



**NICKEL NORTH EXPLORATION CORP.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016



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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of  
Nickel North Exploration Corp.

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

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Nickel North Exploration Corp. to continue as a going concern.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
April 26, 2018

**NICKEL NORTH EXPLORATION CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017 AND 2016**  
(Expressed in Canadian Dollars)

	Note	2017	2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 116,494	\$ 319,006
Sales tax recoverable and other receivables		11,991	5,980
Prepaid expenses and deposits		5,726	6,490
Restricted cash	5	28,750	28,750
<b>Total current assets</b>		162,961	360,226
Equipment	6	7,828	5,500
Exploration and evaluation assets	7	10,730,638	10,903,880
<b>Total assets</b>		\$ 10,901,427	\$ 11,269,606
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts and other payables	8/10	\$ 25,803	\$ 124,914
Loan payable	10	624,148	302,959
<b>Total current liabilities</b>		649,951	427,873
Deferred income tax liabilities	13	297,589	439,993
<b>Total liabilities</b>		947,540	867,866
<b>Equity</b>			
Share capital	9	11,101,459	11,101,459
Contributed surplus		736,112	736,112
Deficit		(1,883,684)	(1,435,831)
<b>Total equity</b>		9,953,887	10,401,740
<b>Total liabilities and equity</b>		\$ 10,901,427	\$ 11,269,606

**Going concern (Note 2)**

The financial statements were approved and authorized for issue by the board of directors on April 26, 2018 and were signed on behalf by:

\_\_\_\_\_  
“Jingbin Wang”  
Director

\_\_\_\_\_  
“Yingting Guo”  
Director

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

**NICKEL NORTH EXPLORATION CORP.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(Expressed in Canadian Dollars)

	Note	2017	2016
<b>EXPENSES</b>			
Accounting and audit		\$ 17,500	\$ 16,500
Bank charges and interest		36,998	4,182
Consulting fees	10	109,369	90,416
Depreciation		251	475
Legal		22,751	12,964
Media and conference		4,121	4,653
Office administration and miscellaneous		30,259	46,517
Transfer agent and filing fees		15,995	14,476
Travel and promotion		304	4
Wages and benefits		105,737	98,988
		(343,285)	(289,175)
<b>OTHER ITEMS</b>			
Interest and other income		1,319	1,468
Impairment of exploration and evaluation assets	7	(248,291)	-
		(246,972)	1,468
<b>Net loss before income taxes</b>		(590,257)	(287,707)
Deferred income tax recovery	13	142,404	94,305
<b>Net and comprehensive loss for the year</b>		\$ (447,853)	\$ (193,402)
<b>Basic and diluted loss per common share</b>		\$ (0.01)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>		76,518,747	76,518,747

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

**NICKEL NORTH EXPLORATION CORP.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, January 1, 2016	76,518,747	\$ 11,101,459	\$ 736,112	\$(1,242,429)	\$ 10,595,142
Comprehensive loss for the year	-	-	-	(193,402)	(193,402)
Balance, December 31, 2016	76,518,747	\$ 11,101,459	\$ 736,112	\$(1,435,831)	\$ 10,401,740
Comprehensive loss for the year	-	-	-	(447,853)	(447,853)
Balance, December 31, 2017	76,518,747	\$ 11,101,459	\$ 736,112	\$(1,883,684)	\$ 9,953,887

The accompanying notes are an integral part of these financial statements

**NICKEL NORTH EXPLORATION CORP.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(Expressed in Canadian Dollars)

	2017	2016
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (447,853)	\$ (193,402)
Items not affecting cash:		
Depreciation	251	475
Interest	36,034	2,959
Impairment of exploration and evaluation assets	248,291	
Deferred income tax recovery	(142,404)	(94,305)
Changes in non-cash working capital items:		
Sales tax recoverable and other receivables	(6,011)	142,318
Prepaid expenses and deposits	764	760
Account and other payables	(25,110)	20,004
Net cash used in operating activities	(336,038)	(121,191)
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Exploration and evaluation assets, net	(149,050)	(37,665)
Purchase equipment	(2,579)	-
Net cash used in investing activities	(151,629)	(37,665)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Loan received from a related party	285,155	300,000
Repayment of the related party loan	-	-
Net cash provided by financing activities	285,155	300,000
<b>Change in cash and cash equivalents during the year</b>	<b>(202,512)</b>	<b>141,144</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>319,006</b>	<b>177,862</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 116,494</b>	<b>\$ 319,006</b>

**Supplemental cash flow information** (Note 11)

The accompanying notes are an integral part of these financial statements

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**1. NATURE OF BUSINESS**

Nickel North Exploration Corp. (the “Company”) was incorporated under the laws of British Columbia, Canada on February 27, 2007 as Orient Ventures Capital Inc. and changed its name to Nickel North Exploration Corp. on July 30, 2012. The Company maintains its registered and head office at Suite 700, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3P3.

The Company is currently engaged in the acquisition, exploration and evaluation of mineral property interests in Canada. The Company’s common shares are listed on the TSX Venture Exchange (TSX-V) under the symbol “NNX”.

**2. BACKGROUND AND BASIS OF PREPARATION**

**Basis of preparation**

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

**Basis of measurement**

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

**Going concern**

The Company is an exploration stage company. At present, the Company’s operations do not generate cash flows. As at December 31, 2017, the Company had a working capital deficiency of \$486,990 and an accumulated deficit of \$1,883,684. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in the near future, which raises material uncertainty and may cast significant doubt about the Company’s ability to continue as a going concern. The directors, after reviewing the current cash position and having considered the Company’s ability to raise funds in the short term, believe that the going concern basis is appropriate in preparing its financial statements.

These financial statements do not include adjustments that would be required if going concern was not deemed an appropriate basis for preparation of the financial statements. These adjustments could be material.

**Use of estimates and judgements**

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**2. BACKGROUND AND BASIS OF PREPARATION (continued)**

Actual results could differ from these estimates. Significant areas requiring the use of management estimates and judgments include:

- i) The assessment of indications of impairment for exploration and evaluation assets and the measuring of the recoverable amount when impairment tests have been prepared involve judgment and estimates.
- ii) The determination of the fair value of stock options or warrants using stock option pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimates.
- iii) The determination of deferred income tax assets or liabilities requires judgment regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.
- v) The recognition of provisions for restoration, rehabilitation and environmental obligations.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.



**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash held at banks, cash in the Company's lawyer's trust account, and highly liquid investments that are readily convertible to known amounts of cash.

**Equipment**

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset into operation and an initial estimate of any rehabilitation obligation. Depreciation of the equipment is calculated using the straight line basis, net of any estimated residual value, over their estimated useful lives. Office equipment is depreciated over three years.

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive loss. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

**Exploration and evaluation assets**

Once a license to explore an area has been secured, all direct costs related to the acquisition, exploration and evaluation of mineral property interests are capitalized into intangible exploration and evaluation assets on a property by property basis until such time that technical feasibility and commercial viability of extracting a mineral resource has been determined for a property, in which case the capitalized exploration and evaluation costs that give rise to future economic benefits are transferred and capitalized into property, plant and equipment. The Company records expenditures on exploration and evaluation activities at cost. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Proceeds received from a partial sale or option of any interest in a property is credited against the carrying value of the property. When the proceeds exceed the carrying costs, the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated exploration and evaluation costs are written-off, with any gain or loss included in profit or loss in the period the transfer takes place. No initial value is assigned to any retained royalty interest. A royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of non-financial assets**

Management assesses the exploration and evaluation assets and equipment for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. For exploration and evaluation assets, the assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. Management assesses equipment for impairment at each statement of financial position date. If, after management review, it is determined that the carrying amount of an asset is impaired, that asset is written down to its estimated recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

**Provision for decommissioning and restoration obligations**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected future cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. Such costs arise from the decommissioning of site preparation work, discounted to their net present value which is capitalized to the carrying amount of the asset. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at December 31, 2017 and 2016, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

**Government assistance**

Quebec mining exploration tax credits for certain exploration expenditures incurred in Quebec are treated as a reduction of the exploration and evaluation costs of the respective mineral property.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments**

i) Financial assets

All financial assets are initially recorded at fair value and designated 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 FVTPL are measured as fair value with unrealized gains and losses recognized through earnings. The Company’s cash and cash equivalents and restricted cash are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measure at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company has not classified any financial assets 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.

ii) Financial Liabilities

All financial liabilities are initially recorded at fair value and classified as FVTPL or other financial liabilities.

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

Financial liabilities classified as FVTPL include financial liabilities held of trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has not classified any financial liabilities as FVTPL.

iii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments;
- the borrower entering bankruptcy or financial re-organization; and
- the disappearance of an active market for that financial asset because of lack of liquidity.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

iii) Impairment of financial assets (continued)

The amount of the impairment loss recognized is the difference between the instrument's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

iv) Derecognition of financial assets and financial liabilities

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset as well as any associated obligations. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset as well as any collateralized borrowing for the proceeds received.

Upon derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognized in accumulated other comprehensive loss, is recognized in profit or loss. Upon derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer continues to recognize on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that has been recorded in accumulated other comprehensive loss, is recognized in profit or loss. A cumulative gain or loss that has been recognized in accumulated other comprehensive loss is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Share capital**

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Loss per share**

Basic earnings/loss per share is calculated by dividing the earnings/loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the earnings/loss attributable to common shareholders equals the reported earnings/loss attributable to owners of the Company. The diluted earnings/loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

**Share-based payments**

Share-based payments to employees and others providing similar services are measured at the grant date fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of options expected to vest. The offset to the recorded cost is to contributed surplus. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, expected forfeitures, and the risk-free interest rate (based on government bonds).

**Income taxes**

Current income taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

**Flow-through shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. On issue, share capital is recorded at the trading value of an ordinary common share. The difference between the proceeds and the ordinary common share value is recorded as a flow-through share premium liability. The flow-through share premium liability is reduced upon incurring qualifying expenditures and renouncement by the Company of the tax benefits associated with the related expenditures. To the extent that suitable deferred income tax assets are available, the Company will reduce any deferred income tax liability and record a deferred income tax recovery or expense.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent accounting pronouncements**

The IASB did not issue any new or revised accounting standards which were effective for the Company's financial year beginning on January 1, 2017. Therefore, the Company did not adopt any new accounting standards for the year ended December 31, 2017.

**New accounting standards issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2018, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

**New accounting standards effective January 1, 2018**

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

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

**IFRS 15 *Revenue from Contracts with Customers*** – In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

**New accounting standards effective January 1, 2019**

**IFRS 16 *Leases*** - In June 2016, the IASB issued IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The new and amended standards have not been early adopted in these financial statements and are not expected to have a material effect on the Company's future results and financial position.

**4. CASH AND CASH EQUIVALENTS**

	2017	2016
Cash	\$ 16,494	\$ 19,006
Guaranteed investment certificates	100,000	300,000
	<b>\$ 116,494</b>	<b>\$ 319,006</b>

As at December 31, 2017, the Company's guaranteed investment certificate of \$100,000 bears interest at 0.8% per annum and matures in 2018.

As at December 31, 2016, the Company's guaranteed investment certificate of \$300,000 bore interest at 0.8% per annum and matured in 2017.

**5. RESTRICTED CASH**

The Company has provided corporate credit cards to its directors with a credit limit totalling \$25,000 to pay the Company's expenses. As collateral for the credit cards, the Company has a one-year term deposit of \$28,750 earning annual interest at the prime rate minus 2% per annum. As at December 31, 2017, the credit cards had a payable balance of \$7,274 (2016 – \$152) in total.

**6. EQUIPMENT**

	Office Equipment	
<b>Cost</b>		
Balance as at January 1, 2016	\$	12,521
Addition		-
Balance as at December 31, 2016		12,521
Addition		2,579
Balance as at December 31, 2017	\$	15,100
<b>Accumulated depreciation</b>		
Balance as at January 1, 2016	\$	6,546
Depreciation for the year		475
Balance as at December 31, 2016		7,021
Depreciation for the year		251
Balance as at December 31, 2017	\$	7,272
<b>Net book value</b>		
Net book value as at December 31, 2016	\$	5,500
Net book value as at December 31, 2017	\$	7,828

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

**7. EXPLORATION AND EVALUATION ASSETS**

	January 1, 2016	Additions	December 31, 2016	Additions	December 31, 2017
<b>Hawk Ridge Property, Quebec</b>					
Acquisition costs					
Option payments	\$ 2,817,657	\$ -	\$ 2,817,657	\$ -	\$ 2,817,657
Other property costs	164,061	8,984	173,045	41,339	214,384
	2,981,718	8,984	2,990,702	41,339	3,032,041
Exploration costs					
Accommodation/camp	654,291	-	654,291	-	654,291
Assays	578,844	8,774	587,618	9,528	597,146
Drilling	1,828,044	81,100	1,909,144	10,000	1,919,144
Field supplies	856,650	(33,400)	823,250	-	823,250
Geological consulting	2,468,806	13,250	2,482,056	5,600	2,487,656
Miscellaneous	303,553	18,000	321,553	7,500	329,053
Transportation	1,738,942	-	1,738,942	1,082	1,740,024
Travel	363,763	1,500	365,263	-	365,263
	8,792,893	89,224	8,882,117	33,710	8,915,827
Exploration prepayment	-	-	-	-	-
Mining exploration tax credits	(1,222,763)	5,532	(1,217,231)	-	(1,217,231)
Balance, end of the year	10,551,848	103,740	10,655,588	75,049	10,730,637
<b>Nairn Property, Ontario</b>					
Acquisition costs					
	242,182	-	242,182	-	242,182
Exploration costs					
Geological consulting	650	-	650	-	650
Miscellaneous	4,180	1,280	5,460	-	5,460
	247,012	1,280	248,292	-	248,292
Impairment	-	-	-	(248,291)	(248,291)
Balance, end of the year	247,012	1,280	248,292	(248,291)	1
Total balance, end of the year	\$ 10,798,860	\$ 105,020	\$ 10,903,880	\$ (173,242)	\$ 10,730,638



**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

Hawk Ridge Property:

On March 29, 2012, the Company entered into an option agreement with Anthem Resources Inc. (“Anthem”) and its wholly-owned subsidiary (together the “Optionors”), which was subsequently amended on May 15, 2012 (the “First Amendment”), on February 15, 2013 (the “Second Amendment”), and on April 17, 2013 (the “Third Amendment”) whereby the Optionors granted the Company an option to acquire a 100% interest in the Hawk Ridge Ni-Cu-PGE Project in Northern Quebec (the “Hawk Ridge Property”) by making staged payments totaling \$2,000,000 in cash, \$907,919 equivalent in common shares of the Company and \$92,081 by services in kind to Anthem by December 31, 2013 as follows:

- Pay \$500,000 in cash (paid) and \$250,000 in common shares (issued) within five business day of TSX-V final approval of the transaction;
- Pay \$500,000 in cash (paid) and \$250,000 in common shares (issued) by December 31, 2012; and
- Pay \$1,000,000 in cash (reduced by \$92,081 for 20% of geophysical survey costs paid by the Company) and issue \$500,000 in common shares (\$500,000 divided by the greater of (A) the price per consideration share (“Share”), equal to 10% discount to the Share’s moving average trading price for the 20 day period immediately preceding the date of issuance, and (B) \$0.20) on or before December 31, 2013 (issued).

During the year ended December 31, 2013, under the Third Amendment, in lieu of paying \$1,000,000 in cash on or before December 31, 2013, the Company issued to the Optionors 3,631,675 units (the “Conversion Units”) equal to \$907,919 (\$1,000,000 less \$92,081 for the geophysical survey costs) divided by \$0.25 per Conversion Unit. Each Conversion Unit consists of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share for a period of two years, at an exercise price of \$0.35 per share in the first year and \$0.60 per share in the second year. In addition, the Company issued 2,500,000 common shares equal to \$500,000 divided by the greater of \$0.20 or a 10% discount to the 20 day moving average trading price of the Company for the 20 day period immediately preceding the date of issuance.

On May 1, 2013, the Company has fulfilled all option payments and acquired 100% ownership of the Hawk Ridge Property.

The property is subject to a 3% net smelter returns royalty (“NSR”) and the Company has the option to purchase one-third of the NSR (1%) for \$1,000,000.

The exploration expenditures incurred on the property in Quebec are entitled to certain Quebec mining exploration tax credits. As at December 31, 2015, \$133,394 of Quebec mining exploration tax credits were included in sales tax recoverable and other receivables. These Quebec mining exploration tax credits were received during the year ended December 31, 2016.

Naim Property:

On August 23, 2013, pursuant to a property purchase agreement with Sino Minerals Corp. (“Sino Minerals”) entered into on June 27, 2013, the Company acquired all of Sino Mineral’s 100% interest in 14 mining claims covering a total area of approximately 2,860 hectares located in the Province of Ontario and known as the Naim Property (the “Naim Property”), subject to a 2% net smelter returns royalty over six of the claims and third party freehold patent surface rights over eight of the claims. In consideration for the Naim Property, the Company issued to Sino Minerals 2,000,000 common shares at a market price of \$0.12 per share for a fair value of \$240,000.

The Company has no future planned exploration activity on the property and has recorded a write-down of \$248,291 for the year ended December 31, 2017 for the difference between the estimated recoverable amount as at December 31, 2017 of \$1 and the carrying value of the property.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

**8. ACCOUNTS AND OTHER PAYABLES**

The Company's accounts and other payables are as follows:

	2017	2016
Accounts payable	\$ 7,687	\$ 2,412
Accrued expenses	10,842	122,350
Other payable	7,274	152
	<b>\$ 25,803</b>	<b>\$ 124,914</b>

Accounts payable principally comprises amounts outstanding for trade purchases relating to exploration activities and accrued expenses for operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

**9. SHARE CAPITAL**

**Authorized**

The Company has authorized an unlimited number of common shares with no par value and an unlimited number of non-voting, non-participating, non-cumulative preferred shares without par value issuable in series.

**Shares issued and outstanding**

	Note	Number of Common Shares	\$
Balance, January 1, 2016, December 31, 2016 and 2017		76,518,747	11,101,459

During the years ended December 31, 2017 and 2016, the Company had no common share transactions.

**Basic and diluted loss per share**

The calculation of basic loss per share for the year ended December 31, 2017 was based on net loss of \$447,853 (2016 –\$193,402), attributable to common shareholders and a weighted average number of common shares outstanding of 76,518,747 (2016 – 76,518,747). Diluted loss per share was calculated in a manner similar to basic loss per share except the weighted average number of shares outstanding is increased to include the assumed exercised of in-the-money stock options, warrants, and agent's warrants, if dilutive.

At December 31, 2016, 327,250 stock options were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

**9. SHARE CAPITAL (continued)**

**Stock options**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

During the years ended December 31, 2017 and 2016, no stock options were granted.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, Outstanding and Exercisable at January 1, 2016	539,750	\$ 0.20
Forfeited	(212,500)	\$ 0.20
Balance, Outstanding and Exercisable at December 31, 2016	327,250	\$ 0.20
Expired	(327,250)	\$ 0.20
Balance, Outstanding and Exercisable at December 31 2017	-	\$ -

No options to acquire common shares were outstanding at December 31, 2017.

**Warrants**

The Company uses the residual value approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant. Agents' warrants are measured at fair value on the date of the grant as determined using a Black-Scholes option pricing model.

During the years ended December 31, 2017 and 2016, the Company did not issue any warrants or have any warrant transactions.

**NICKEL NORTH EXPLORATION CORP.**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
 (Expressed in Canadian Dollars)

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company entered into the following related party transactions for the years ended December 31, 2017 and 2016:

- a) Incurred consulting fees of \$58,500 (2016 - \$39,000) from a company controlled by the Chief Executive Officer (“CEO”) of the Company.
- b) Incurred corporate consulting fees of \$30,000 (2016 - \$30,000) from a company with one director in common.
- c) Incurred office and administration fees of \$6,000 (2016 - \$24,000) from a company with directors in common.
- d) On November 2, 2016, the Company entered into a loan agreement with an affiliated company (the “Lender”). The principal of the loan was \$300,000 and the loan took effect on November 15, 2016. The loan is unsecured, bears interest at 8% per annum and matured on December 31, 2016. On December 30, 2016, the Company entered into an amendment agreement with the Lender to extend the repayment term of the loan from December 31, 2016 to June 30, 2017. Pursuant to the amendment, the \$2,959 of accrued interest on the \$300,000 loan, will be included in the aggregate principal sum and bear interest at a rate of 8% per annum. All other terms and conditions of loan agreement dated November 2, 2016 entered into between the Company and the Lender remain in force. On June 28, 2017, the Company and the Lender agreed to further extend the repayment term of the loan to the Company to June 30, 2018, while also increasing the principal amount of the loan to \$600,000 (the “Principal Amount”). The Principal Amount comprises the initial amount of the loan, interest accrued on the loan, and the additional amount that was advanced to the Company. The Principal bears interest at a fixed rate of 8% per annum. During the year ended December 31, 2017, the Company incurred interest expense of \$36,034 (2016 - \$2,959) on the loan. As of December 31, 2017, the loan payable balance including accrued interest is \$624,148 (2016 - \$302,959).
- e) Incurred director fees of \$21,182 (2016 - \$21,416) from the directors of the Company.
- f) Included in account and other payables is \$18,330 (2016 - \$43,350) due to directors, officers and companies controlled by directors and officers for services rendered and unpaid director fees. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management includes directors (executive and non-executive) and senior officers of the Company, including the CEO and Chief Financial Officer. The compensation paid or payable to key management personnel for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Wage and consulting fees	\$ 182,184	\$ 159,404

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

	2017	2016
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

**Significant non-cash investing and financing transactions**

There were no significant non-cash investing or financing transactions for the years ended December 31, 2017 and 2016.

**12. 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 exploration and evaluation of its mineral 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 components of shareholders' equity in the definition of capital.

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 attempt to issue new shares, issue new debt, and acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management.

There were no changes in the Company's approach to capital management from the prior year. The Company is not subject to externally imposed capital requirements.

**13. INCOME TAXES**

In assessing the realizability of deferred tax assets, management considers whether it is more probable than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of deferred taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable could change materially in the near term based on deferred taxable income during the carry forward period.

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

	2017	2016
Substantively enacted rate	27%	26%
Non-capital losses carried forward	\$ 1,163,353	\$ 1,021,676
Share issuance costs	554	10,315
Exploration and evaluation assets	(1,461,974)	(1,472,379)
Equipment	478	395
Net deferred income tax liabilities	\$ (297,589)	\$ (439,993)

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

**13. INCOME TAXES (continued)**

As at December 31, 2017, the Company has non-capital losses carried forward of \$4,308,712 which is available to offset future years taxable income earned in Canada. These losses expire as follows:

	\$
2027	58,482
2028	315,882
2029	263,119
2030	79,657
2031	33,540
2032	911,483
2033	546,842
2034	888,164
2035	471,366
2036	360,991
2037	379,186
	<u>4,308,712</u>

The following table reconciles the amount of income tax expense on application of statutory Canadian federal and provincial income tax rates to the amount reported in these financial statements:

	2017	2016
Net loss before income taxes	\$ (590,257)	\$ (287,707)
Statutory rate	26.00%	26.00%
Expected income tax recovery	(153,467)	(74,804)
Difference due to change of tax rate	11,022	-
Permanent differences and other	41	(19,501)
Deferred income tax recovery	\$ (142,404)	\$ (94,305)

**14. FINANCIAL INSTRUMENTS**

**Fair values**

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts and other payables, and loan payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value due to their short terms of maturity.

The following table summarizes the carrying values of the Company's financial instruments:

		2017	2016
FVTPL	(i)	\$ 145,244	\$ 347,756
Other financial liabilities	(ii)	\$ 639,109	\$ 305,523

- (i) Cash and cash equivalents, restricted cash
- (ii) Accounts and other payables and loan payable

**NICKEL NORTH EXPLORATION CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in Canadian Dollars)

**14. FINANCIAL INSTRUMENTS (continued)**

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs that are not based on observable market data

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total 2017
Cash and cash equivalents	\$ 116,494	\$ -	\$ -	\$ 116,494
Restricted cash	\$ 28,750	\$ -	\$ -	\$ 28,750

**Financial risk management**

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and cash equivalents. The credit risk with respect to its cash and cash equivalents is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

*Liquidity risk*

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. As at December 31, 2017, the Company had a working capital deficiency of \$486,990 (2016 – \$67,647). All of the Company's financial liabilities are classified as current.

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities through private placements, issuance of debt, and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Significant contractual obligations in years subsequent to December 31, 2017 are as follows:

	Carrying value	Contractual cash flows	< 1 year	1 – 3 years
Accounts and other payables	\$ 25,803	\$ 25,803	\$ 25,803	\$ -
Loan payable	\$ 624,148	\$ 624,148	\$ 624,148	\$ -

*Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions. The interest rate risks on cash and cash equivalents are not considered significant due to their short-term nature.