

Consolidated Financial Statements of

**YORBEAU RESOURCES INC.**

Years ended December 31, 2016 and 2015

# YORBEAU RESOURCES INC.

## Table of Contents

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	<b>Page</b>
<b>Independent Auditors' Report</b>	
Consolidated Statements of Financial Position	1
Consolidated Statements of Loss and Comprehensive Loss	2
Consolidated Statements of Cash Flows	3
Consolidated Statements of Changes in Equity	4
Notes to Consolidated Financial Statements	5 - 37



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Yorbeau Resources Inc.

We have audited the accompanying consolidated financial statements of Yorbeau Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider 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.



Page 2

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Yorbeau Resources Inc. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Yorbeau Resources Inc. is still in exploration stage and, as such, no revenue has yet been generated from its operating activities. Accordingly, Yorbeau Resources Inc. depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Yorbeau Resources Inc.'s ability to continue as a going concern.

*KPMG LLP\**

March 30, 2017

Montréal, Canada

# YORBEAU RESOURCES INC.

## Consolidated Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,375,590	\$ 341,774
Tax credits and other receivables (note 5)	260,080	141,767
Prepaid expenses	63,221	54,666
	<u>1,698,891</u>	<u>538,207</u>
Non-current assets:		
In-trust deposits (note 11)	197,380	115,760
Chibougamau building (notes 7 and 8)	253,293	263,847
Mining properties (note 9)	3,840,538	4,177,413
Exploration and evaluation assets (note 9)	20,085,274	17,798,708
	<u>24,376,485</u>	<u>22,355,728</u>
	<u>\$ 26,075,376</u>	<u>\$ 22,893,935</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 520,542	\$ 590,447
Liability related to flow-through shares (notes 12 and 15)	341,383	144,730
	<u>861,925</u>	<u>735,177</u>
Non-current liabilities:		
Provisions (note 11)	279,000	615,875
	<u>1,140,925</u>	<u>1,351,052</u>
Total liabilities	1,140,925	1,351,052
Shareholders' equity:		
Share capital and warrants (note 12)	52,741,943	48,532,227
Contributed surplus	2,889,256	2,849,483
Deficit	(30,696,748)	(29,838,827)
	<u>24,934,451</u>	<u>21,542,883</u>
Reporting entity and going concern (note 1)		
Commitments and contingencies (note 15)		
	<u>\$ 26,075,376</u>	<u>\$ 22,893,935</u>

See accompanying notes to consolidated financial statements.

On Behalf of the Board:

(s) Amit Gupta Director

(s) Marcel Lecourt Director

# YORBEAU RESOURCES INC.

## Consolidated Statements of Loss and Comprehensive Loss

Years ended December 31, 2016 and 2015

	2016	2015
Revenues:		
Management fees	\$ 40,529	\$ 30,000
Rental of facilities	52,535	26,590
Other revenue related to flow-through shares	579,881	358,193
	672,945	414,783
Expenses:		
Administrative charges (note 16)	978,755	773,477
Share-based payments	39,773	103,422
Property maintenance	134,557	122,423
Chibougamau building expenses (note 17)	61,895	28,619
	1,214,980	1,027,941
Interest income	(1,068)	(11,748)
Interest expense	6,589	—
Net finance expense (income)	5,521	(11,748)
Net loss and comprehensive loss	\$ (547,556)	\$ (601,410)
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	263,400,064	233,198,404

See accompanying notes to consolidated financial statements.

# YORBEAU RESOURCES INC.

## Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash provided by (used in):		
Operating:		
Net loss and comprehensive loss	\$ (547,556)	\$ (601,410)
Items not involving cash:		
Other revenue related to flow-through shares	(579,881)	(358,193)
Share-based payments	39,773	103,422
Amortization expense (note 17)	10,554	10,043
Net interest expense (income)	5,521	(11,748)
Net change in non-cash operating working capital items:		
Change in sales taxes and other receivables	(158,765)	(28,008)
Change in prepaid expenses	(8,555)	(11,825)
Change in accounts payable and accrued liabilities	(69,905)	220,954
Interest received	1,068	11,748
Interest paid	(6,589)	-
Net cash used in operating activities	(1,314,335)	(665,017)
Investing:		
Increase in temporary investments	-	(400,000)
Decrease in temporary investments	-	1,200,000
Increase of in-trust deposits	(81,620)	-
Additions to mining properties	-	(50,179)
Additions to exploration and evaluation assets	(2,287,644)	(2,030,378)
Credit on mining duties and resource tax credits	41,530	127,750
Net cash used in investing activities	(2,327,734)	(1,152,807)
Financing:		
Proceeds from issuance of shares and warrants	4,916,250	1,150,000
Exercise of warrants	70,000	-
Equity financing expenses	(310,365)	(106,485)
Net cash from financing activities	4,675,885	1,043,515
Net increase (decrease) in cash and cash equivalents	1,033,816	(774,309)
Cash and cash equivalents, beginning of year	341,774	1,116,083
Cash and cash equivalents, end of year	\$ 1,375,590	\$ 341,774
Non-cash activities:		
Additions to mining properties and building financed with the issuance of shares	\$ -	\$ 1,500,000
Revised provision relating to mining properties	(336,875)	-

See accompanying notes to consolidated financial statements.

# YORBEAU RESOURCES INC.

## Consolidated Statements of Changes in Equity

Years ended December 31, 2016 and 2015

	2016	2015
Transactions with shareholders, recorded directly in equity:		
Share capital and warrants:		
Balance, beginning of year	\$ 48,532,227	\$ 46,134,500
Shares issued to acquire building and properties	–	1,500,000
Issue of common shares (note 12)	1,850,000	–
Exercise of warrants	70,000	–
Issue of flow-through shares (note 12)	3,066,250	1,150,000
Liability related to flow-through shares (note 12)	(776,534)	(252,273)
Balance, end of year	52,741,943	48,532,227
Contributed surplus:		
Balance, beginning of year	2,849,483	2,746,061
Share-based payments under the option plan	39,773	101,959
Share-based payments with respect to investor relations and finder's fee relating to equity financing	–	1,463
Balance, end of year	2,889,256	2,849,483
Deficit:		
Balance, beginning of year	(29,838,827)	(29,130,932)
Total comprehensive loss for the year	(547,556)	(601,410)
Equity financing expenses	(310,365)	(106,485)
Balance, end of year	(30,696,748)	(29,838,827)
<b>Total shareholders' equity, end of year</b>	<b>\$ 24,934,451</b>	<b>\$ 21,542,883</b>

See accompanying notes to consolidated financial statements.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2016 and 2015

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## 1. Reporting entity and going concern:

Yorbeau Resources Inc. ("Yorbeau" or the "Company") is a company domiciled in Canada and incorporated under the laws of the Province of Québec. The address of the Company's registered office is 110 Crémazie Boulevard, Suite 430, Montréal, Québec.

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

The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. Operating activities have not yet generated any revenues. The ability of the Company to meet its commitments and discharge its liabilities as they become payable and pursue the acquisition of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mining properties and exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. As at the date of the consolidated financial statements, management determined that the carrying amount of mining properties and exploration and evaluation assets represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

Management expects that the working capital available to the Company at the end of the year will not provide the Company with adequate funding to cover its budgeted general administrative expenses and to meet its short-term obligations for the next twelve months, and to complete its planned 2017 calendar year exploration budget. Consequently, the Company will need to obtain additional financing in 2017.

The conditions mentioned above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 2. Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issue by the Board of Directors on March 23, 2017.

## 3. Basis of preparation:

### (a) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for share-based compensation transactions which are measured pursuant to IFRS 2, *Share-Based Payment*.

### (b) Functional and presentation currency:

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

### (c) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 4 which relates to the determination of capitalizable costs as exploration and evaluation assets, in Note 7 relating to the acquisition of assets from Cogitore Resources Inc.

Critical judgments in applying accounting policies relate to the accounting for the transactions with Cogitore Resources Inc. which was recorded as an asset acquisitions since the assets acquired do not meet the definition of a business according to IFRS 3, *Business Combinations* (Note 7).

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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### 3. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 4 and 5 - assessment of refundable credit on mining duties and tax credits related to resources;
- Notes 4 and 9 - recoverability of mining properties and exploration and evaluation assets;
- Notes 4 and 11 - estimation of the provision for site restoration costs;
- Notes 4 and 14 - recoverability of income tax assets; and
- Note 12 - estimation of the fair value of the liability related to flow-through shares.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

### 4. Significant accounting policies:

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

(a) Basis of consolidation:

*Subsidiaries*

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Cancor Mines Inc., 6956599 Canada Inc. and 6956611 Canada Inc. Subsidiaries are entities controlled by the Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiary have been changed when necessary to align them with the policies adopted by the Company.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

### (b) Financial instruments:

Non-derivative financial assets and liabilities are initially recognized at fair value plus or minus any directly attributable transaction costs.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classifies its cash and cash equivalents, other receivables and in-trust deposits as loans and receivables.

Cash and cash equivalents are comprised of cash balances and call deposits with original maturities of three months or less.

For the purpose of the consolidated statements of cash flows, the use of proceeds from flow-through financings for exploration and evaluation assets are included as part of the investment activities.

#### *Non-derivative financial liabilities at amortized cost*

The Company classifies its accounts payable and accrued liabilities, as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

#### *Fair value of financial instruments*

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices (unadjusted) in active markets;
- Level 2: defined as inputs other than quoted prices included in Level 1, that are either directly or indirectly observable; and
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring the Company to develop its own assumptions.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

### (c) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining permits and claims which include the rights to explore for all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

The expenditures that are included in the measurement of exploration and evaluation assets include those related to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

### (d) Impairment:

#### *Financial assets*

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

(d) Impairment (continued):

### *Non-financial assets*

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued; and
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indicator exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the Company for the purposes of testing mining properties and exploration and evaluation assets for impairment corresponds to each mining property.

(e) Provision:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

### (f) Share capital and warrants:

#### *Common shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as an increase to deficit, net of any tax effects.

#### *Flow-through shares*

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company may finance a portion of its exploration programs with flow-through share issues.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing announcement.

The Company may renounce the deductions for tax purposes under either what is referred to as the "general" method or the "look-back" method.

When tax deductions are being renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the Company records a deferred tax liability with the corresponding charge to income tax expense. The obligation is reduced to zero, with a corresponding income recorded.

When tax deductions are being renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced to zero, with a corresponding income recorded.

#### *Warrants*

Warrants are classified as equity when they do not meet the definition of a liability instrument.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

### (g) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employees and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

### (h) Leases:

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed. Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases.

All of the Company's leases are classified as operating leases and as such the leased assets are not recognized in the Company's consolidated statements of financial position.

Payments made under operating leases, are recognized either through the consolidated statements of loss and comprehensive loss or through exploration and evaluation assets, depending on its nature, and on a straight-line basis over the term of the lease.

### (i) Finance income and finance costs:

Interest income and expense are recognized as they accrue, using the effective interest method.

Interest received and interest paid is classified under operating activities in the consolidated statements of cash flows.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

(j) Revenue recognition:

Revenues from management fees, rental of facilities and other services are recognized as services are rendered. Revenues recorded for other services are considered to be under an agency relationship based on the evaluation of the risks and responsibilities taken by the Company. Other services charged back to the principal are recorded on a net basis since the related activities reflect those of the principal and not those of the Company. Instead, revenue is the amount of management fee and rental facilities.

(k) Refundable tax credit related to resources and refundable credit on mining duties:

The Company is eligible for a refundable resource tax credit on Canadian Exploration Expenditures, financed by treasury funds, other than flow-through shares financings, of up to 28%. This credit is recorded as a government grant against exploration and evaluation assets.

The Company is also entitled to a refundable credit on mining duties under the Québec *Mining Tax Act*. The accounting treatment for refundable credit on mining duties depends on management's intention to either go into production in the future or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*. At the same time, a deferred tax liability and deferred tax expense is recognized because the exploration and evaluation assets lose their tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

Management's current intention is to sell the mining properties in the future, and, therefore, the credit on mining duties is recorded as a government grant against exploration and evaluation assets. The Company records the credit at the rate of 16% (2015 - 16%) applicable on 50% of the eligible expense.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

### (l) Income tax:

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (m) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to directors and employees.

### (n) Segment reporting:

The Company determined that it only has one operating segment, i.e. mining exploration.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

(o) Amortization of Chibougamau building:

The building is being used as a drill core handling facility located in Chibougamau, Québec. It is carried at cost, less accumulated amortization. The Company currently amortizes it using the declining balance method at 4% annually.

(p) New standards and interpretations not yet adopted:

IFRS 9, *Financial Instruments*:

On July 24, 2014, the International Accounting Standards Board ("IASB") issued the complete IFRS 9 (IFRS 9 (2014)).

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 4. Significant accounting policies (continued):

(p) New standards and interpretations not yet adopted (continued):

IFRS 15, *Revenue from Contracts with Customers*:

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue - Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16, *Leases*:

On January 13, 2016 the IASB issued IFRS 16, *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 4. Significant accounting policies (continued):

(p) New standards and interpretations not yet adopted (continued):

IFRS 16, *Leases* (continued):

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

(q) New accounting standards and amendments adopted:

On December 18, 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative").

These amendments do not require any significant change to current practice, but should facilitate improved consolidated financial statement disclosures.

The Company adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. These amendments did not result in a material impact of these consolidated financial statements.

## 5. Tax credits and other receivables:

	2016	2015
Sales taxes	\$ 115,152	\$ 90,813
Exploration credits on mining duties	–	40,452
Kinross gold corporation	130,035	–
Others	14,893	10,502
<b>Tax credits and other receivables</b>	<b>\$ 260,080</b>	<b>\$ 141,767</b>

## 6. Liability related to rights granted in replacement of old options of Cancor Mines Inc.:

At the acquisition of Cancor Mines Inc. ("Cancor") in 2014, the Company cancelled and replaced each Cancor option, which was unexercised by a right entitling the holder to receive a cash payment from the Company for an amount equivalent to the increase in value that such holder would have realized on the expiry of such Cancor option on the assumption that such Cancor option had been exercised for the Company's shares (adjusted as to number and exercise price in accordance with the conversion ratio), based on the closing price of the Company's shares on the TSX on the date of the expiry of the particular Cancor option.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 6. Liability related to rights granted in replacement of old options of Cancor Mines Inc. (continued):

The Company accounted for the liability related to the rights granted in replacement of Cancor options at fair value by using the Black-Scholes pricing model. At the date of the transaction and as at December 31, 2016, the fair value of these rights was nil.

As at December 31, 2016, the number of rights outstanding was 89,583.

Expiring date	Number of rights	Exercise price	Fair value
September 20, 2017	89,583	0.90	–

## 7. Asset acquisition from Cogitore Resources Inc.:

On January 31, 2015, the Company closed a purchase and sale transaction with Cogitore Resources Inc. ("Cogitore"). Pursuant to the transaction, the Company acquired substantially all of Cogitore's exploration assets in consideration of the issuance of 25 million shares.

The exploration assets acquired from Cogitore consist of seven base metal exploration properties and a building located in Chibougamau as well as all equipment, records and data pertaining to such properties.

This transaction was recorded as an asset acquisition since the assets acquired did not meet the definition of a business according to IFRS 3, *Business Combinations*.

The cost of the assets acquired has been allocated to the individual identifiable assets on the basis of their relative fair values at the date of purchase.

The transaction was valued at \$1,500,000. The allocation of the consideration paid is as follows:

### Consideration paid:

Issuance of Yorbeau shares (25,000,000 shares at \$0.06 per share)	\$ 1,500,000
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### Net assets acquired:

Chibougamau building	\$ 273,890
Scott Lake	705,460
Lemoine	246,464
Selbaie West	57,740
Estrades-Caribou	152,778
Normetal West	63,668

\$ 1,500,000

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 8. Chibougamau building:

	2016	2015
<b>Cost</b>		
Balance, beginning of year	\$ 273,890	\$ –
Additions	–	273,890
<b>Balance, end of year</b>	<b>\$ 273,890</b>	<b>\$ 273,890</b>
<b>Accumulated amortization</b>		
Balance, beginning of year	\$ 10,043	\$ –
Amortization during the year	10,554	10,043
<b>Balance, end of year</b>	<b>\$ 20,597</b>	<b>\$ 10,043</b>
<b>Carrying amount</b>		
Balance	\$ 253,293	\$ 263,847

## 9. Mining properties and exploration and evaluation assets:

Mining properties:

	2016		
	Balance, beginning of year	Change in provision for site restoration costs (note 11)	Total
Rouyn	\$ 2,831,770	\$ (336,875)	\$ 2,494,895
Scott Lake	774,235	–	774,235
Lemoine	270,492	–	270,492
Selbaie West	63,369	–	63,369
Estrades-Caribou	167,672	–	167,672
Normetal West	69,875	–	69,875
	<b>\$ 4,177,413</b>	<b>\$ (336,875)</b>	<b>\$ 3,840,538</b>

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 9. Mining properties and exploration and evaluation assets (continued):

Mining properties (continued):

	2015			
	Balance, beginning of year	Allocation of other	Additions	Total
Rouyn	\$ 2,831,770	\$ –	\$ –	\$ 2,831,770
Other	69,354	(69,354)	–	–
Scott Lake	–	39,904	734,331	774,235
Lemoine	–	13,941	256,551	270,492
Selbaie West	–	3,266	60,103	63,369
Estrades-Caribou	–	8,642	159,030	167,672
Normetal West	–	3,601	66,274	69,875
	\$ 2,901,124	\$ –	\$ 1,276,289	\$ 4,177,413

Exploration and evaluation assets:

	Balance, beginning of year	Additions	Mining and resource tax credits	2016
Rouyn	\$ 15,929,512	\$ 139,019	\$ (1,078)	\$ 16,067,453
Beschefer	72,412	151,315	–	223,727
Kistabiche	108,583	22,210	–	130,793
Scott Lake	1,308,912	1,953,364	–	3,262,276
Lemoine	8,832	9,594	–	18,426
Selbaie West	310,875	7,158	–	318,033
Estrades-Caribou	3,702	4,569	–	8,271
Normetal West	55,880	415	–	56,295
	\$ 17,798,708	\$ 2,287,644	\$ (1,078)	\$ 20,085,274

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 9. Mining properties and exploration and evaluation assets (continued):

Exploration and evaluation assets (continued):

	Balance, beginning of year	Additions	2015
Rouyn	\$ 15,696,588	\$ 232,924	\$ 15,929,512
Beschefer	71,742	670	72,412
Kistabiche	–	108,583	108,583
Scott Lake	–	1,308,912	1,308,912
Lemoine	–	8,832	8,832
Selbaie West	–	310,875	310,875
Estrades-Caribou	–	3,702	3,702
Normetal West	–	55,880	55,880
	\$ 15,768,330	\$ 2,030,378	\$ 17,798,708

### (a) Rouyn Property:

Yorbeau owns a 100% interest in the Rouyn property which is located in the Rouyn and Beauchastel Townships, Québec. The Rouyn property is composed of one mining concession and a group of 94 mining claims. Twelve of the 94 mining claims are subject to a \$50,000 per annum royalty payable to Société Minière Alta Inc., a company controlled by a director of Yorbeau.

On October 25, 2016, the Company signed a definitive option agreement with an affiliate of Kinross Gold Corporation ("Kinross") pursuant to which the Company granted to Kinross an option to purchase a 100% interest in the Rouyn property. The definitive option agreement provides that Kinross must complete a resource estimate for the Rouyn property after funding CA\$12 million of exploration expenditures on or before December 16, 2020 ("the funding requirement"), including a firm commitment to spend CA\$3 million ("the firm commitment") in the first 18 months including no less than 12,500 metres of diamond drilling. If Kinross has incurred the firm commitment, but the aggregate exploration expenditures incurred on or before the December 16, 2020 are less than the funding requirement, Kinross may pay the deficiency to Yorbeau in cash within 60 days after the fourth anniversary in order to meet the funding requirement provided that no less than 50% of the exploration expenditures then actually incurred have been allocated to drilling costs.

Kinross will be the operator and project manager of the property during the option period.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 9. Mining properties and exploration and evaluation assets (continued):

### (a) Rouyn Property (continued):

Upon completion of the resource estimate, Kinross will have the option to acquire a 100% interest in the property for a single cash payment consisting of (i) US\$25,000,000, plus (ii) 2% of the prevailing gold price multiplied by the number of ounces of gold in measured, indicated and inferred resources identified in the resource estimate. In addition to the cash payment, Yorbeau will retain a 2% NSR on any ounces produced in excess of the number of ounces identified by Kinross in the resource estimate. The definitive option agreement was subject to the approval of the shareholders of Yorbeau who approved the agreement at a special meeting that was held on December 14, 2016.

### (b) Beschefer property:

In 2002, Yorbeau entered into an agreement with Explorers Alliance Corporation ("Explorers"), pursuant to which Yorbeau acquired from Explorers an 80% interest in 149 staked mining claims in consideration of the issuance to Explorers of 350,000 Class A common shares of Yorbeau. In 2005, Yorbeau abandoned 12 of these claims. The Company also has the option to acquire, at any time, the remaining 20% interest held by Explorers in the property in consideration of either a cash payment of \$500,000 or the issuance to Explorers of 1,800,000 additional Class A common shares of Yorbeau, as determined by Explorers. Yorbeau also owns a 100% interest in 120 staked claims located in the Beschefer Township. The 257 staked claims which form the Beschefer property were converted in July 2012 into an aggregate of 115 map designated claims. Yorbeau owns a 100% interest in 50 of these claims and an 80% interest in the remaining 65 claims.

### (c) Ellison property:

In 2002, Yorbeau entered into an agreement with Agnico-Eagle Mines Limited ("Agnico"), pursuant to which Yorbeau transferred to Agnico all of its interests in the Ellison property in consideration of a cash payment of \$1,000,000 of which \$500,000 was received on closing and \$500,000 is receivable upon commencement of commercial production. Yorbeau also retains a 2.5% net smelter return royalty when the current gold price as established by the London Bullion Market Association is over US\$425 per ounce.

### (d) Cancor properties:

Cancor has six Québec properties (Gemini, Turgeon, Kistabiche, Bonfortel, Poirier and Allard). All of these properties are in good standing.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 9. Mining properties and exploration and evaluation assets (continued):

### (e) Selbaie West:

Yorbeau owns a 100% interest in the Selbaie West property, which is located in the Carheil and Brouillan Townships in Québec. The property is composed of 105 claims, of which 100 claims are subject to a back-in right in favor of First Quantum Minerals Ltd. ("First Quantum") pursuant to an agreement dated June 29, 2009 as amended on January 15, 2015 (the "Back-in Right Agreement"). Under the terms of the Back-in Right Agreement, First Quantum has the right to earn back a 50% interest in the property by funding, with Yorbeau as operator, the exploration expenditures on the property in an amount equal to twice the amount of expenditures made on such property since it was acquired by Cogitore. If First Quantum does not exercise its back-in right, it will have the right to receive a 1% NSR royalty on the claims which are subject to the said back-in right.

### (f) Scott Lake:

Yorbeau owns a 100% interest in the Scott Lake property, which is composed of three (3) claim blocks totalling 129 claims located in the Scott, Lévy and Obalski Townships in Québec. Some of these claims are subject to production royalties to third parties, as follows:

Ouje block: no underlying royalty;

Scott-Diagold block: These claims are subject to a 1% NSR royalty in favor of Exploration Diagold Inc., which can be purchased at any time by Yorbeau for an amount of \$750,000; and

1948565 Ontario Inc. (previously "Thundermin Block"): These claims are subject to various underlying royalty agreements providing for the following royalties, payable upon commercial production.

Effective January 2016, Thundermin Resources Inc. was acquired by 1948565 Ontario Inc.

(i) a one-time cash payment to 1948565 Ontario Inc. ("1948565") of: (1) \$1,000,000 if the feasibility study in respect of the property indicates contained mineral reserves of less than 5 million tonnes; (2) \$2,000,000 if such reserves are in excess of 5 million tonnes but less than 10 million tonnes; and (3) \$4,000,000 if such reserves are in excess of 10 million tonnes;

(ii) a \$1 per ton royalty, up to a maximum payout of \$300,000; and

(iii) a 4% NSR royalty on mining in excess of 1 million tons.

An advance amount of \$35,000 is payable annually to 1948565 until commercial production is achieved. Such advance payments are recoupable out of the payments payable to 1948565 described under subsection (i) above.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 9. Mining properties and exploration and evaluation assets (continued):

(g) Lemoine:

In July 2015, the 199 staked claims which formed the Lemoine property were converted into an aggregate of 102 map designated claims. The property is located in the Lemoine, Rinfret and Dollier Townships in Québec. Yorbeau has a 79.17% interest in the Lemoine property and the remaining interest of 20.83% is held by First Quantum. Certain claims of this property are subject to a 2% NSR royalty and to a \$1M payment upon commercial production while other claims of this property are subject to a 1% NSR royalty, 50% of which can be purchased for \$1M.

(h) Estrades-Caribou:

The Estrades-Caribou property consists of three (3) contiguous claim blocks totalling 120 claims located in the Estrées Township in Québec. Yorbeau owns varying interests in these claims, as follows:

Estrades block (7 claims): 65% interest owned by Yorbeau, residual interest owned by First Quantum;

Caribou East block (38 claims): 65% interest owned by Yorbeau, residual interest owned by First Quantum;

Caribou West block (75 claims): 100% interest owned by Yorbeau; and

111 claims on the Caribou East and Caribou West blocks are subject to a 2.5% NSR royalty.

(i) Normetal West:

Yorbeau owns a 100% interest in the Normetal West property which consists of 18 claims located in the Abbotsford and Adair Townships in Ontario. Three of these claims are subject to a 1% NSR royalty which can be purchased for \$500,000.

(j) Landrienne:

Yorbeau owns a 100% interest in the Landrienne property which consists of 62 claims located in the Landrienne Township in Québec. This property is subject to the Back-in Right Agreement with First Quantum. Also, 22 claims of the property are subject to a 2% NSR royalty and 24 claims of the property are subject to a 1% NSR royalty.

(k) Other properties:

Yorbeau owns a 100% interest in the Hébécourt (17 claims subject to the Back-in Right Agreement and 1% NSR royalty) and Castagnier (1 claim subject to the Back-in Right Agreement) properties.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 10. Accounts payable and accrued liabilities:

	2016	2015
Accounts payable	\$ 431,410	\$ 480,700
Accrued liabilities	89,132	109,747
Accounts payable and accrued liabilities	\$ 520,542	\$ 590,447

## 11. Provisions:

The Company's provisions consist of obligations for site restoration costs associated with mine reclamation and closure activities at the Astoria and Augmitto sites on the Rouyn property as required under the *Regulation respecting mineral substances other than petroleum, natural gas and brine* and the *Act Respecting the Preservation of Agricultural Land and Agricultural Activities*. In determining the estimated costs, the Company considered such factors as changes in laws and regulations and requirements under existing permits. The Company estimates the total restoration costs required in connection with the above-mentioned regulations to be approximately \$255,000 and \$24,000, respectively. Provisions are measured at each reporting date based on its best estimate of cash outflows. Any future changes to the estimated restoration provisions as a result of amended laws, regulations and operating assumptions will be added to the cost of the related assets and could be significant.

The Company has already deposited amounts of \$173,380 and \$24,000 with governmental authorities in partial satisfaction of the required financial guarantees for the Astoria and Augmitto sites. Subsequent to the end of the year, the Company has deposited an additional \$81,620.

During the year, the provisions for site restoration costs have changed as follows:

	2016	2015
Balance, beginning of year	\$ 615,875	\$ 615,875
Revised provisions during the year	(336,875)	–
Balance, end of year	\$ 279,000	\$ 615,875

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 12. Share capital and warrants:

Authorized:

An unlimited number of Class A common shares, without nominal or par value

Shares fluctuated as follows during the year:

	2016		2015	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	243,678,359	48,532,227	208,792,001	46,134,500
Shares issued:				
Private placement - cash	23,253,970	1,850,000	—	—
Private placement - flow-through	25,445,970	3,066,250	9,886,358	1,150,000
Liability related to flow-through	—	(776,534)	—	(252,273)
Exercise of warrants Pursuant to asset acquisition from Cogitore	875,000	70,000	—	—
	—	—	25,000,000	1,500,000
Balance, end of year	293,253,299	52,741,943	243,678,359	48,532,227

(a) 2016 financing:

(i) Issuance of units:

On March 10, 2016, the Company completed a private placement financing. The Company issued a total of 7,142,859 units ("Units") at a price of \$0.07 per Unit for gross proceeds of \$500,000. Each Unit consists of one Class A common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.10 until March 10, 2018.

On April 20, 2016, the Company completed a private placement financing. The Company issued a total of 3,571,428 Units at a price of \$0.07 per Unit for gross proceeds of \$250,000. Each Unit consists of one Class A common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.10 until April 20, 2018.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 12. Share capital and warrants (continued):

(a) 2016 financing (continued):

(i) Issuance of units (continued):

On April 28, 2016, the Company completed a private placement financing. The Company issued a total of 1,428,572 Units at a price of \$0.07 per Unit for gross proceeds of \$100,000. Each Unit consists of one Class A common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.10 until April 28, 2018.

On December 15, 2016, the Company completed a private placement financing. The Company issued a total of 11,111,111 Units at a price of \$0.09 per Unit for gross proceeds of \$1,000,000. Each Unit consists of one Class A common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.12 until December 15, 2018.

(ii) Flow-through shares issuance:

On March 31, 2016, the Company completed a private placement financing. The Company issued a total of 5,952,381 flow-through shares at a price of \$0.105 per share for gross proceeds of \$625,000. At closing, the Company paid 8% of the gross proceeds as a finder's fee.

On April 28, 2016, the Company completed a private placement financing. The Company issued a total of 1,666,667 flow-through shares at a price of \$0.105 per share for gross proceeds of \$175,000.

On July 19, 2016, the Company completed a private placement financing. The Company issued a total of 6,200,000 flow-through shares at a price of \$0.125 per share for gross proceeds of \$775,000. At closing, the Company paid 7% of the gross proceeds as a finder's fee.

On August 29, 2016, the Company completed a private placement financing. The Company issued a total of 3,200,000 flow-through shares at a price of \$0.125 per share for gross proceeds of \$400,000.

On September 13, 2016, the Company completed a private placement financing. The Company issued a total of 700,000 flow-through shares at a price of \$0.125 per share for gross proceeds of \$87,500. At closing, the Company paid 7% of the gross proceeds as a finder's fee.

On October 17, 2016, the Company completed a private placement financing. The Company issued a total of 150,000 flow-through shares at a price of \$0.125 per share for gross proceeds of \$18,750.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 12. Share capital and warrants (continued):

(a) 2016 financing (continued):

(ii) Flow-through shares issuance (continued):

On December 23, 2016, the Company completed a private placement financing. The Company issued a total of 7,576,922 flow-through shares at a price of \$0.13 per share for gross proceeds of \$985,000. At closing, the Company paid 6% of the gross proceeds as a finder's fee.

The carrying amount of these flow-through shares is presented net of the liability related to flow-through shares of \$776,534 that was recorded when the flow-through shares were issued during the financings on March 31, 2016, April 28, 2016, July 19, 2016, August 29, 2016, September 13, 2016, October 17, 2016, and December 23, 2016.

(iii) Issuance of common shares:

On December 1, 2016, the Company issued a total of 875,000 Class A common shares pursuant to an exercise of warrants at an exercise price of \$0.08 per share for gross proceeds of \$70,000.

(b) 2015 financing:

On January 31, 2015, the Company completed an asset acquisition, the details of which are described in Note 7, whereby it issued a total of 25,000,000 Class A common shares for the mining properties as well as a building from Cogitore. The closing market price on the day of the transaction was \$0.06, which is the price used in calculating the value of the shares issued.

On November 3, 2015, the Company completed a private placement financing. The Company issued a total of 6,249,995 flow-through shares at a price of \$0.12 per share for gross proceeds of \$750,000.

On December 21, 2015, the Company completed a non-brokered private placement financing and issued a total of 3,636,363 flow-through shares at a price of \$0.11 per share for gross proceeds of \$400,000. At closing, the Company paid 8% of the gross proceeds as a finder's fee.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 12. Share capital and warrants (continued):

The warrants are composed of the following:

	2016	2015
	Number outstanding	Number outstanding
Balance, beginning of year	875,000	9,978,926
Warrants issued pursuant to a private placement	11,626,982	–
Warrants exercised	(875,000)	–
Warrants expired	–	(9,103,926)
Balance, end of year	11,626,982	875,000

As at December 31, 2016, the following share purchase warrants were outstanding:

- 3,571,427 warrants at \$0.10 per warrant expiring on March 10, 2018;
- 1,785,714 warrants at \$0.10 per warrant expiring on April 20, 2018;
- 714,286 warrants at \$0.10 per warrant expiring on April 28, 2018; and
- 5,555,555 warrants at \$0.12 per warrant expiring on December 15, 2018.

All options and warrants outstanding at the end of the year could potentially dilute basic earnings per share in the future.

## 13. Share option plan:

As at December 31, 2016, 13,983,334 Class A common shares were reserved for future issuances under the share option plan for the benefit of the directors, employees and service providers of the Company. Options are issued at an exercise price corresponding to the latest closing price of the Class A common shares on the TSX prior to the grant of the option.

The option plan provides that directors shall determine, in their sole discretion, whether vesting conditions should be applicable to any option granted thereunder at the time of such grant.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 13. Share option plan (continued):

On June 28, 2016, the Company granted 300,000 share options to a director exercisable at \$0.10 per share. These options vested immediately and will expire after a period of five years. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of options granted was \$0.04 per option for a total value of \$12,395.

On April 13, 2015, the Company granted 3,425,000 share options to directors, employees, and service providers, exercisable at \$0.18 per share. 925,000 share options will vested immediately. 1/3 of the remaining share options vested at the date of the grant, with an additional 1/3 vesting at each anniversary date thereafter. These options will expire after a period of five years. The fair value of each option was determined using the Black-Scholes option-pricing model. At the date of the grant, the weighted average fair value of options granted was \$0.006 per option for a total value of \$20,593.

On November 5, 2015, the Company granted 300,000 share options to a director exercisable at \$0.18 per share. These options vested immediately and will expire after a period of five years. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of options granted was \$0.03 per option for a total value of \$8,694.

The following weighted average assumptions were used in these calculations:

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	2016	2015
Risk-free interest rate	0.575%	0.77%, 0.97%
Expected life	5 years	5 years
Expected volatility	57.412%	49.237%, 58.22%
Expected dividend	—	—

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# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 13. Share option plan (continued):

The number of stock options outstanding under the Company's plan fluctuated as follows during the year:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	9,275,000	\$ 0.23	6,360,000	\$ 0.26
Granted	300,000	0.10	3,725,000	0.18
Expired	(50,000)	0.24	(810,000)	0.26
Balance, end of year	9,525,000	\$ 0.22	9,275,000	\$ 0.23
Exercisable options, end of year	8,800,000	\$ 0.23	6,641,667	\$ 0.24

As at December 31, 2016, the following options were outstanding:

- 2,400,000 options at \$0.27 per share until February 2, 2017;
- 200,000 options at \$0.27 per share until May 1, 2017;
- 1,075,000 options at \$0.25 per share until December 31, 2017;
- 950,000 options at \$0.18 per share until December 31, 2017;
- 1,825,000 options at \$0.25 per share until August 12, 2018;
- 2,475,000 options at \$0.18 per share until April 12, 2020;
- 300,000 options at \$0.18 per share until November 4, 2020; and
- 300,000 options at \$0.10 per share until June 27, 2021.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 14. Income tax:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.9% (2015 - 26.9%) as a result of the following:

	2016	2015
Loss and comprehensive loss	\$ (547,556)	\$ (601,410)
Computed "expected" tax recovery	(147,293)	(161,779)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payments	10,699	27,821
Change in unrecognized deferred tax assets	(465,168)	(420,818)
Tax expense related to flow-through share deduction	603,104	533,174
Permanent difference arising from the non-taxable income related to flow-through shares	(155,988)	(96,354)
Loss expired	150,483	112,879
Other	4,163	5,077
<b>Total income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

As at December 31, 2016, the Company has exploration expenditures and other costs of approximately \$29,556,000 which are being carried forward for income tax purposes indefinitely and which may be deducted from future taxable income. The Company also has \$16,805,000 in tax losses available to reduce future years' income. These tax losses, for which the tax effect has not been recorded in the consolidated financial statements, expire as follows:

2024	\$ 346,000
2025	469,000
2026	1,229,000
2027	1,648,000
2028	1,765,000
2029	2,015,000
2030	1,873,000
2031	1,685,000
2032	1,631,000
2033	1,313,000
2034	728,000
2035	904,000
2036	1,199,000
<b>Total</b>	<b>\$ 16,805,000</b>

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 14. Income tax (continued):

Deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax assets have not been recognized in respect of the following items:

	2016	2015
Operating losses	\$ 4,427,000	\$ 4,382,000
Equity financing costs	109,000	61,000
Equipment	136,000	136,000
Mining properties	1,717,000	1,590,000
Exploration and evaluation assets	63,000	574,000
Provisions	75,000	166,000
Unrecognized deferred tax assets	\$ 6,527,000	\$ 6,909,000

## 15. Commitments and contingencies:

The Company has commitments under the terms of operating leases for premises, surface vehicle and plotter. Minimum lease payments are as follows:

	2016	2015
One year and less	\$ 45,422	\$ 50,344
More than one and less than five years	–	419
	\$ 45,422	\$ 50,763

The lease contracts are standard industry contracts. The lease for the premises is primarily based on square footage. Lease payments for the surface vehicle and plotter are based on the cost of the units plus related financing costs.

Subsequent to the end of the year, the Company leased a surface vehicle over a period of four years. Minimum lease payments total \$23,503.

The Company is committed to incur eligible exploration and evaluation expenses of \$3,066,250 by December 31, 2017, related to its flow-through share financings completed in 2016. As at December 31, 2016, the Company has incurred \$1,673,840 of eligible expenses.

The Company is committed to incur eligible exploration and evaluation expenses of \$1,150,000 by December 31, 2016, related to its flow-through share financings completed in 2015. As at December 31, 2016, the Company has incurred \$1,150,000 of eligible expenses.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 15. Commitments and contingencies (continued):

There is no guarantee that the funds spent by the Company in the future will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors. In such event, the Company will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

## 16. Administrative charges:

	2016	2015
Professional fees	\$ 148,569	\$ 240,230
Investor relations	101,576	58,768
Salaries	342,081	327,815
Cost of Kinross transaction	251,822	—
Miscellaneous	54,138	49,114
Rent	66,613	65,017
Insurance	11,882	12,707
Taxes, licenses, fees	2,074	19,826
Total	\$ 978,755	\$ 773,477

## 17. Chibougamau building expenses:

	2016	2015
Building maintenance	\$ 32,729	\$ (1,041)
Insurance	1,218	1,278
Heating	4,984	4,134
Taxes, licenses, fees	8,779	10,054
Miscellaneous	3,631	4,151
Amortization expense	10,554	10,043
Total	\$ 61,895	\$ 28,619

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## 18. Financial instruments and financial risk management:

Risk Management:

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with high-credit, quality financial institutions.

(b) Interest rate risk:

The cash and cash equivalents bear interest at a variable rate and the Company is therefore exposed to the risk of changes in cash flows resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities, and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

(d) Fair value:

The fair value of tax credits and other receivables, accounts payable, accrued liabilities, approximates their carrying amount because of the short-term nature of those instruments.

## 19. Capital disclosure:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

## 19. Capital disclosure (continued):

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In the management of capital, the Company includes the components of shareholders' equity. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. The Company does not intend to use long-term debts before it will generate revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since last year.

## 20. Related party transactions:

### *Transactions with key management personnel*

The compensation of directors and executive officers of the Company comprises:

	2016	2015
Short-term employee benefits	\$ 255,976	\$ 254,899
Share-based payments	33,317	81,903
	<u>\$ 289,293</u>	<u>\$ 336,802</u>

### *Other related party transactions*

During the year, a law firm, in which a former director and officer of the Company is a partner, rendered legal and consulting services in the amount of \$106,220 (2015 - \$187,802), charged to administrative charges, as well as with respect to financing in the amount of \$40,940 (2015 - \$43,056) charged to equity financing expenses, as well as with respect to acquisition of properties in the amount of nil (2015 - \$50,179) charged to mining properties totaling an aggregate amount of \$147,160 (2015 - \$281,037). As at December 31, 2016, the accounts payable include \$25,927 (2015 - \$101,130) owed to this legal firm.

Property maintenance in the consolidated statements of loss and comprehensive loss include an amount of \$50,000 (2015 - \$50,000) paid as a royalty to Société Minière Alta Inc., of which a director of Yorbeau is the sole shareholder (Note 9 (a)). In addition, an amount of \$12,500 (2015 - nil) included in prepaid expenses, was advanced for the first quarter of 2017 due in January.

# YORBEAU RESOURCES INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2016 and 2015

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## **20. Related party transactions (continued):**

*Other related party transactions (continued)*

A director of the Company rendered investor relations services in the amount of \$20,000 (2015 - nil) charged to administrative charges.

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.