*During the Year Ended November 30, 2017:*

The Company issued 7,300,000 common shares at \$0.05 per share for proceeds of \$365,000 pursuant to the exercise of stock options.

The Company issued 200,000 common shares at \$0.07 per share for proceeds of \$14,000 pursuant to the exercise of share purchase warrants.

The Company issued 2,500,000 common shares with a fair value of \$187,500 to Great Bear for an option payment on the Barbara and Surprise Creek properties and the Company also issued 171,428 common shares with a fair value of \$15,429 for purchasing its proportionate share of the NSR related to the Red Cliff property.

On March 15, 2017, the Company issued 650,000 flow-through units at \$0.08 per unit and 2,993,666 non-flow-through units at \$0.06 per unit for total proceeds of \$231,620. The Company recorded a flow-through premium liability of \$13,000 and incurred share issuance costs of \$1,908.

Each flow-through unit consisted of one flow-through common share and one share purchase warrant to purchase an additional common share at \$0.10 per share until March 15, 2019. Each non-flow-through unit consisted of one non-flow-through common share and one share purchase warrant to purchase an additional common share at \$0.10 per share until March 15, 2019.

The share purchase warrants contain an acceleration right in favour of the Company, whereby if for a trading period of 20 continuous days before the expiry of the warrants, the price of the Company's common shares is at least \$0.16 per share, the Company may provide a notice that the warrants will expire on the 11th day after the date of notice, if unexercised.

On September 25, 2017, the Company issued 3,600,000 flow-through units at \$0.10 per unit and 2,830,000 non-flow-through units at \$0.08 per unit for total proceeds of \$586,400. The Company recorded a flow-through premium liability of \$72,000 and incurred share issuance costs of \$12,937.

Each flow-through unit consisted of one flow-through common share and one share purchase warrant to purchase an additional common share at \$0.10 per share until September 25, 2019. Each non-flow-through unit consisted of one non-flow-through common share and one share purchase warrant to purchase an additional common share at \$0.13 per share until September 25, 2019.

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

6. Share Capital – (continued)b) Details of issuance of common shares (continued)During the Year Ended November 30, 2016:

On August 30, 2016, the Company issued 4,609,200 common shares with a fair value of \$0.05 per share to settle accounts payable and accrued liabilities of \$230,460. The debt settlement agreements were with a director of the Company, companies with directors in common with the Company and a company managed by a director of the Company (See Note 7).

On October 11, 2016, the Company issued 11,000,000 common shares pursuant to the private placement of 11,000,000 flow-through units at \$0.05 per unit for proceeds of \$550,000. Each unit consisted of one flow-through common share and one share purchase warrant which entitled the holder to purchase an additional common share at \$0.07 per share until October 11, 2018. No finder's fees or commission were paid in connection with the private placement.

c) Warrants

A continuity of warrants for the year ended November 30, 2017 is as follows:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>November 30, 2016</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>November 30, 2017</b>
October 11, 2018	0.07	11,000,000	-	(200,000)	-	10,800,000
March 15, 2019	0.10	-	3,643,666	-	-	3,643,666
September 25, 2019	0.10	-	2,830,000	-	-	2,830,000
September 25, 2019	0.13	-	3,600,000	-	-	3,600,000
Warrants outstanding		11,000,000	10,073,666	(200,000)	-	20,873,666
Weighted average exercise price (\$)		\$ 0.07	\$ 0.11	\$ 0.07	\$ -	\$ 0.09

The weighted average remaining life of the outstanding warrants as at November 30, 2017 is 1.23 years (November 30, 2016 – 1.86 years).

A continuity of warrants for the year ended November 30, 2016 is as follows:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>November 30, 2015</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>November 30, 2016</b>
October 11, 2018	0.07	-	11,000,000	-	-	11,000,000
March 15, 2019	0.10	-	-	-	-	-
September 25, 2019	0.10	-	-	-	-	-
September 25, 2019	0.13	-	-	-	-	-
Warrants outstanding		-	11,000,000	-	-	11,000,000
Weighted average exercise price (\$)		\$ -	\$ 0.07	\$ -	\$ -	\$ 0.07

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

6. Share Capital – (continued)d) Share Purchase Option Compensation Plan

The Company has a stock option plan under which the maximum number of stock options available for grant cannot exceed 20% of the issued and outstanding common shares of the Company at the date of the grant. Stock options may be granted for a maximum term of five years and expire 90 days from termination of employment or holding office as a director or officer of the Company. Unless otherwise stated, stock options vest when granted.

A continuity of options for the year ended November 30, 2017 is as follows:

<u>Expiry date</u>	<u>Exercise price (\$)</u>	<u>November 30, 2016</u>	<u>Issued</u>	<u>Exercised</u>	<u>Expired / forfeited</u>	<u>November 30, 2017</u>
August 17, 2017	0.05	500,000	-	(500,000)	-	-
August 17, 2021	0.05	2,000,000	-	(800,000)	-	1,200,000
August 22, 2021	*	10,000,000	-	(6,000,000)	-	4,000,000
September 7, 2021	**	3,000,000	-	-	-	3,000,000
May 16, 2022	*	-	3,900,000	-	-	3,900,000
Options outstanding		15,500,000	3,900,000	(7,300,000)	-	12,100,000
Options exercisable		15,125,000	-	-	-	12,100,000
Weighted average exercise price (\$)		\$ 0.05	\$ 0.05	0.05	\$ -	\$ 0.06

\* Subsequent to November 30, 2017, a total of 7,900,000 options were exercised.

\*\* Subsequent to November 30, 2017, the TSX Venture Exchange approved the re-pricing of these options to \$0.05.

The weighted average remaining life of the outstanding options as at November 30, 2017 is 3.97 years (November 30, 2016 – 4.07 years).

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

6. Share Capital – (continued)d) Share Purchase Option Compensation Plan – (continued)

A continuity of options for the year ended November 30, 2016 is as follows:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>November 30, 2015</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired / forfeited</b>	<b>November 30, 2016</b>
December 23, 2014	0.12	874,000	-	-	(874,000)	-
February 22, 2015	0.12	500,000	-	-	(500,000)	-
May 27, 2015	0.18	4,300,000	-	-	(4,300,000)	-
August 17, 2017	0.05	-	500,000	-	-	500,000
August 17, 2021	0.05	-	2,000,000	-	-	2,000,000
August 22, 2021	0.05	-	10,000,000	-	-	10,000,000
September 7, 2021	0.075	-	3,000,000	-	-	3,000,000
Options outstanding		5,674,000	15,500,000	-	(5,674,000)	15,500,000
Options exercisable		5,674,000	-	-	-	15,125,000
Weighted average exercise price (\$)		\$ 0.17	\$ 0.05	\$ -	\$ 0.17	\$ 0.05

The fair value of the stock options granted during the year ended November 30, 2017 was \$234,000 or \$0.06 per option. The following table summarizes the assumptions used in the Black-Scholes Option Pricing Model to estimate the fair value of the options:

	<b>2017</b>	<b>2016</b>
Risk-free interest rate	1.13%	0.85% - 1.38%
Expected stock price volatility	167%	145% - 168%
Expected option life in years	5 years	5 years
Expected dividend in yield	0%	0%
Forfeiture rate	0%	0%
Share price on grant date	\$0.06	\$0.05 - \$0.07

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

**7. Related Party Transactions**

Payments to related parties were made in the normal course of operations and were valued at fair value. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. There are no commitments or guarantees associated with the outstanding balances.

	Services for:	Year ended		Accounts payable as at	
		November 30 2017	2016	November 30 2017	November 30 2016
Rene Bernard	Consulting fee & management fee	\$ 27,500	\$ -	\$ -	\$ -
A private company controlled by a director of the Company	Management & administration fee	30,000	30,000	-	5,250
Ed Kruchkowski / a private company controlled by a director of the Company	Management fee	30,000	30,000	10,015	5,250
A private company controlled by a director of the Company	Equipment rental	-	33,685	-	-
Ed Kruchkowski	Geological	61,600	61,850	-	-
A private company controlled by a director of the Company	Labour	-	7,200	-	-
A private company controlled by a director of the Company	Office and miscellaneous	5,250	4,500	-	-
A public company with directors in common with the Company	Exploration costs	714,850	83,646	392,709	33,646
<b>Total</b>		<b>\$ 869,200</b>	<b>\$ 250,881</b>	<b>\$ 402,724</b>	<b>\$ 44,146</b>

Amounts in accounts receivable: Services for:

A public company with directors in common with the Company	Investor relations	\$ -	\$ -	\$ 31,021	\$ 4,875
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,021</b>	<b>\$ 4,875</b>

On August 30, 2016, the Company issued 4,609,200 common shares with a fair value of \$0.05 per share to settle accounts payable and accrued liabilities of \$230,460 with a director of the Company, companies with directors in common with the Company and a company managed by a director of the Company.



**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

7. Related Party Transactions – (continued)

Key management personnel compensation includes all compensation paid to executive management and members of the board of directors of the Company.

For the year ended November 30, 2017

	Short-term employee benefits	Post- employment benefits	Other long- term benefits	Termination benefits	Other expenses	Share-based payments	Total
Edward Kruchkowski Chief Executive Officer, Director	\$30,000	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$30,000
Rene Bernard Chief Financial Officer, Director	\$27,500	\$Nil	\$Nil	\$Nil	\$Nil	\$234,000	\$261,500
Randy Kasum Director and Former Chief Financial Officer	\$30,000	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$30,000
<b>Total:</b>	<b>\$87,500</b>	<b>\$Nil</b>	<b>\$Nil</b>	<b>\$Nil</b>	<b>\$Nil</b>	<b>\$234,000</b>	<b>\$321,500</b>

For the year ended November 30, 2016

	Short-term employee benefits	Post- employment benefits	Other long- term benefits	Termination benefits	Other expenses	Share-based payments	Total
Edward Kruchkowski Chief Executive Officer, Director	\$5,000	\$Nil	\$Nil	\$Nil	\$61,850	\$184,654	\$251,504
Frank Kamermans Former Chief Executive Officer	\$25,000	\$Nil	\$Nil	\$Nil	\$Nil	\$115,409	\$140,409
Randy Kasum Chief Financial Officer, Director	\$30,000	\$Nil	\$Nil	\$Nil	\$7,200	\$138,490	\$175,690
<b>Total:</b>	<b>\$60,000</b>	<b>\$Nil</b>	<b>\$Nil</b>	<b>\$Nil</b>	<b>\$69,050</b>	<b>\$438,553</b>	<b>\$567,603</b>

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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8. Non-Cash Transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. The following transactions were excluded from the statements of cash flows:

*During the year ended November 30, 2017:*

- a) The Company incurred exploration and evaluation costs of \$459,275 which are included in accounts payable and accrued liabilities at November 30, 2017.
- b) The Company issued 2,500,000 common shares with a fair value of \$187,500 to Great Bear for an option payment on the Barbara and Surprise Creek properties and the Company also issued 171,428 common shares with a fair value of \$15,429 for purchasing its proportionate share of the 1% NSR related to the Red Cliff property.
- c) The Company reclassified \$318,981 from contributed surplus to share capital on the exercise of 7,300,000 stock options and 200,000 warrants.

*During the year ended November 30, 2016:*

- a) The Company incurred exploration and evaluation costs of \$33,646 which are included in accounts payable and accrued liabilities at November 30, 2016.
- b) The Company issued 4,609,200 common shares at \$0.05 per share to settle accounts payable and accrued liabilities of \$230,460.

## Mountain Boy Minerals Ltd.

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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### 9. Financial Instruments

The fair values of the Company's financial assets and liabilities approximate their carrying amounts because of their current nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company's financial instruments consist of cash, reclamation bonds, and accounts payable. Cash is designated at FVTPL and reclamation bonds are classified as loans and receivables. Accounts payable are classified as other financial liabilities.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to interest rate risk.

#### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable are all current and due within 90 days of the balance sheet date. At November 30, 2017, the Company has a working capital deficiency of \$554,471 and will require additional financing to provide sufficient capital to meet its short-term financial obligations.

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

10. Income Taxes

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

	<u>2017</u>	<u>2016</u>
Loss before income taxes	\$ (648,449)	\$ (951,865)
Combined statutory tax rate	26.00%	26.00%
Expected income tax recovery	(168,600)	(247,485)
Permanent and other differences	161,600	339,985
Change in tax rates	72,000	-
Change in unrecognized deferred tax assets	<u>153,000</u>	<u>49,000</u>
Deferred income tax expense	<u>\$ 218,000</u>	<u>\$ 141,500</u>

Deferred Tax Assets and Liabilities

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax to be recovered:

	<u>2017</u>	<u>2016</u>
Non-capital losses	\$ 1,016,000	\$ 818,000
Capital losses	49,000	47,000
Financing costs	3,000	-
Exploration and evaluation assets	(3,036,000)	(2,818,000)
Property and equipment	-	50,000
Deferred tax assets - unrecognised	<u>(1,068,000)</u>	<u>(915,000)</u>
Deferred tax liability - recognised	<u>\$ (3,036,000)</u>	<u>\$ (2,818,000)</u>

At November 30, 2017, the Company has estimated non-capital losses for income tax purposes of \$3,768,000 that may be carried forward to reduce taxable income in future taxation years.

The non-capital tax losses expire as follows:

2027	\$ 606,000
2029	296,000
2030	206,000
2031	538,000
2032	633,000
2033	296,000
2034	218,000
2035	162,000
2036	384,000
2037	<u>429,000</u>
	<u>\$ 3,768,000</u>

**Mountain Boy Minerals Ltd.**

Notes to the Financial Statements

For the years ended November 30, 2017 and 2016

(Expressed in Canadian dollars)

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10. Income Taxes – (continued)

During the year ended November 30, 2017, the Company renounced \$408,000 (2016: \$539,000) of resource expenditures. Expenditures related to the use of flow-through share proceeds are included in exploration costs but are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. At November 30, 2017, the Company has an obligation for future flow-through expenditures of \$356,400 (2016: \$204,656).

11. Capital Disclosures

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties, finance corporate overhead costs, meet obligations as they come due, and to maintain a flexible capital structure which optimizes the cost of capital within a framework at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, as well as cash. The Company has no earning and therefore has historically financed its acquisition and exploration activities and corporate overhead costs by the sale of common shares.

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 its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize development efforts, the Company does not pay out dividends.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resources markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects. The Company is not subject to any externally imposed capital requirements.

12. Subsequent Event

Subsequent to year-end the Company issued 7,900,000 common shares at \$0.05 per share for proceeds of \$395,000 pursuant to the exercise of stock options.