# Integra Resources Corp.

**(formerly Mag Copper Limited)**

## Consolidated Financial Statements

**For the Years Ended**
**December 31, 2017 and 2016**

**Expressed in Canadian Dollars**

# Integra Resources Corp.

**(formerly Mag Copper Limited)**

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### Table of Contents

MNP LLP

# Independent Auditors' Report

To the Shareholders of Integra Resources Corp.:

We have audited the accompanying consolidated financial statements of Integra Resources Corp., which comprise the consolidated statement of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive income (loss), changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

*Emphasis of Matter*
Without qualifying our opinion, we draw attention to Note 2 of these consolidated financial statements which state that the Company incurred significant operating losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 2, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 13, 2018

# Integra Resources Corp.

**(formerly Mag Copper Limited)**

**Consolidated Statements of Financial Position**

**(Expressed in Canadian Dollars)**

| As at, | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents *(Note 5)* | **16,660,293** | 3,700 |
| Receivables and prepaid expenses *(Note 10)* | **404,448** | 6,997 |
| Other financial assets *(Note 6)* | **-** | 9,625 |
| **Total Current Assets** | **17,064,741** | 20,322 |
| **Long-Term Deposits** *(Note 10)* | **450,504** | - |
| **Restricted Cash** *(Note 13)* | **3,646,423** | - |
| **Equipment** *(Note 7)* | **76,238** | - |
| **Acquisition Prepayment** *(Note 8)* | **278,007** | - |
| **Exploration and Evaluation Assets** *(Note 8)* | **59,335,430** | - |
| **Total Assets** | **80,851,343** | 20,322 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Trade and other payables *(Note 11)* | **605,324** | 96,945 |
| Current reclamation and remediation liability *(Note 13)* | **2,188,805** | - |
| Due to related parties *(Note 9)* | **341,870** | 785,986 |
| **Total Current Liabilities** | **3,135,999** | 882,931 |
| **Promissory Note Liability** *(Note 12)* | **4,034,999** | - |
| **Reclamation and Remediation Liabilities** *(Note 13)* | **46,579,123** | - |
| **Total Liabilities** | **53,750,121** | 882,931 |
| **Shareholders' Equity (Deficiency)** | | |
| **Share Capital** *(Note 14)* | **45,885,834** | 13,570,827 |
| **Reserves** *(Note 14)* | **1,987,382** | 931,620 |
| **Accumulated Other Comprehensive Income (Loss)** | **116,939** | - |
| **Accumulated Deficit** | **(20,888,933)** | (15,365,056) |
| **Total Equity** | **27,101,222** | (862,609) |
| **Total Liabilities and Equity** | **80,851,343** | 20,322 |

Nature of Operations *(Note 1)* and Going Concern *(Note 2)*
Commitments and Contingencies *(Note 12)*
Subsequent Events (*Note 18*)
These consolidated financial statements were authorized for issue by the Board of Directors on April 13, 2018.
They are signed on the Company's behalf by:

*"Stephen de Jong"*, Director          *"David Awram"*, Director

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

# Integra Resources Corp.

**(formerly Mag Copper Limited)**

**Consolidated Statements of Operations and Comprehensive Income (Loss)**

**(Expressed in Canadian Dollars)**

| | Years Ended December 31, | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| **Operating Expenses** | | |
| **General and Administrative Expenses** | | |
| Depreciation | **2,324** | - |
| Compensation and benefits *(Note 9)* | **895,231** | 24,000 |
| Corporate development and marketing | **155,945** | - |
| Office expenses *(Note 9)* | **205,531** | 16,651 |
| Professional fees *(Note 9)* | **297,227** | 33,087 |
| Regulatory fees | **103,793** | - |
| Stock-based compensation | **617,762** | - |
| | **(2,277,813)** | (73,738) |
| **Exploration and Evaluation Expenses** | **(275,968)** | - |
| **Operating Loss** | **(2,553,781)** | (73,738) |
| **Other Income (Expense)** | | |
| Interest | **9,219** | - |
| Accretion expenses *(Note 13)* | **(2,383,552)** | |
| Foreign exchange income (loss) | **(618,031)** | - |
| Gain on settlement of debt *(Note 14)* | **-** | 329,751 |
| Gain on forgiveness of debt | **-** | 80,888 |
| Gain on other financial assets *(Note 6)* | **2,234** | - |
| Unrealized gain on other financial assets *(Note 6)* | **-** | 5,125 |
| Reversal of prior year payables *(Note 11)* | **20,034** | - |
| **Total Other Income (Expense)** | **(2,970,096)** | 415,764 |
| **Net Income (Loss)** | **(5,523,877)** | 342,026 |
| **Other Comprehensive Income (Loss)** | | |
| Foreign exchange translation | **116,939** | - |
| **Other Comprehensive Income (Loss)** | **116,939** | - |
| **Comprehensive Income (Loss)** | **(5,406,938)** | 342,026 |
| **Net Income (Loss) Per Share** *(Note 17)* | | |
| **- basic and diluted** | **(0.29)** | 0.21 |
| **Weighted Average Number of Shares (000's)** | | |
| **- basic and diluted** | **18,961** | 1,642 |

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

# Integra Resources Corp.

**(formerly Mag Copper Limited)**

**Consolidated Statements of Changes in Equity (Deficiency)**

**(Expressed in Canadian Dollars, except share numbers)**

| | Share Capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | **Number of Shares*** | **Amount** | **Options** | **Warrants** | **Accumulated Other Comprehensive Income (Loss)** | **Deficit** | **Total** |
| **Balance at December 31, 2015** | **1,256,297** | **$ 13,493,389** | **$ 525,620** | **$ 406,000** | **-** | **$ (15,707,082)** | **$ (1,282,073)** |
| Shares issued for settlement of debt, net of issuance | 659,504 | 77,438 | - | - | - | - | 77,438 |
| Net income | - | - | - | - | - | 342,026 | 342,026 |
| **Balance at December 31, 2016** | **1,915,801** | **13,570,827** | **525,620** | **406,000** | **-** | **(15,365,056)** | **(862,609)** |
| Shares issued for cash | 42,270,556 | 29,055,677 | - | - | - | - | 29,055,677 |
| Shares issued for settlement of debt, net of issuance | 6,287,730 | 785,967 | - | - | - | - | 785,967 |
| Shares issued for the acquisition *(Note 8)* | 5,545,987 | 4,714,089 | - | - | - | - | 4,714,089 |
| Share issue costs - cash | - | (1,802,726) | - | - | - | - | (1,802,726) |
| Share issue costs – non-cash (warrants) | - | (438,000) | - | - | - | - | (438,000) |
| Warrants issued | - | - | - | 438,000 | - | - | 438,000 |
| Options issued | - | - | 617,762 | - | - | - | 617,762 |
| Other comprehensive income (foreign exchange) | - | - | - | - | 116,939 | | 116,939 |
| Net loss | - | - | - | - | - | (5,523,877) | (5,523,877) |
| **Balance at December 31, 2017** | **56,020,074** | **$ 45,885,834** | **$ 1,143,382** | **$ 844,000** | **116,939** | **$ (20,888,933)** | **$ 27,101,222** |

** Number of shares outstanding reflects the 1 for 5 consolidation on January 30, 2017 and the 1 for 2.5 share consolidation announced on August 17, 2017 of the Company's issued and outstanding shares*

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

# Integra Resources Corp.

**(formerly Mag Cooper Limited)**

**Consolidated Statements of Cash Flows**

**(Expressed in Canadian Dollars)**

| | Years Ended December 31, | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| **Operations** | | |
| Net income (loss) | **(5,523,877)** | 342,026 |
| Adjustments to reconcile net income (loss) to cash flow from operating activities: | | |
| Depreciation | **2,324** | - |
| Accretion expenses | **2,383,552** | - |
| Reclamation expenditures *(Note 13)* | **(269,227)** | - |
| Gain on settlement of debt | **-** | (329,751) |
| Gain on forgiveness of debt | **-** | (80,888) |
| Gain on other financial assets | **2,234** | - |
| Unrealized foreign exchange loss | **204,356** | - |
| Share-based payment | **617,762** | - |
| Write-off of prior years accounts payable | **20,034** | - |
| Unrealized gain on other financial assets | **-** | (5,125) |
| Net change in non-cash working capital items: | | |
| Receivables, prepaid expenses and other assets | **(838,330)** | (814) |
| Trade and other payables | **410,010** | 8,749 |
| Due to related parties | **341,851** | 58,977 |
| **Cash flow provided by (used in) operating activities** | **(2,649,311)** | (6,826) |
| **Investing** | | |
| Additions to equipment | **(78,562)** | - |
| Purchase of reclamation bond | **(3,646,423)** | - |
| Acquisition costs | **(3,941,821)** | - |
| Acquisition Prepayment | **(278,007)** | - |
| Sale of available-for-sale investments | **(2,234)** | - |
| **Cash flow used in investing activities** | **(7,947,047)** | - |
| **Financing** | | |
| Issuance of common shares | **29,055,677** | - |
| Share issue costs | **(1,802,726)** | - |
| **Cash flow provided by financing activities** | **27,252,951** | - |
| **Increase (decrease) in cash and cash equivalents** | **16,656,593** | (6,826) |
| Cash and cash equivalents at beginning of year | **3,700** | 10,526 |
| **Cash and cash equivalents at end of year** | **16,660,293** | 3,700 |

Supplemental disclosure of non-cash activities in *Note 16*

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

## 1. NATURE OF OPERATIONS

Integra Resources Corp. ("Integra" or the "Company"), formerly Mag Copper Limited, was incorporated on April 15, 1997 as Berkana Digital Studios Inc. On December 4, 1998, the name of the Company was changed to Claim Lake Resource Inc. and on March 31, 2005, the Company changed its name to Fort Chimo Minerals Inc. On January 1, 2009, the Company amalgamated with its wholly-owned subsidiary, Limestone Basin Exploration Ltd. The amalgamated company continued to operate as Fort Chimo Minerals Inc. On June 14, 2011, the Company changed its name to Mag Copper Limited and on August 11, 2017, the Company changed its name to Integra Resources Corp.

The Company's head office, principal address and registered and records office is 1050 – 400 Burrard Street, Vancouver, BC V6C 3A6.

The Company delisted from the Canadian Stock Exchange (CSE) on November 6, 2017, and commenced trading on the TSX Venture on November 7, 2017, under the trading symbol "ITR". The Company is listed on the OTCQB under the trading symbol "IRRZF" in January 2018.

Integra is a development-stage company engaged in the acquisition, exploration and development of mineral properties in the Americas. The primary focus of the Company is advancement of its DeLamar Project, consisting of the neighboring DeLamar and Florida Mountain Gold and Silver Deposits in the heart of the historic Owyhee County mining district in south western Idaho.

## 2. BASIS OF PREPARATION

### 2.1 Going Concern of Operations

These consolidated financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. As at December 31, 2017, the Company had working capital of $13,928,742 (December 31, 2016 – $862,609 working capital deficiency), had not yet achieved profitable operations, had accumulated losses of $20,888,933 (December 31, 2016 - $15,365,056) and expects to incur future losses in the development of its business, all of which could impact the Company's ability to continue as a going concern.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and/or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions raise material uncertainty that may cast significant doubt as to the ability of the Company to continue operating as a going concern.

The Company is in the process of exploring its properties and has not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company and the amounts recoverable on these properties are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing to complete the necessary exploration and development of such property and upon attaining future profitable production or proceeds from disposition of the properties.

## 2. BASIS OF PREPARATION (continued)

### 2.1 Going Concern of Operations (continued)

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

### 2.2 Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2017.

These consolidated financial statements were authorized by the Board of Directors of the Company on April 13, 2018.

### 2.3 Significant Accounting Policies

As a result of the November 2017 property acquisition and the business expansion, the Company revised its accounting policies. The following outlines the Company's accounting policies applied as of December 31, 2017.

#### (a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Integra Resources Holdings Canada Inc., Integra Resources Holdings U.S. Inc., and DeLamar Mining Company. All intercompany balances and transactions are eliminated upon consolidation.

#### (b) Basis of Measurement

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

#### (c) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Canadian parent company and its Canadian subsidiary is the Canadian dollar. The functional currency of the Company's two US subsidiaries is the US dollar. The presentation currency of the Company is the Canadian dollar.

Transactions in United States ("US") currency have been translated into Canadian dollars in accordance with IAS 21 as follows:

## 2. BASIS OF PREPARATION (continued)

### 2.3 Significant Accounting Policies (continued)

#### (c) Foreign Currency Translation (continued)

i) Monetary items are translated at the exchange rates on the Consolidated balance sheet date;

ii) Non-monetary items measured at historical cost are translated at the exchange rates prevailing at the date of the transaction; Non-monetary items carried at fair value are translated at the rate that existed when the fair values were determined;

iii) Revenue and expenses are translated at the exchange rate at the date of transaction, except depreciation, depletion, and amortization, which are translated at the exchange rates applicable to the related assets. The average exchange rate is permitted if there is no significant fluctuation in the exchange rates;

iv) Exchange gains and losses on translation are reported in profit or loss. Exchange differences arising from the translation of the net investment in foreign entities are recognized in a separate component of equity, foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in net income as part of the gain or loss on sale.

#### (d) Cash and Cash Equivalents

Cash and cash equivalents are carried in the consolidated statements of financial position at amortized cost. Cash and cash equivalents consist of cash on deposit with banks and highly liquid investments that are readily convertible to known amounts of cash or have maturity dates at the date of purchase of three months or less.

Restricted cash is cash held in a bank account that is not available for the Company's general use.

#### (e) Exploration and Evaluation Properties, and Mineral Properties

**Exploration and Evaluation Properties**

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, drilling and other work involved in searching for minerals.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

(i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;

## 2. BASIS OF PREPARATION (continued)

### 2.3 Significant Accounting Policies (continued)

#### (e) Exploration and Evaluation Properties, and Mineral Properties (continued)

**Exploration and Evaluation Properties** (continued)

(ii) determining the optimal methods of extraction and metallurgical and treatment processes;

(iii) studies related to surveying, transportation, and infrastructure requirements;

(iv) permitting activities; and

(v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

License costs paid in connection with a right to explore in an existing exploration area are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless it is concluded that a future economic benefit is more likely than not to be realized.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditures incurred on a license where a NI 43-101 – Standards of Disclosure for Mineral Projects ("43-101") compliant resource has not yet been established are expensed as incurred until sufficient evaluation has occurred in order to establish a 43-101 compliant resource and on completion of a pre-feasibility study. Costs expensed during this phase are included in "exploration and evaluation expenses" in the consolidated statements of operations and other comprehensive income (loss).

Costs of acquiring exploration and evaluation assets are capitalized. They are subsequently measured at cost less accumulated impairment.

Once development is sanctioned, exploration and evaluation assets are tested for impairment and transferred from "Exploration and Evaluation Assets" to "Mineral Properties and Deferred Development Costs" or "Property, Plant & Equipment" depending on the nature of the asset. No amortization is charged during the exploration and evaluation phase.

**Mineral Properties**

Mine development costs are capitalized if management determines that there is sufficient evidence to support probability of generating positive economic returns in the future. A mineral resource is considered to have economic potential when the technical feasibility and commercial viability of extraction of the mineral resource is demonstrable considering long-term metal prices. Prior to capitalizing such costs, management determines if there is a probable future benefit that will contribute to future cash inflows, the Company can obtain the benefit and control access to it, and if the transaction or event giving rise to the benefit has already occurred.

## 2. BASIS OF PREPARATION (continued)

### 2.3 Significant Accounting Policies (continued)

#### (e) Exploration and Evaluation Properties, and Mineral Properties (continued)

**Mineral Properties** (continued)

If the Company does not have sufficient evidence to support the probability of generating positive economic returns in the future, mine development costs are expensed in the consolidated statements of operations and comprehensive income (loss).

**Amortization and Depletion**

Exploration and evaluation assets and Mineral properties are not subject to depletion or amortization – they are tested for impairment when circumstances indicate that the carrying value may not be recoverable.

**Disposal**

At the disposal, gains or losses of an item within Exploration and Evaluation Properties, or Mineral Properties are calculated as the difference between the proceeds from disposal and the carrying amount. Those gains or losses are recognized net within other income in profit or loss.

#### (f) Equipment

Equipment items are recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Company's capitalization threshold is $1,000. Where an equipment item comprises major components with different useful lives, the components are accounted for as separate items of equipment. Equipment items are depreciated on a straight-line basis over their estimated useful lives at the following rates:

| | |
|---|---|
| Exploration equipment | 20% |
| Computers | 30% |
| Office furniture and equipment | 20% |
| Buildings | 4% |

Land is not depreciated. When assets are retired or sold, the costs and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the consolidated statements of operations and comprehensive income (loss).

#### (g) Leased Assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are recognized on a straight-line basis in the Company's consolidated statements of operations and comprehensive income (loss).

## 2. BASIS OF PREPARATION (continued)

### 2.3 Significant Accounting Policies (continued)

#### (h) Impairment of Non-Financial Assets

The Company's mineral properties and equipment are reviewed for any indication of impairment at each financial reporting date or at any time if any indications of impairment surface. If any such indication exists, an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs to sell and the asset's value in use. If the asset's carrying amount exceeds its recoverable amount then an impairment loss is recognized in net income or loss for the period, and the carrying value of the asset on the consolidated statements of financial position is reduced to its recoverable amount. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral properties is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, discounted by an appropriate pre-tax discount rate to arrive at a net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. Value in use is determined by applying assumptions specific to the Company's continued use which includes future development. As such, these assumptions may differ from those used in calculating fair value.

In testing for indicators of impairment and performing impairment calculations, assets are grouped in cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. The estimates of future discounted cash flows are subject to risks and uncertainties including estimated production, grades, recoveries, future metals prices, discount rates, exchange rates and operating costs.

Non-financial assets other than goodwill that have suffered an impairment are evaluated for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not been recorded.

#### (i) Share Capital

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

Equity-settled share-based compensation arrangements such as the Company's stock option plan are measured at fair value at the date of grant and recorded within equity. The fair value at grant date of all share-based compensation is recognized as compensation expense over the vesting period, with a corresponding credit to shareholders' equity. The amount recognized as an expense is adjusted to reflect share options forfeited. The Company estimates the fair value of share options granted using the Black-Scholes option pricing model.

If the Company issues units as part of financing, consisting of both common shares and common share purchase warrants, the fair value of the warrants is determined using the Black-Scholes pricing model, and the remaining value is assigned to the common shares.

## 2. BASIS OF PREPARATION (continued)

### 2.3 Significant Accounting Policies (continued)

#### (j) Reclamation and Remediation Provisions

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes the cost of future reclamation and remediation as a liability when: the Company has a legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reasonable estimate of the obligation can be made. The liability is measured initially by discounting expected costs to the net present value using pre-tax rates and risk assumptions specific to the liability. The resulting cost is capitalized to the carrying value of the related assets, or expensed to exploration, evaluation and development expenses where there is no carrying value of the related assets.

In subsequent periods, the liability is adjusted for accretion of the discount with the offsetting amount charged to the consolidated statements of operations and comprehensive income (loss) as finance cost. Any change in the amount or timing of the underlying cash flows is adjusted to the carrying value of the liability, with the offsetting amount recorded as an adjustment to the reclamation and remediation provision cost included in mineral properties or exploration, evaluation and development expenses. Any amount charged to the carrying value of assets is depreciated over the remaining life of the relevant assets. It is reasonably possible that the ultimate cost of remediation and reclamation could change in the future due to uncertainties associated with defining the nature and extent of environmental disturbance, the application of laws and regulations by regulatory authorities, changes in remediation technology and changes in discount rates. The Company reviews its reclamation and remediation provision at least annually and as evidence becomes available indicating that its remediation and reclamation liabilities may have changed. Any such changes in costs could materially impact the future amounts recorded as reclamation and remediation obligations.

#### (k) Financial Instruments

The Company’s financial instruments consist of cash and cash equivalents, other financial assets, receivables, trade and other payables, due to related parties and promissory note payable. These financial instruments are classified as either financial assets (financial assets at fair value through profit or loss, loans and receivables, and available-for-sale), financial liabilities at fair value through profit or loss or financial liabilities at amortized cost. Management determines their classification at initial recognition. Transaction costs are expensed as incurred for financial instruments measured at fair value. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost, which includes loans and receivables and financial liabilities at amortized cost.

**Financial Assets**

Financial assets are classified as the fair value through profit or loss (FVPTL) and loans and receivables, based on the purpose for which the asset was acquired. The following are the Company’s accounting policies for each group:

**Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss (FVPTL) are carried at the consolidated statements of financial position at their fair value at each period end with net changes in fair value presented as a finance expense in profit or loss. The Company’s cash and cash equivalent and other financial assets are classified as FVPTL.

## 2. BASIS OF PREPARATION (continued)

### 2.3 Significant Accounting Policies (continued)

### (k) Financial Instruments (continued)

#### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The receivables and restricted cash are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortized cost less any impairment.

#### Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any other financial asset categories. Changes in fair value, other than impairment losses, are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold, or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in the consolidated statements of operations and comprehensive income (loss).

#### Financial Liabilities at Fair Value Through Profit or Loss

A financial liability is classified at fair value through profit or loss if it is classified as held for trading in the near future or is designated as such upon initial recognition. They are initially and subsequently recorded at fair value and changes in fair value are recognized in the consolidated statements of operations and comprehensive income (loss). In the case of cash flow hedge transactions that qualify for hedge accounting treatment, gains and losses would be recognized in other comprehensive income if designated as hedges for accounting purposes.

#### Financial Liabilities at Amortized cost

Financial liabilities at amortized cost ("other financial liabilities") are non-derivative financial liabilities that are not classified as financial liabilities at fair value through profit or loss. The Company's promissory note payable, trade and other payables and due to related parties are classified as financial liabilities at amortized cost and are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method which discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, where applicable.

#### Impairment of Financial Instruments

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired using the following criteria:

## 2. BASIS OF PREPARATION (continued)

### 2.3 Significant Accounting Policies (continued)

#### (k) Financial Instruments (continued)

• For available-for-sale financial assets, an impairment loss is established when there is a significant or prolonged decline in fair value of the investment or when there is objective evidence that the carrying amount of the investment may not be recovered. The amount of the impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of operations and comprehensive income (loss). Any amounts related to that asset are removed from losses accumulated in the fair value reserve recognized in shareholders' equity and are included in the consolidated statements of operations and comprehensive income (loss). Reversals in respect of available-for-sale financial assets are not reversed through the consolidated statements of operations and comprehensive income (loss). Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income until the assets are disposed of.

• For loans and receivables, a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's effective interest rate. The carrying amount of the asset is reduced through the use of provision account and the amount of the loss is recognized in the consolidated statements of operations and comprehensive income (loss) within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

#### (l) Income Taxes

Income tax is recognized in net income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is included in net income in the period in which the change is substantively enacted. The amount of deferred tax assets recognized is limited to the amount that is, in management's estimation, probable that future taxable profits will be available against which the asset can be utilized.

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

## 2. BASIS OF PREPARATION (continued)

### 2.3 Significant Accounting Policies (continued)

#### (m) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the reporting period. Stock options and share purchase warrants are typically dilutive when the Company has net income for the period and the average market price of the common shares during the period exceeds the exercise price of the stock option and/or share purchase warrant.

The Company follows the treasury stock method for the calculation of diluted earnings per share. That method assumes that outstanding stock options and warrants with an average exercise price below the market price, are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price of the common shares for the period. Under this method, diluted earnings per share are calculated by dividing net earnings for the period by the diluted weighted average shares outstanding during the period.

#### (n) Contingencies

Due to the size, complexity, and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In case that management's estimate of the future resolution of these events changes, the Company will recognize the effects of those changes in the consolidated financial statements on the date such changes occur.

### 2.4 Adoption of New and Revised Standards and Interpretations

#### New Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 2 Share-based payments - Amendment was issued by the IASB on June 20, 2016 clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements for the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payments that changes the classification of the transaction from cash-settled to equity-settled. These amendments should be applied to fiscal years beginning on or after January 1, 2018. The Company does not expect the adoption of the standard to have a significant impact on its consolidated financial statements.

## 2. BASIS OF PREPARATION (continued)

### 2.4 Adoption of New and Revised Standards and Interpretations (continued)

**New Accounting Pronouncements** (continued)

IFRS 9 – Financial Instruments ("IFRS 9") issued by the IASB in July 2014 will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company does not expect the adoption of the standard to have a significant impact on its consolidated financial statements.

IFRS 16 **-** In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15") has been adopted. The Company has not yet determined the impact of the amendments on the Company's consolidated financial statements.

IFRIC Interpretation 22 – In December 2016, the IASB issued IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" ("IFRIC 22"). IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018. Early adoption is permitted. IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. According to the interpretation, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognized the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The Company does not expect the adoption of IFRIC 22 to have a significant impact on its consolidated financial statements.

### 2.5 Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are based on historical experience and other factors considered to be reasonable and are reviewed on an ongoing basis. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company has identified the following areas where estimates, assumptions and judgments are made and where actual results may differ from the estimates under different assumptions and conditions and may materially affect financial results of the Company's consolidated statements of financial position reported in future periods.

## 2. BASIS OF PREPARATION (continued)

### 2.5 Significant Accounting Estimates and Judgments (continued)

***Significant Accounting Estimates***

(a) Mineral Resource Estimate

The accuracy of resource estimates is a function of the quantity and quality of available data and assumptions made and judgments used in the geological and engineering interpretation and may be subject to revision based on various factors. Changes in resource estimates may impact the carrying value of mineral property, plant and equipment, the calculation of amortization and depletion, the capitalization of mine development costs, and the timing of cash flows related to reclamation and remediation provision.

(b) Share-Based payments

The determination of the fair value of stock options or warrants using the Black-Scholes option pricing model, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

(c) Current and Deferred Taxes

Tax regulations are very complex and changing regularly. As a result, the Company is required to make judgments about the tax applications, the timing of temporary difference reversals, and the estimated realization of tax assets. Also, all tax returns are subject to further government's reviews, with the potential reassessments. All those facts can impact current and deferred tax provisions, deferred tax assets and liabilities, and operation results.

(d) Review of Asset Carrying Values and Assessment of Impairment

The Company reviews each asset or cash generating unit at each reporting date to determine whether there are any indicators of impairment. If any such indication exists, a formal estimate of recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use. The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production and sales volumes, metal prices, ore tonnage and grades, recoveries, operating costs, reclamation and remediation costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the consolidated statements of operations and comprehensive income (loss).

(e) Fair Value Measurement

The Company measures certain financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumption that market participants act in their best economic interest.

## 2. BASIS OF PREPARATION (continued)

### 2.5 Significant Accounting Estimates and Judgments (continued)

***Significant Accounting Estimates*** (continued)

(e) Fair Value Measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

When the fair values of non-financial assets need to be determined, e.g. when calculating fair value less cost to sell for impairment purposes, fair value is measured using valuation techniques including comparable calculations and discounted cash flow models.

***Significant Accounting Judgments***

(a) Asset Acquisition

Significant judgment is required to determine if an acquisition meets the definition of a business or whether assets are acquired. Applying the acquisition method to business combinations requires each assets and liability to be measured at its acquisition-date fair value, and the excess (if any) of the fair value of consideration over the fair value of the net assets acquired is recognized as goodwill. For the asset acquisition, acquisition considerations are allocated to assets acquired and liabilities assumed on a relative fair value basis and no goodwill is recognized.

(b) Exploration and Evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

(c) Reclamation and Remediation Provision

The Company assesses its reclamation and remediation provisions annually or when new material information is available. The amounts recorded for reclamation and remediation provisions are based on estimates prepared by third party environmental specialists, if available, or by persons within the Company who have the relevant skills and experience. These estimates are based on remediation activities required by environmental laws, the expected timing of cash flows, and the pre-tax risk-free interest rates on which the estimated cash flows have been discounted. These estimates also include an assumption of the rate at which costs may inflate in future periods. Actual results could differ from these estimates. The estimates are related to the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

## 3. CAPITAL MANAGEMENT

The Company's capital management goals are to: ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern; maintain sufficient funding to support the acquisition, exploration, and development of mineral properties and exploration and evaluation activities; maintain investors' and market confidence; and provide returns and benefits to shareholders and other stakeholders.

The Company's working capital as of December 31, 2017 totaled $13,928,742 (December 31, 2016 - $862,609 deficit). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital restrictions.

## 4. FINANCIAL INSTRUMENTS

### Fair Value

The Company has designated its cash and cash equivalents and other financial assets as FVTPL, which are measured at fair value. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value, due to the short-term nature of those items. The Company's promissory note payable is recorded using effective interest rate method. Fair values of trade and other payables and due to related parties are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are based on current bid prices at the balance sheet date.

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

Level 1 – Unadjusted quoted prices in active markets for identical assets 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.

(Expressed in Canadian Dollars)

## 4. FINANCIAL INSTRUMENTS (continued)

**Fair Value** (continued)

The Company's financial instruments consist of the following:

| FINANCIAL ASSETS: | CLASSIFICATION |
|---|---|
| Cash and cash equivalents | FVTPL |
| Receivables | Loans and receivables |
| Restricted cash, long-term | Loans and receivables |
| Other financial assets | FVTPL |

| FINANCIAL LIABILITIES: | CLASSIFICATION |
|---|---|
| Trade and other payables | Other financial liabilities |
| Due to related parties | Other financial liabilities |
| Promissory note payables | Other financial liabilities |

The following tables summarizes the Company's financial instruments as at December 31, 2017:

| | Level | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **FINANCIAL ASSETS:** | | | |
| Cash and cash equivalents | 1 | 16,660,293 | 3,700 |
| Accounts receivables | 2 | 87,475 | 3,804 |
| Restricted cash, long-term | 2 | 3,646,423 | - |
| Other financial assets | 1 | - | 9,625 |
| | | | |
| **FINANCIAL LIABILITIES:** | | | |
| Trade and other payables | 2 | 605,324 | 96,945 |
| Due to related parties | 2 | 341,870 | 785,986 |
| Promissory note payables | 2 | 4,034,999 | - |

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

### *i)* Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

a. Cash and cash equivalents – Cash and cash equivalents are held with major Canadian and U.S. banks and therefore the risk of loss is minimal.

b. Receivables– The Company is not exposed to significant credit risk as its receivables are comprised of amounts due from the Canadian government.

## 4. FINANCIAL INSTRUMENTS (continued)

### *ii)* Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As December 31, 2017, the Company had a working capital of $13,928,742 (December 31, 2016 – $862,609 working capital deficiency). The Company intends on securing further financing to ensure that the obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Integra may change, and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its some or all of its interests and reduce or terminate its operations therein.

### *iii)* Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

#### a. Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with a chartered Canadian financial institution. The Company considers this risk to be immaterial.

#### b. Foreign Exchange Risk

The Company is exposed to currency fluctuations. The Company raises funds in Canadian dollars, but a significant portion of its activities are incurred in the US. This relationship between the Canadian and the US dollar will impact the Company's financial statements regularly.

## 5. CASH AND CASH EQUIVALENTS

The balance at December 31, 2017, consists of $16,660,293 cash (December 31, 2016 - $3,700) on deposit with major Canadian and US banks.

## 6. OTHER FINANCIAL ASSETS

Other financials assets are comprised of Nil (December 31, 2016 – 75,000) shares of Richmond Minerals Inc. ("Richmond"), and Nil (December 31, 2016 – 100,000) shares of Surrey Capital Corp., companies traded on the TSX Venture Exchange. As at December 31, 2017, these fair values through profit and loss investments have been measured at their fair value of $Nil (December 31, 2016 - $9,625). The impact to the consolidated financial statements of this revaluation to market value resulted in a gain of $Nil for the year ended December 31, 2017 (December 31, 2016 – $5,125 gain).

During the year ended December 31, 2017, the Company sold 75,000 (2016 – Nil) shares of Richmond and 100,000 (2016 – Nil) shares of Surrey Capital Corp., for proceeds of $11,859. As a result of the sale, the Company recorded a gain on sale of other financial assets of $2,234 (December 31, 2016 - $Nil) for the year ended December 31, 2017.

(Expressed in Canadian Dollars)

## 7. EQUIPMENT

| | Computers and software | Building improvements | Exploration equipment | Total |
|---|---|---|---|---|
| **Balance, December 31, 2016** | **$ -** | **$ -** | **$ -** | **$ -** |
| Additions | 55,697 | 4,140 | 18,694 | 78,531 |
| Depreciation | (2,324) | - | - | (2,324) |
| Foreign exchange | 31 | - | - | 31 |
| **Balance, December 31, 2017** | **$ 53,404** | **$ 4,140** | **$ 18,694** | **$ 76,238** |

**Carrying amounts**

| | | | | |
|---|---|---|---|---|
| December 31, 2016 | $ - | $ - | $ - | $ - |
| **December 31, 2017** | **$ 53,404** | **$ 4,140** | **$ 18,694** | **$ 76,238** |

## 8. EXPLORATION AND EVALUATION ASSETS

On November 3, 2017, the Company acquired 100% of interest in Kinross DeLamar Mining Company (a wholly-owned subsidiary of Kinross Gold Corporation ("Kinross"), which owns the DeLamar Gold and Silver Project ("DeLamar" or the "Project") for $7.5 million in cash and the issuance of 5,545,987 common shares of the Company that is equal to 9.9% of all of the issued and outstanding shares of the Company upon closing of the October $27.3 million financing. The Company paid $3.0 million cash at closing of the acquisition transaction and issued a $4.5 million promissory note, which is due in May 2019. The 5,545,987 common shares issued were valued at $4,714,089 on the closing date.

IFRS 3 defines a business combination as a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that are capable of being conducted and managed to provide a return to investors. The set of activities should contain inputs and processes.

The DeLamar acquisition does not meet the definition of a business combination as (i) the DeLamar Project is at the exploration stage with no defined mineral reserves, and (ii) Kinross DeLamar Mining Company doesn't contain any business processes, thus not meeting the definition of a business. Consequently, the transaction is not characterized as a business combination, and was accounted for as an asset acquisition.

Since the acquisition of the DeLamar property is considered to be an asset acquisition and not a business combination for accounting purpose, assets acquired and liabilities assumed are assigned a carrying amount based on their relative fair value. Direct attributable acquisition-related costs of $1,025,637 were capitalized as part of the cost of the asset in an asset acquisition. The fair value of the mineral property as of December 31, 2017 is determined at $59,335,430.

The fair value of the DeLamar mineral property as of December 31, 2017 is determined as $59,331,666 (purchase price of $12,250,684 plus $47,080,982 in assumed liabilities), based on the following calculations:

(Expressed in Canadian Dollars)

## 8. EXPLORATION AND EVALUATION ASSETS (continued)

**DeLamar's purchase price:**

| | $ |
|---|---:|
| Cash payments | 2,625,801 |
| Promissory note liability | 3,965,764 |
| **Total cash consideration** | **6,591,565** |
| Shares issued to Kinross | 4,633,482 |
| **Total consideration** | **11,225,047** |
| Direct acquisition-related costs (i.e. due diligence and legal fees) | 1,025,637 |
| **Total purchase price** | **12,250,684** |

**Fair value of assets acquired and liabilities assumed:**

| | $ |
|---|---:|
| Total purchase price (see table above) | 12,250,684 |
| Assumed liabilities from Kinross: | |
| Reclamation and remediation liability | 46,733,379 |
| Severance liability | 347,603 |
| **Fair value of assets acquired and liabilities assumed** | **59,331,666** |

**Exploration and evaluation assets summary:**

| | $ |
|---|---:|
| **Beginning of year** | **-** |
| Additions (DeLamar's acquisition costs)* | 59,331,666 |
| Advance minimum royalty | 3,764 |
| **End of year** | **59,335,430** |

*Includes $1,025,637 in direct attributable acquisition-related costs. Those costs were capitalized as part of the cost of the acquisition of the asset.

A building with fair market value of US$187,150 (C$234,780) has been included in the DeLamar property.

Integra has also executed in December 2017 Purchase and Sale Agreements with two private entities (Empire and Banner) to acquire patented claims in the past-producing Florida Mountain Gold and Silver Project ("Florida Mountain") for a consideration of US$2mm (C$2.5mm) in cash, of which US$75,000 (C$94,088) was paid in 2017. Integra also incurred an additional $183,919 in acquisition related costs as of December 31, 2017. As a result, a total of $278,007 in costs was reported in the "Acquisition prepayments" line in the balance sheet. The Company completed the purchase and sale of the Florida Mountain Purchase Agreement with Empire in January 2018. This constitutes the majority of the Florida Mountain Area, and Integra paid US$1.6mm (C$2.0mm) at closing. The Florida Mountain Purchase Agreement with Banner is subject to satisfaction of conditions related to notification of minority shareholders of Banner and is expected to close in the second quarter of 2018.

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.

(Expressed in Canadian Dollars)

## 9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Related parties include the Board of Directors and officers and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

As December 31, 2017, $341,870 (December 31, 2016 - $785,986) was owed to related parties, for payroll expenses, consulting fees, accrued bonuses, and other expenses. Included in the accrued development and marketing expenses is $12,500 paid to an entity in which a director of Integra is the CEO. Included in office expenses is $13,280 paid to an entity for which a director of Integra is an executive.

Key Management Compensation:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel for the relevant periods were as follows:

| **Years ended December 31,** | | **2017** | | 2016 |
|---|---|---|---|---|
| Short-term benefits* | $ | 616,191 | $ | 49,092 |
| Consulting fees (DeLamar acquisition)** | | 49,132 | | - |
| Leasing arrangement | | 13,280 | | - |
| Stock-based compensation | | 570,570 | | - |
| Total | $ | 1,249,173 | $ | 49,092 |

*Short-term employment benefits include salaries, consulting fees, and bonus accruals for key management.

**Consulting fees (US$40,000 or C$49,132) related to the DeLamar technical due diligence were paid to Baker Geoservices, a company owned by Max Baker, before he joined the Company as VP Exploration. Those fees were capitalized, as part of the DeLamar acquisition costs.

During the year ended December 31, 2013, the Company received loans of $100,000 and $225,000 from Chris Irwin, former President of the Company. The loans are payable on demand and are non-interest bearing. As at December 31, 2017, $Nil (December 31, 2016 - $175,000) in loans is owed to one of directors and is included in due to related parties. The debt was sold to a third party during the year ended December 31, 2017 and settled into shares.

On June 8, 2016, the Company settled $412,189 in debt owing to related parties through the issuance of 659,504 common shares. The common shares were valued at $82,438 based on the stock market price on the date of settlement ($77,438 net of issue costs). As a result, the Company recorded a gain on settlement of debt of $329,751 for the year ended December 31, 2016.

(Expressed in Canadian Dollars)

## 10. RECEIVABLES, PREPAID EXPENSES, AND LONG-TERM DEPOSITS

***Receivables and Prepaid Expenses***

| *As at* | **December 31, 2017** | December 31, 2016 |
|---|---|---|
| HST/GST receivable | **$ 87,565** | $ 3,804 |
| Prepaid expenses | **316,883** | 3,193 |
| **Total receivables and prepaid expenses** | **$ 404,448** | $ 6,997 |

***Long-Term Deposits***

| *As at* | **December 31, 2017** | December 31, 2016 |
|---|---|---|
| Long-term security deposit (Head- office lease) | **$ 74,154** | $ - |
| Long-term deposit (EM Strategies) | **376,350** | - |
| **Total Long-Term Deposits** | **$ 450,504** | $ - |

Long-term deposits are related to the Company's third-party consultant who manages the water treatment and the environmental monitoring at the DeLamar site and the head-office lease agreement. In accordance with the consulting agreement, the Company paid a US$300,000 (C$376,350) long-term retainer. Head-office lease deposit will be applied to the 16th and 17th month's rent payable under the lease agreement.

At December 31, 2017, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables and long-term deposits. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2017.

## 11. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The majority of the Company's payables relates to the legal, consulting, exploration, and compensation expenses due to related parties.

The following is an aged analysis of the trade and other payables:

| *As at* | **December 31, 2017** | December 31, 2016 |
|---|---|---|
| <30 days | **$ 409,916** | $ 9,620 |
| 31 – 60 days | **2,226** | - |
| 61 – 90 days | **1,654** | - |
| >90 days | **-** | 31,325 |
| Total Accounts Payable | **413,796** | 40,945 |
| Accrued Liabilities | **191,528** | 56,000 |
| **Total Trade and Other Payables** | **$ 605,324** | $ 96,945 |

Accrued liabilities at December 31, 2017, include accruals for bonuses, office, marketing, legal, and exploration expenditures. As of December 31, 2017, the Company has written off $20,034 prior years payables, based on a review and discussion with the previous management.

(Expressed in Canadian Dollars)

## 12. COMMITMENTS AND CONTINGENCIES

### *Promissory Note*

The Company acquired the DeLamar Gold and Silver Project for $7.5 million in cash, of which $3.0 million cash was paid at the closing of the transaction and $4.5 million is due 18 months post closing of the acquisition (May 2019). The Company issued a non-interest bearing promissory note in the amount of $4.5 million. The Company determined the fair value of the initial $4.5 million to be $4.0 million which is net of a $0.5 million debt discount. The debt discount is to be amortized over the term of the promissory note. Management's estimate of the market interest rate for the debt was 8.5%. The determination of the fair value of the promissory note required management to use judgment, including management's estimate of a market interest rate. 25% of DeLamar's shares has been pledged as security for the promissory note and is guaranteed by Integra Holdings U.S. Inc.

| *As at* | **December 31, 2017** | December 31, 2016 |
|---|---|---|
| Principal amount | **$ 4,500,000** | $ - |
| Discount on promissory note, net of accretion | **(465,001)** | - |
| **Carrying value of promissory note payable** | **$ 4,034,999** | $ - |

### *Purchase and Sale Agreements*

In December 2017, Integra entered into two asset purchase agreements (the “Florida Mountain Purchase Agreements”) to acquire the Florida Mountain Area: one with Empire and one with Banner. The Florida Mountain Purchase Agreements provide for the transfer of the mineral claims and data representing the Florida Mountain Area to Integra Holdings U.S. Inc. in consideration for an aggregate cash payment of US$2mm (C$2.5mm). Integra completed the purchase and sale of the Florida Mountain Purchase Agreement with Empire in January 2018. This constitutes the majority of the Florida Mountain Area, and Integra paid US$1.6mm (C$2.0mm) at closing. The Florida Mountain Purchase Agreement with Banner is subject to satisfaction of conditions related to notification of minority shareholders of Banner and is expected to close in the second quarter of 2018.

### *Investor Rights Agreement*

The Company has an Investor rights agreement with Kinross, which allows Kinross to maintain a Board of directors’ nomination right and a participation right (anti-dilution provision). If the Company undertakes an offering at any time on or prior to, May 3, 2018 that will result in the issue of greater than 5,602,007 common shares or offered securities, Kinross may, instead of exercising its participation right for that offering, elect to subscribe for common shares of the Company equal to its percentage entitlement in such offering at any time up to and including May 3, 2018 by providing notice in writing to the Company.

### *Net Smelter Return*

A portion of the DeLamar Project is subject to a 2.5% NSR payable to Kinross. The NSR will be reduced to 1% once Kinross has received a total cumulative royalty payment of C$10 million.

### *Advance Minimum Royalties*

The Company is required to make property rent payments related to its mining lease agreements with landholders, in the form of advance minimum royalties (“AMR”). The Company paid $3,764 in AMR since its acquisition of the project in November (December 31, 2016 - $Nil). There are multiple third-party

(Expressed in Canadian Dollars)

## 12. COMMITMENTS AND CONTINGENCIES (continued)

landholders, and the royalty amounts due to each of them over the life of the Project varies with each property. The Company expects making approximately US$49,000 (C$61,000) in AMR payments in 2018.

### Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. In November 2017, the Company arranged for $3.7mm (US $2.9mm) term deposit (reported as "Restricted cash" in the consolidated statements of financial position) related to the letters of credit, to satisfy financial assurance requirement for the reclamation and remediation obligations (please refer to Note 13 for further details).

### Rental lease

The Company lease office building under long-term operating lease. Rent expense was $30,146 for the year ended December 31, 2017. Further minimum rental commitment under non-cancelable operating lease are as follows:

| | | December 31, 2017 |
|---|---|---|
| Within one year | $ | 281,336 |
| After one year but not more than five years | | 1,209,763 |
| Total Commitments | $ | 1,491,099 |

## 13. RECLAMATION AND REMEDIATION LIABILITIES

The Company conducts its operations so as to protect the public health and the environment, and to comply with all applicable laws and regulations governing protection of the environment. The site has been reclaimed by the former owner, Kinross, and the Company's environmental liabilities consist of water treatment and environmental monitoring costs.

The reclamation and remediation obligation represent the present value of the water treatment and environmental monitoring activities expected to be completed over the next 70 years. The cost projection has been prepared by an independent third party with expertise in mining site reclamation. Water treatment costs could be reduced in the event that mining at DeLamar resumes in the future. The Company's cost estimates do not currently assume any future mining activities. 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 are reviewed regularly to take into account any material changes to the assumptions. However, actual water treatment and environmental monitoring costs will ultimately depend upon future market prices for the required activities that will reflect market conditions at the relevant time. The discount rate used in estimating the site restoration cost obligation was 2.74% for the year ended December 31, 2017 (Kinross' discount rate as at December 31, 2016 was 3.09%), inflation rate used range between 2.3% to 2.5% for the year ended December 31, 2017 (Kinross' inflation rates as at December 31, 2016 were between 2.5% and 2.7%), and the market risk premium of 2.5% for the second and third year and 5% for the fourth year and thereafter (Kinross' market risk premium rates as at December 31, 2016 were the same).

(Expressed in Canadian Dollars)

## 13. RECLAMATION AND REMEDIATION LIABILITIES (continued)

The following table details the items that affect the water treatment and environmental monitoring obligations. For the post-acquisition period (November 3 - December 31, 2017), the Company decreased its long-term reclamation liability for the actual November 3 – December 31, 2017 reclamation and remediation expenses of $269,227 and increased that liability for the accretion applicable to the post-acquisition period in the amount of $2,303,776. As at December 31, 2017, the current portion of the reclamation and remediation obligation of $2,188,805 represents the estimated water treatment and environmental monitoring costs to be incurred in the year ended December 31, 2018.

| | | |
|---|---|---|
| **Water Treatment and Environmental Monitoring** | | |
| Liability balance at November 3, 2017 (assumed from Kinross) | | $ 46,733,379 |
| Reclamation spending (post-acquisition) | | (269,227) |
| Accretion (post-acquisition): | | |
| Accretion expenses | $2,383,552 | |
| Foreign exchange adjustment | (79,776) | |
| Net Accretion expenses | | 2,303,776 |
| **Balance at December 31, 2017** | | **$ 48,767,928** |
| Current portion | | $ 2,188,805 |
| Non-current portion | | $ 46,579,123 |

Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation and remediation obligations. In November 2017, the Company arranged for C$3.7mm (US $2.9mm) term deposit (reported as "Restricted cash" in the consolidated statements of financial position) related to the letters of credit, to satisfy financial assurance requirement for this purpose. The Company accrued $8,373 interest applicable to the current year (included in the long term Restricted cash of $3,646,423).

Letters of Credit (Term-deposit) details:

| Letters of Credit issued to | C$ | US$ |
|---|---|---|
| Idaho Department of Lands | 3,519,764 | 2,778,929 |
| Idaho Department of Environmental Quality | 126,659 | 100,000 |

## 14. SHARE CAPITAL

As required by IFRS, all references to share capital, common shares outstanding and per share amounts in these unaudited interim condensed consolidated financial statements and the accompanying notes have been restated retrospectively to reflect the January 2017 1 for 5 and the August 2017 1 for 2.5 share consolidations. The Company's outstanding options were adjusted on the same basis as the common shares, with proportionate adjustment being made to the exercise prices.

### *Share Capital*

On August 17, 2017, the Company announced that it has filed articles of amendment to affect the name change to Integra Resources Corp., and a share consolidation on a 1 for 2.5 basis approved by shareholders of the Company at its annual and special meeting held on July 6, 2017. The share consolidation reduced the number of outstanding common Shares from 46,003,540 to 18,401,410. No fractional common Shares were issued pursuant to the Consolidation and any fractional common Shares that would have otherwise been issued have been rounded down to the nearest whole number and cancelled.

## 14. SHARE CAPITAL (continued)

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2017, the total issued and outstanding common shares is 56,020,074 (December 31, 2016: 1,915,801).

***Activity during the year ended December 31, 2017***

On January 30, 2017, the Company filed articles of amendment giving effect to the consolidation of its issued and outstanding common shares on a 1 for 5 basis. The Consolidation was approved by shareholders at the annual and special meeting held on June 21, 2016.

On March 16, 2017, the Company completed a non-brokered private placement for gross proceeds of $62,402 through the issuance of 499,215 common shares of the Company at a price of $0.13 per common share. The Company has also issued an aggregate of 6,287,730 common shares in settlement of an aggregate of $785,967 of indebtedness at a price of $0.13 per common share. As a result of the debt settlement, Medalist Capital Ltd. (former related party) has acquired 6,287,730 common shares of the Company representing approximately 72% of the issued and outstanding common shares of the Company on a non-diluted basis.

In connection with the issuance of the common shares subscribed for in the non-brokered offering, the Company has agreed to pay a finder's fee equal to 8% of the aggregate proceeds of the offering to be satisfied through the issuance of 39,935 common shares of the Company. As the amount represents a cost of share issuance recorded against the value of the shares issued, the amount is reported as $Nil.

On May 25, 2017, the Company completed a non-brokered private placement for gross proceeds of $835,000 through the issuance of 6,072,729 common shares of the Company at a price of $0.14 per common share.

On August 2, 2017, the Company completed a non-brokered private placement for gross proceeds of $896,500 through the issuance of 3,586,000 common shares of the Company at a price of $0.25 per Common Share.

On August 2, 2017, the Company consolidated its shares on a 1 for 2.5 basis.

On October 30, 2017, Integra closed a brokered financing for gross proceeds of $27,261,775. The Company issued 32,072,677 subscription receipts at a price of $0.85 per subscription receipt (which were converted into shares upon closing of the DeLamar acquisition on November 3, 2017). The Company paid the agents a cash commission equal to 6% of the gross proceeds, and issued broker warrants equal to 6% of the number of subscription receipts sold under the offering, excluding President's list subscription receipts. On November 3, 2017, the Company issued a total 1,793,488 Broker Warrants and each Broker Warrant shall entitle the holder thereof to subscribe for one common share of the Company at a price per share equal to the issue Price for a period of 18 months from the Closing Date.

On November 3, 2017, as a consideration of the Company's acquisition of the DeLamar Project, Integra issued to Kinross 5,545,987 Integra shares ($4,714,089), which is equal to 9.9% of all of the issued and outstanding Integra shares, as of November 3, 2017 (see Note 8).

(Expressed in Canadian Dollars)

## 14. SHARE CAPITAL (continued)

***Activity during the year ended December 31, 2016***

On June 8, 2016, the Company settled $412,189 in debt owing to related parties through the issuance of 659,504 common shares. The common shares were valued at $82,438 based on the stock market price on the date of settlement. As a result, the Company recorded a gain on settlement of debt of $329,751 for the year ended December 31, 2016.

***Stock Options***

The Company has an incentive stock option plan ("the Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. As at December 31, 2017, the Company had 1,444,807 (December 31, 2016 – 138,780) options available for issuance.

The Plan provides that it is solely within the discretion of the Board to determine who would receive stock options and in what amounts. In no case (calculated at the time of grant) shall the Plan result in:

- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The maximum number of options which may be reserved for issuance to insiders of the Company shall not exceed 10% of the outstanding shares of the Company;
- The maximum number of options which may be issued to any insider of the Company, together with any previously established or proposed share compensation arrangements, within a 12-month period shall not exceed 5% of the outstanding shares of the Company.
- The maximum number of options, which may be issued to insiders of the Company, together with any previously established or proposed share compensation arrangements within a 12-month period shall not exceed 10% of the outstanding shares of the Company.

A summary of the changes in stock options for the relevant periods is as follows:

| | **December 31, 2017** | | December 31, 2016 | |
|---|---|---|---|---|
| | **Options** | **Weighted Average Exercise price** | Options | Weighted Average Exercise price |
| Outstanding at the beginning of year | **52,800** | **$ 6.25** | 52,800 | $ 6.25 |
| Granted | **4,150,000** | **1.00** | - | - |
| Forfeited/Expired | **(45,600)** | **6.75** | - | - |
| Outstanding at the end of year | **4,157,200** | **$ 1.00** | 52,800 | $ 6.25 |

(Expressed in Canadian Dollars)

## 14. SHARE CAPITAL (continued)

The following table provides additional information about outstanding stock options as December 31, 2017:

| | No. of options outstanding | Weighted average remaining life (Years) | Exercise price | No. of options currently exercisable | Expiration date |
|---|---|---|---|---|---|
| | 6,400* | 0.09 | $3.13 | 6,400 | February 1, 2018 |
| | 800 | 0.37 | $3.13 | 800 | May 14, 2018 |
| | 4,150,000 | 4.84 | $1.00 | 366,667 | November 3, 2022 |
| **Total** | **4,157,200** | **4.84** | **$1.00** | **373,867** | |

*6,400 options expired, unexercised subsequent to the year-end. A total of 500,000 options were also granted subsequent to the year-end.

**Share-based payments - options**

A summary of the changes in the Company's reserve for share-based payments for the years ended December 31, 2017 and 2016 is set out below:

| | **December 31, 2017** | December 31, 2016 |
|---|---|---|
| Balance at beginning of year | **$ 525,620** | $ 525,620 |
| Changes | **617,762** | - |
| Balance at the end of year | **$ 1,143,382** | $ 525,620 |

On November 3, 2017, the Company granted 4,150,000 to its directors, officers and employees, at an exercise price of $1.00 per share, with the expiry date November 3, 2022. The options were granted in accordance with Integra's Stock Option Plan and are subject to vesting provisions.

The share-based payment related to these options was calculated as $617,762. The following assumptions were used for the Black-Scholes valuation of options granted during the years ended December 31, 2017 and 2016:

| | **December 31, 2017** | December 31, 2016 |
|---|---|---|
| Dividend rate | **0%** | **-** |
| Expected annualized volatility | **73.64%** | **-** |
| Risk free interest rate | **1.76%** | **-** |
| Expected life of warrants | **5** | **-** |
| Weighted average of FV of options granted | **$1.00** | **-** |
| | | |

(Expressed in Canadian Dollars)

## 14. SHARE CAPITAL (continued)

### *Warrants*

A summary of the changes in warrants to acquire an equivalent number of shares for the relevant periods is as follows:

| | Warrants | Weighted average exercise price |
|---|---|---|
| Outstanding at the beginning of year | **-** | $ - |
| Granted (brokers' warrants) | **1,793,488** | 0.85 |
| Outstanding at the end of year | **1,793,488** | **$ 0.85** |

The following table provides additional information about warrants as December 31, 2017:

| | No. of warrants outstanding | Weighted average remaining life (Years) | Exercise price | Expiration date |
|---|---|---|---|---|
| | 1,793,488 | 1.34 | $0.85 | May 3, 2019 |
| **Total** | **1,793,488*** | **1.34** | **$0.85** | |

***44,837 warrants were exercised subsequent to year-end.

### Share-based payments - warrants

A summary of the changes in the Company's reserve for warrants for the years ended December 31, 2017 and 2016 is set out below:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Balance at beginning of year | **$ 406,000** | $ 406,000 |
| Changes | **438,000** | - |
| Balance at the end of year | **$ 844,000** | $ 406,000 |

In conjunction with the October 2017 private placement, the Company paid the agents a cash commission equal to 6% of the gross proceeds, and issued broker warrants equal to 6% of the number of subscription receipts sold under the offering, excluding President's list subscription receipts. On November 3, 2017, the Company issued a total 1,793,488 Broker Warrants at the exercise price of $0.85. Each Broker Warrant entitles the holder thereof to subscribe for one common share of the Company at a price per share equal to the issue price for a period of 18 months from the Closing Date.

The share-based payment related to these brokers' warrants was calculated as $438,000. The following assumptions were used for the Black-Scholes valuation of warrants granted during the years ended December 31, 2017 and 2016:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Dividend rate | **0%** | **-** |
| Expected annualized volatility | **58.09%** | **-** |
| Risk free interest rate | **1.37%** | **-** |
| Expected life of warrants | **1.5** | **-** |
| Weighted average FV of warrants granted | **$0.85** | **-** |

(Expressed in Canadian Dollars)

## 15. TAX NOTE

The Company reported current and deferred tax expense of $Nil during the years ended December 31, 2017 and 2016 in the consolidated statements of operations and comprehensive income (loss).

The income tax expense differs from that computed by applying the applicable Canadian federal and provincial statutory rates before taxes as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Income/(loss) before income taxes | $ | (5,523,877) | 342,026 |
| Applicable statutory rate | | 26.00% | 26.50% |
| Income tax expense at statutory rate | | (1,436,208) | 90,637 |
| Increase/(decrease) attributable to: | | | |
| Change in deferred tax assets not recognized | | 1,586,991 | (90,637) |
| Rate differential due to foreign operations | | (314,449) | - |
| Share-based compensation | | 160,618 | - |
| Taxable and non-deductible items | | 3,047 | |
| Income tax expense | $ | - | - |
| Effective tax rate | | 0% | 0% |

The statutory tax rate declined from 26.5% to 26% between 2016 and 2017 due to the Company moving its corporate office from Toronto, Ontario to Vancouver, British Columbia.

The amount of deductible temporary differences and unused tax losses for which the Company has not recognized a deferred tax asset in the consolidated statements of financial position are as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Exploration and development expenditures | | 205,953 | | 7,149,886 |
| Non-capital losses | | 5,886,826 | | 3,229,155 |
| Share-issuance costs | | 1,446,181 | | - |
| Unrealized FX losses | | 572,031 | | - |
| Total differences and losses for which no deferred tax asset recognized | | 8,110,991 | | 10,379,041 |
| Net deferred tax assets | $ | - | $ | - |

In the consolidated statements of financial position, deferred tax assets and liabilities have been offset where they relate to income taxes within the same taxation jurisdiction and where the Company has the legal right and intent to offset.

As of December 31, 2017, the Company and its subsidiaries had available Canadian non-capital loss carry forwards of $4,790,000 which expire between the years 2026 and 2037 and U.S. net operating loss carry forwards of US$844,000 which expire in 2037.

## 15. TAX NOTE (continued)

Management believes that sufficient uncertainty exists regarding the realization of certain deferred tax assets such that they have not been recognized. The tax benefits not recognized reflect management's assessment regarding the future realization of Canadian and foreign tax assets and estimates of future earnings and taxable income in these jurisdictions as of December 31, 2017.

## 16. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities conducted by the Company during the years ended December 31, 2017 and 2016 are as follows:

**Year ended December 31, 2017:**

- 5,545,987 shares issued to Kinross $4,714,089
- 1,793,488 broker warrants issued with a private placement (share issue costs) $438,000
- Assumed liabilities related to the reclamation liabilities $46,733,379
- Promissory note adjustment $3,965,764

**Year ended December 31, 2016:**

There were no material non-cash activities conducted by the Company in the year ended December 31, 2016.

## 17. NET INCOME (LOSS) PER SHARE

| | **December 31, 2017** | December 31, 2016 |
|---|---|---|
| Net income (loss) for the year | **$(5,523,877)** | $342,026 |
| Basic weighted average numbers of share outstanding (000's) | **18,961** | 1,642 |
| Diluted weighted average numbers of shares outstanding (000's) | **18,961** | 1,642 |
| Loss per share: | | |
| Basic | **$(0.29)** | $0.21 |
| Diluted | **$(0.29)** | $0.21 |

## 18. SUBSEQUENT EVENTS

a) The Company closed the acquisition of the Florida Mountain Empire Claim Group in early 2018 for US$1.6 million (C$2.0 million) in cash. The Company anticipates closing the acquisition of the Banner Claim Group in Q2 2018 for US$0.4 million (C$0.5 million) in cash.

b) 6,400 options expired unexercised on February 1, 2018.

c) The Company issued 250,000 stock options to an employee and a consultant on February 1, 2018 at an exercise price of $1.28 per share, with the expiry date February 1, 2023.

d) The Company issued 250,000 stock options to a director on February 28, 2018 at a price of $1.18 per share, with the expiry date February 28, 2023.

e) 44,837 broker warrants with an exercise price of $0.85 were exercised subsequent to the year-end.