RACKLA
METALS INC

FINANCIAL REVIEW

Fiscal Year Ended December 31, 2017

RACKLA METALS INC

(An Exploration Stage Company)

FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RACKLA METALS INC.

We have audited the accompanying financial statements of Rackla Metals Inc., which comprise the statements of financial position as at December 31, 2017 and 2016 and the statements of comprehensive loss, changes in shareholders' 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rackla Metals Inc. 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 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

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April 23, 2018

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RACKLA METALS INC.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and 2016
(Expressed in Canadian Dollars)

		2017		2016
ASSETS				
Current assets				
Cash	$	245,217	$	31,254
Available-for-sale investments (Note 5)		4,501		3,751
Taxes receivable		1,144		1,532
		250,862		36,537
Non-current assets				
Deposit (Note 12)		61,000		61,000
Property and equipment (Note 6)		4,608		7,056
Exploration and evaluation assets (Note 7)		50,004		4
		115,612		68,060
TOTAL ASSETS	**$**	**366,474**	**$**	**104,597**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	17,425	$	17,484
Due to related parties (Note 12)		207,805		115,992
Total liabilities		225,230		133,476
Shareholders' equity				
Share capital (Note 9)		7,799,555		7,549,555
Other equity reserves (Note 10)		128,023		128,023
Accumulated other comprehensive income		1,500		750
Deficit		(7,787,834)		(7,707,207)
Total shareholders' equity (deficiency)		141,244		(28,879)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**366,474**	**$**	**104,597**

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON APRIL 23, 2018:

"Simon Ridgway"
Simon Ridgway, Director

"William Katzin"
William Katzin, Director

The accompanying notes are an integral part of these financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
EXPLORATION EXPENDITURES (Note 8)	$ 7,602	$ 260
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization (Note 6)	2,448	2,448
Legal and audit fees	18,002	18,792
Management fees (Note 12)	42,000	42,000
Office and administrative (Note 12)	29,505	39,250
Salaries and benefits (Note 12)	13,220	22,145
Shareholder communications	5,480	5,081
Transfer agent and regulatory fees (Note 12)	11,511	10,020
Travel and accommodation (Note 12)	859	1,518
	123,025	141,254
	(130,627)	(141,514)
Reversal of impairment of exploration and evaluation assets (Note 7)	50,000	-
Loss on impairment of available-for-sale investments (Note 5)	-	(750)
Impairment of exploration and evaluation asset costs (Note 7)	-	(77,024)
Net loss for the year	**(80,627)**	**(219,288)**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments (Note 5)	750	750
Total comprehensive loss	**$ (79,877)**	**$ (218,538)**
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	16,218,173	15,098,858

The accompanying notes are an integral part of these financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve - share-based payments	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2015	15,098,858	$ 7,549,555	$ 128,023	$ -	$ (7,487,919)	$ 189,659
Loss for the year	-	-	-	-	(219,288)	(219,288)
Fair value gain on available-for-sale investments	-	-	-	750	-	750
Balance, December 31, 2016	15,098,858	7,549,555	128,023	750	(7,707,207)	(28,879)
Loss for the year	-	-	-	-	(80,627)	(80,627)
Warrants exercised	5,000,000	250,000	-	-	-	250,000
Fair value gain on available-for-sale investments	-	-	-	750	-	750
Balance, December 31, 2017	**20,098,858**	**$ 7,799,555**	**$ 128,023**	**$ 1,500**	**$ (7,787,834)**	**$ 141,244**

The accompanying notes are an integral part of these financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

		2017		2016
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the year	$	(80,627)	$	(219,288)
Items not involving cash:				
Amortization		2,448		2,448
Reversal of impairment of exploration and evaluation assets		(50,000)		-
Loss on impairment of available-for-sale investments		-		750
Impairment of exploration and evaluation asset costs		-		77,024
		(128,179)		(139,066)
Changes in non-cash working capital items:				
Taxes receivable		388		677
Prepaid expenses		-		375
Accounts payable and accrued liabilities		(59)		(4,912)
Due to related parties		91,813		96,628
		(36,037)		(46,298)
FINANCING ACTIVITY				
Proceeds on issuance of common shares		250,000		-
Increase (decrease) in cash		213,963		(46,298)
Cash, beginning of year		31,254		77,552
Cash, end of year	**$**	**245,217**	**$**	**31,254**

The accompanying notes are an integral part of these financial statements

1. CORPORATE INFORMATION

Rackla Metals Inc. (the "Company") is pursuing opportunities related to exploration of mineral resource properties. The Company was incorporated in the Province of British Columbia on September 20, 2011, and its common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol RAK.

The address of the Company's corporate office and principal place of business is 650 - 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

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

Ability to Continue as a Going Concern

These financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2017, the Company had not yet achieved profitable operations, has accumulated deficit of $7,787,834 (2016 - $7,707,207) since inception, and is expected to incur further losses in the development of its business, all of which raises significant doubt about its ability to continue as a going concern. The Company will periodically have to raise funds to continue operations; although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. If the Company is unable to obtain additional financing, management may be required to curtail certain discretionary expenses.

These financial statements do not give effect to adjustments to the recoverability of assets and satisfaction of liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In a loss year, potentially dilutive equity instruments are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share is the same for all years presented.

(b) Income Taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the income tax is recognized in equity or other comprehensive loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, on a non-discounted basis using tax rates at the end of the reporting period applicable to the period of expected realization.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(c) Foreign Currency Translation

The functional currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the exchange rate in effect as at the statement of financial position date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses, at the exchange rates on the date of the transactions.

Exchange differences arising from the translations are recorded as a gain or loss on foreign currency translation in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Property, Equipment and Amortization

Recognition and Measurement

Property and equipment are recorded at cost less accumulated amortization and any impairment losses.

Amortization

Amortization is recognized in profit or loss. Property and equipment are amortized over their estimated useful lives using the following method:

Leasehold improvements	7 to 8 years straight-line

Additions during the year are amortized on a pro-rated basis.

(e) Exploration and Evaluation Assets and Expenditures

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs may include cash consideration, the value of common shares issued based on fair values, and the fair value of share purchase warrants and options issued based on amounts determined using the Black-Scholes option pricing model.

Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, development expenditures on the property are capitalized.

When there is little prospect of further work on a property being carried out by the Company or an optionee, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount. Acquisition costs are also tested for impairment before the assets are transferred to development properties. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Exploration and evaluation assets acquired under an option agreement where payments are made at the sole discretion of the Company are capitalized at the time of payment. The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized, with any excess cash recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) Impairment of Non-Financial Assets

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

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

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversal of impairment losses are recognized in profit and loss.

(g) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

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

At December 31, 2017 and 2016, exploration and evaluation rehabilitation costs were $Nil.

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

(h) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(h) Share Capital *(cont'd)*

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit"), and entitle the warrant holder to exercise the warrants for a stated number of common shares in the Company at a stated price per share. The value allocated to unit components is measured using the residual value approach.

(i) Share-based Payments

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

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

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

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

When the fair value of goods or services received in exchange for the share-based payment cannot be reliably estimated, they are measured by use of a valuation model.

All equity-settled share-based payments are reflected in other equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserves is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expired, the recorded value is transferred to deficit.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(j) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Fair Value Through Profit or Loss ("FVTPL")

A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income (loss).

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity are classified as held-to-maturity. Financial assets classified as held-to-maturity are measured at amortized cost using the effective interest method.

Available-for-Sale Investments

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss is reclassified from accumulated other comprehensive loss to profit or loss.

Impairment of Financial Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(j) Financial Instruments *(cont'd)*

Financial Liabilities

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

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period, which are unpaid. Accounts payable and accrued liabilities are unsecured and are usually paid within 45 days of recognition.

The Company has made the following designations of its financial instruments:

Cash	FVTPL
Available-for-sale investments	Available-for-sale financial assets
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

(k) New Standards and Interpretations Not Yet Adopted

The Company will be required to adopt the following standards and amendments issued by the IASB as described below. The Company is in the process of evaluating the impact of the new standards and amendments on its financial statements.

IFRS 9 *Financial Instruments*

Effective for the Company's annual period beginning January 1, 2018, IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) New Standards and Interpretations Not Yet Adopted *(cont'd)*

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Effective for the Company's annual period beginning January 1, 2018. The Company has yet to assess the impact of IFRS 9 on its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

i) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   Assets or CGUs are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

   In respect of costs incurred for its investment in exploration and evaluation assets, management has determined that indicators of impairment exist and, as a result of an impairment assessment, determined the acquisition costs that have been capitalized may not be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including access to financing to further exploration and development, geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

ii) The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(cont'd)*

iii) The determination of when an available-for-sale investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its original cost at each reporting period.

iv) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its operating expenditures, meet its liabilities for the subsequent year, and to fund planned contractual exploration programs, involves significant judgement based on historical experiences and other factors including expectation of future events that are believed to be reasonable under the circumstances.

5. AVAILABLE-FOR-SALE INVESTMENTS

As of December 31, 2017, available-for-sale investments consisted of 75,000 common shares of Damara Gold Corp. ("Damara"), a public company, and 200,000 common shares of Voyager Gold Corp. ("Voyager"), a private company with a common director. The private company shares were initially measured at fair value and subsequently written down to $1.

As at December 31, 2017, the carrying amount for the available-for-sale investments was $4,501 (2016: $3,751).

During the year ended December 31, 2017, there was an increase in value of the Damara shares by $750. This amount was recorded as a fair value gain in other comprehensive income.

During the year ended December 31, 2016, there was a decline in value of the Damara shares by $750. This amount was recorded as an impairment charge instead of a fair value loss in other comprehensive income due to management assessing the decline to be significant and prolonged. As at December 31, 2016, the value of the Damara shares increased by $750 from the point of last impairment and was recorded as a fair value gain in other comprehensive income.

	Damara	Voyager	Total
Balance, December 31, 2015	$ 3,750	$ 1	$ 3,751
Impairment of investments	(750)	-	(750)
Change in fair value	750	-	750
Balance, December 31, 2016	3,750	1	3,751
Change in fair value	750	-	750
Balance, December 31, 2017	**$ 4,500**	**$ 1**	**$ 4,501**

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

		Leasehold improvements
Cost		
Balance, December 31, 2015	$	19,060
Additions		-
Balance, December 31, 2016		19,060
Additions		-
Balance, December 31, 2017	**$**	**19,060**
Accumulated amortization		
Balance, December 31, 2015	$	9,556
Charge for the year		2,448
Balance, December 31, 2016		12,004
Charge for the year		2,448
Balance, December 31, 2017	**$**	**14,452**
Carrying amounts		
At December 31, 2016	$	7,056
At December 31, 2017	**$**	**4,608**

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the years ended December 31, 2017 and 2016:

		Scarlet		Rivier		Sixty Mile		Face		Total
Balance, December 31, 2015	$	1	$	77,025	$	1	$	1	$	77,028
Impairment of acquisition costs		-		(77,024)		-		-		(77,024)
Balance, December 31, 2016		1		1		1		1		4
Reversal of impairment		41,000		-		-		9,000		50,000
Balance, December 31, 2017	**$**	**41,001**	**$**	**1**	**$**	**1**	**$**	**9,001**	**$**	**50,004**

7. EXPLORATION AND EVALUATION ASSETS *(cont'd)*

(i) Scarlet Property – Yukon Territory

The Scarlet Property consisted of 100% owned claims located in the Mayo Mining District and is divided into two claim blocks, Scarlet East and Scarlet West. During the year ended December 31, 2017, a total 193 Scarlet West claims were allowed to lapse. As at December 31, 2017, the Scarlet Property consisted of 550 claims of which 230 claims are in Scarlet East and 320 claims are in Scarlet West.

Subsequent to December 31, 2017:

(a) the Company allowed the 320 Scarlet West claims to lapse on their expiry date of March 31, 2018; and

(b) the Company entered into an agreement (the "Scarlet and Hat Agreement") dated April 5, 2018 whereby it sold the 230 Scarlet East block of claims, and the 49 Hat claims (see Face Property below), in consideration for a cash payment of $50,000 (received) and a 1% net smelter return royalty.

As at December 31, 2017, the Company determined that the recoverable value of the Scarlet Property had increased to $41,000 based on Level 1 of the fair value hierarchy. Accordingly, the Company increased the carrying value of the Scarlet Property by $41,000 with a corresponding recovery in the statements of comprehensive loss.

(ii) Rivier Property – Yukon Territory

The Rivier Property, located in the Watson Lake Mining District, consisted of 116 claims of which 16 claims are 100% owned and 100 claims were held pursuant to an option agreement (the "Initial Option") with the property owner (the "Rivier Owner").

Pursuant to amending agreements dated July 15, 2014, October 28, 2015, and October 28, 2016, in order for the Company to exercise the option, it was required to pay a total of $140,000 cash and issue a total of 250,000 common shares of the Company to the Rivier Owner over a period ending October 31, 2020, of which 50,000 common shares have been issued.

Voyager held an option (the "Voyager Option") to acquire from the Company a 60% interest in the Rivier Property. In order to keep the Voyager Option in good standing, Voyager was required to make cash payments and share issuances to the Company, and incur an aggregate of $1,000,000 in exploration expenditures on the property over a period ending November 30, 2019, of which 200,000 common shares were issued to the Company and $100,000 in expenditures were incurred.

During the year ended December 31, 2017, Voyager terminated the Voyager Option and thereafter the Company terminated the Initial Option, resulting in the Rivier Property being reduced to 16 claims that are 100% owned by the Company.

Subsequent to December 31, 2017, the Company entered into an agreement (the "Rivier and Sixty Mile Agreement") dated April 16, 2018 with the Rivier Owner whereby the Company has acquired 100% ownership of the 100 Rivier claims previously subject to the Initial Option, in consideration for transferring to the Rivier Owner 63 of the Company's Sixty Mile claims, agreeing to make annual advance royalty payments of $10,000 to the Rivier Owner commencing in April 2020, and granting to the Rivier Owner a 2% net smelter return royalty. As a result of the Rivier and Sixty Mile Agreement, the Rivier Property consists of 116 claims owned by the Company.

In 2016, the Company determined the carrying value of the Rivier Property to be impaired and recorded a write-down of $77,024 in accordance with Level 3 of the fair value hierarchy.

7. EXPLORATION AND EVALUATION ASSETS *(cont'd)*

(iii) Sixty Mile Area – Yukon Territory

As at December 31, 2017, the Sixty Mile Property consisted of 508 100% owned claims located in the Dawson Mining District. Subsequent to December 31, 2017:

(a) the Company entered into an agreement dated March 8, 2018 to sell 81 of its Sixty Mile claims (the "Sold Claims"). In consideration therefor, the purchaser has agreed to: (i) keep the Sold Claims in good standing for five years; and (ii) pay to the Company 25% of any cash or share payments the purchaser may receive during the next five years in respect of the Sold Claims and certain additional claims adjacent to the Sold Claims which the purchaser proposes to acquire.

(b) as of March 31, 2018, the Company relinquished 18 of its Sixty Mile claims to a previous owner in accordance with an underlying agreement previously assumed by the Company with respect to these claims.

(c) the Company allowed 346 claims comprising the Sixty Mile property to lapse on their expiry date of March 31, 2018.

(d) the Company entered into the Rivier and 60 Mile Agreement dated April 16, 2018 whereby it sold the remaining 63 of its Sixty Mile claims.

As a result of the above transactions, the Company no longer owns any Sixty Mile claims.

(iv) Face Property – Yukon Territory

As at December 31, 2017, the Face Property consisted of 49 100% owned claims located in the Dawson Mining District. As noted above, subsequent to December 31, 2017, the Company sold these claims pursuant to the Scarlet and Hat Agreement dated April 5, 2018.

As at December 31, 2017, the Company determined that the recoverable value of the Face Property had increased to $9,000 based on Level 1 of the fair value hierarchy. Accordingly, the Company increased the carrying value of the Face Property by $9,000 with a corresponding recovery in the statements of comprehensive loss.

8. EXPLORATION EXPENDITURES

During the year ended December 31, 2017, the Company incurred $160 (2016: $260) on general care and maintenance of its Scarlet and Sixty Mile mineral properties and $7,442 (2016: $Nil) on property investigation costs.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

(a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

During the year ended December 31, 2017, a total of 5,000,000 share purchase warrants were exercised for gross proceeds of $250,000.

There was no share capital activity during the year ended December 31, 2016.

(b) Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2017 and 2016 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2015	5,000,000	$0.05
Balance, December 31, 2016	5,000,000	$0.05
Exercised	(5,000,000)	$0.05
Balance, December 31, 2017	**-**	**-**

As at December 31, 2017, there were no share purchase warrants outstanding.

10. SHARE-BASED PAYMENTS

Option Plan Details

The Company has in place a stock option plan (the "Plan") that allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

Share Purchase Options

There was no stock option activity during the years ended December 31, 2017 and 2016.

As at December 31, 2017 and 2016, the following stock options were outstanding:

Expiry date	Number of options	Exercise price
July 19, 2022	245,000	$0.75

The weighted average remaining contractual life of the options outstanding at December 31, 2017 is 4.55 (2016: 5.55) years.

(Expressed in Canadian Dollars)

11. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2016: 26.00%) to income before income taxes. The reasons for the differences are as follows:

		2017		2016
Net loss for the year	$	(80,627)	$	(219,288)
Canadian statutory tax rate		26.00%		26.00%
Income tax recovery computed at statutory rates		(20,963)		(57,015)
Items not deductible for tax purposes		109		157
Change in timing differences		521		18,987
Effect of change in tax rate		(27,163)		-
Unused tax losses and tax offsets not recognized in tax asset		47,496		37,871
Deferred income tax recovery	**$**	**-**	**$**	**-**

The Company recognizes tax benefits on losses or other deductible amounts where it is probable that the Company will generate sufficient taxable income to utilize its deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2017		2016
Non-capital losses	$	1,177,000	$	1,056,000
Available-for-sale investments		103,000		103,000
Share issue costs and other		14,000		12,000
Property and Equipment		1,000		1,000
Mineral properties		1,243,000		1,286,000
Capital losses		136,000		136,000
Unrecognized deductible temporary differences	**$**	**2,674,000**	**$**	**2,594,000**

As at December 31, 2017, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years.

Non-capital Canadian tax losses expire as follows:

Year of expiry		Taxable losses
2031	$	21,000
2032		349,000
2033		209,000
2034		170,000
2035		162,000
2036		145,000
2037		121,000
	$	**1,177,000**

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

The Company had transactions during the years ended December 31, 2017 and 2016 with related parties consisting of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Mill Street Services Ltd. ("Mill Street")	Management services

Balances and transactions with related parties not disclosed elsewhere in these financial statements are as follows:

(a) During the years ended December 31, 2017 and 2016, the Company reimbursed Gold Group for the following costs:

		2017		2016
General and administrative expenses:				
Office and administrative	$	28,823	$	38,494
Salaries and benefits		13,220		21,669
Transfer agent and regulatory fees		3,094		1,798
Travel and accommodation		859		1,518
	$	**45,996**	**$**	**63,479**

Gold Group is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Chief Financial Officer and Corporate Secretary.

(b) Deposits as of December 31, 2017 consist of $61,000 (2016: $61,000) paid to Gold Group and are related to the shared office and administrative services agreement with Gold Group that was effective July 1, 2012. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.

(c) Amounts due to related parties as of December 31, 2017 consist of $112,255 (2016: $64,542) due to Gold Group and $95,550 (2016: $51,450) owed to Mill Street. The balance due to Gold Group is partially collateralized by a deposit and the balance due to Mill Street is unsecured and due on demand. The amounts due are non-interest-bearing.

These transactions are measured at fair value of the services rendered.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

		2017		2016
Management fees[1]	$	42,000	$	42,000
Salaries and benefits		2,587		4,124
	$	**44,587**	**$**	**46,124**

[1] Paid to a company controlled by related party (CEO).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk. The Company is not exposed to the risk related to the fluctuation of foreign currency rates.

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 any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to not be significant.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to equity price risk due to the potentially volatile and speculative nature of the businesses in which the available-for-sale investments are held. The common shares held in Damara and Voyager are monitored by management with decisions on sale taken at Board level. A 10% change in fair value of the shares would result in a $450 increase or decrease in comprehensive loss.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd)*

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and available-for-sale investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or available-for-sale investments that are invested in asset-based commercial paper.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2017, the Company had cash of $245,217 (2016: $31,254) available to apply against short-term business requirements and current liabilities of $225,230 (2016: $133,476). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. All financial instruments at December 31, 2017 are carried at amortized cost, apart from the available-for-sale investment in a public company with shares in an active market of $4,500 (2016: $3,750), which is carried at fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The statement of financial position carrying amounts for cash, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale investment in Damara is based on a quoted price and is therefore considered to be Level 1.

The available-for-sale investment in Voyager was recorded at fair value when it was acquired and assessed as impaired as at December 31, 2017 and 2016. This investment is considered to be Level 3.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its mineral properties. The Company defines its capital as all components of equity. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out any planned exploration and pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 have been no changes in the Company's approach to capital management during the year ended December 31, 2017. As at December 31, 2017, the Company is not subject to any externally imposed capital requirements. The Company does not expect its capital resources to be sufficient to cover its corporate operating costs and future exploration expenditures through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

15. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities. All of the Company's long-term assets and operations are in Canada.

RACKLA METALS INC

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2017

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited financial statements of the Company for the year ended December 31, 2017. The following information, prepared as of April 23, 2018, should be read in conjunction with the December 31, 2017 financial statements. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relevant to the Company's activities can be found on SEDAR at (www.sedar.com).

Forward-looking Information

This MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation ("Forward-looking Statements"). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this MD&A include, without limitation, statements relating to the Company's plans for exploration of its properties; the sufficiency of the Company's cash position; and its ability to raise equity capital or access debt facilities. Often, but not always, these Forward-looking Statements can be identified by the use of words such as "anticipates", "believes", "plans", "estimates", "expects", "forecasts", "scheduled", "targets", "possible", "strategy", "potential", "intends", "advance", "goal", "objective", "projects", "budget", "calculates" or statements that events, "will", "may", "could" or "should" occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration;
- fluctuations in commodity prices, foreign exchange rates, and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters and local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions;

as well as those factors referred to in the "Risks and Uncertainties" section in this MD&A.

Forward-looking Statements contained in this MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company's properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matters;
- exploration activities proceeding on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Business of the Company

The Company is a Vancouver-based mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. In late 2017, Bruce Smith was appointed President and a Director of the Company, while Simon Ridgway remains as CEO and a Director. Mr. Smith is focusing his efforts towards actively seeking prospective projects for possible acquisition by the Company, as well as possible joint ventures or other transaction for the Company's Yukon property portfolio described below.

Rivier Property

The Company's 100% interest in the Rivier Property was originally held partly by staking 16 claims and partly under an option agreement for 100 claims. As well, Voyager Gold Corp. ("Voyager"), a private BC company, had the option to acquire from the Company a 60% interest in the Property, and Voyager has to date issued to the Company 200,000 common shares in its capital stock. The Company's option agreements with the owner ("Rivier Owner") of the 100 claims and with Voyager were terminated during the year ended December 31, 2017 and before the next scheduled share payment dates. As a result, the Property was reduced to 16 claims owned 100% by the Company.

On April 16, 2018, the Company entered into an agreement (the "Rivier and Sixty Mile Agreement") with the Rivier Owner whereby the Company has acquired 100% ownership of the 100 Rivier claims previously subject to the Initial Option, in consideration for transferring to the Rivier Owner 63 of the Company's Sixty Mile claims, agreeing to make annual advance royalty payments of $10,000 to the Rivier Owner commencing in April 2020, and granting to the Rivier Owner a 2% net smelter return royalty. As a result of the Rivier and Sixty Mile Agreement, the Rivier Property currently consists of 116 claims owned by the Company,

The Rivier claims are located 90 kilometres southeast of Ross River, Yukon and cover an ultramafic body shedding anomalous gold values from its margin into stream sediments and soil. In 2011, Voyager completed a program of geological mapping and geochemical sampling followed by an airborne geophysical (magnetic and radiometrics) survey. Two zones of anomalous gold in soil, ranging from background to over 2,000 ppb Au, were identified. In 2012 Voyager intended to explore with an initial program of trenching and 500 metres of diamond drilling exploration but poor market conditions precluded financing arrangements.

In 2013, Voyager carried out a short program of geological mapping and geochemical soil, stream sediment and rock sampling (139, 8 and 37 samples respectively). Geochemical results included a number of anomalous values for gold in soil (>27 ppb gold) extending the known anomalies but not closing them off. The report recommended detailed geological mapping, additional soil geochemistry to close off the gold anomalies, geophysics (HLEM and or IP) and, instead of trenching the flanks of the listwanitized ultramafic, to use a 'geoprobe' bedrock sampling tool to test for gold in bedrock.

Other Properties

Scarlet Property, Rackla Belt Area

As at December 31, 2017, the Company owned 550 claims in the Rackla Belt area, Yukon, of which 230 claims comprise the Scarlet East property and 320 claims comprise the Scarlet West property.

Scarlet East

The Scarlet East property covers what is believed to be the eastern extension of the belt of rocks that host ATAC Resources' Osiris and Conrad discoveries located northeast of Keno City, Yukon.

Mineralization in the Rackla belt shares many of the characteristics of Carlin-type gold deposits, including similar alteration assemblages and association with the low-temperature arsenic sulphides, realgar and orpiment. In the eastern part of the belt, host rocks are two 150-to-250-metre-thick limestone debris flow and turbidite units, referred to by ATAC Resources as the Osiris and Isis horizons. Regional and detailed mapping over the Scarlet East property has identified similar carbonate stratigraphy and fold patterns.

From 2012 to 2014, Strategic Metals Ltd. ("Strategic") had an option to acquire an interest in the Scarlet East claim block. Strategic conducted a detailed prospecting and geological mapping program along with geochemical soil sampling. Geochemical results identified an irregularly shaped, approximately north-north-westerly trending gold-arsenic-mercury-antimony in soil anomaly over an area of about 2,000 by 700 metres in the eastern part of the property. Additional work was recommended; however in late 2014, Strategic terminated its option.

On April 5, 2018, the Company entered into an agreement (the "Scarlet and Hat Agreement") whereby it sold the 230 Scarlet East block of claims, and the Company's 49 Hat claims (see Face Property below), in consideration of a cash payment of $50,000 and a 1% net smelter return royalty.

Scarlet West

The Scarlet West property covers lead - zinc carbonate hosted mineralization exposed at several outcropping showings. The Company allowed all of 320 Scarlet West claims to lapse on their expiry date of March 31, 2018.

Sixty Mile Property

As at December 31, 2017, the 100% owned Sixty Mile Property consisted of 508 claims covering portions of the headwaters and drainage areas of the prolific Sixty Mile Gold Camp of the Yukon Territory which reportedly produced over 500,000 ounces of gold from the creeks that drain the Company's Sixty Mile Property.

Subsequent to December 31, 2017:

(a) The Company entered into an agreement dated March 8, 2018, to sell 81 of its Sixty Mile claims (the "Sold Claims"). In consideration therefor, the purchaser has agreed to: (i) keep the Sold Claims in good standing for five years; and (ii) pay to the Company 25% of any cash or share payments the purchaser may receive during the next five years in respect of the Sold Claims and certain additional claims adjacent to the Sold Claims which the purchaser proposes to acquire.

(b) as of March 31, 2018, the Company relinquished 18 of its Sixty Mile claims to a previous owner in accordance with an underlying agreement previously assumed by the Company with respect to these claims.

(c) the Company allowed 346 claims comprising the Sixty Mile property to lapse on their expiry date of March 31, 2018.

(d) the Company entered into the Rivier and Sixty Mile Agreement dated April 16, 2018 whereby it sold the remaining 63 of its Sixty Mile claims.

As a result of the above transactions, the Company no longer owns any Sixty Mile claims.

Face Property

As of December 31, 2017, the Face property consisted of 49 claims located in western Yukon, 45 kilometres due east of Eagle, Alaska.

Work by the Company in 2013 consisted of soil and rock sampling, prospecting and reconnaissance geological mapping over previously identified gold and silver anomalies. Although the sampling was hindered by overburden and permafrost, geochemical soil sample results identified an irregular shaped area anomalous in silver (>10 ppm Ag and up to 88 ppm Ag) located over an area of approximately one square kilometre. The silver anomaly is accompanied by anomalous zinc values (>500 ppm to 6,000 ppm Zn) and is underlain by black shale, likely belonging to the Road River Group. Rock samples of the black shale contained similar values for silver and zinc. No significant gold values from the soil or rock samples were obtained

As noted above, the Company sold these claims pursuant to the Scarlet and Hat Agreement dated April 5, 2018.

Qualified Person: Roger Hulstein, B.Sc., P.Geo., a member of the Association of Professional Engineers and Geoscientists of British Columbia, is the Company's Qualified Person as defined by National Instrument 43-101, and is responsible for the accuracy of the technical information in this MD&A.

Selected Financial Information

The following table provides financial results for the years ended December 31, 2017, 2016 and 2015:

	2017 ($)	**2016 ($)**	**2015 ($)**
Exploration expenditures	7,602	260	1,410
General and administrative expenses	123,025	141,254	156,675
Net loss	80,627	219,288	161,835
Basic and diluted loss per share	0.01	0.01	0.02
Total assets	366,474	104,597	231,419
Total liabilities	225,230	133,476	41,760
Shareholders' equity (deficiency)	141,244	(28,879)	189,659

Quarterly Information

The following table provides quarterly information for the eight fiscal quarters ended December 31, 2017:

Quarter Ended	**Dec. 31, 2017 ($)**	**Sep. 30, 2017 ($)**	**Jun. 30, 2017 ($)**	**Mar. 31, 2017 ($)**	**Dec. 31, 2016 ($)**	**Sep. 30, 2016 ($)**	**Jun. 30, 2016 ($)**	**Mar. 31, 2016 ($)**
Exploration expenditures	7,602	-	-	-	260	-	-	-
General and administrative expenses	40,259	26,774	24,773	31,219	46,734	26,442	29,211	38,867
Net income (loss)	2,139	(26,774)	(24,773)	(31,219)	(124,018)	(26,442)	(29,961)	(38,867)
Basic and diluted income (loss) per share	0.00	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)

The net loss for the quarter ended December 31, 2016 is higher than most other quarters due to a write-down in that quarter of $77,024 on exploration and evaluation assets. The net income for the quarter ended December 31, 2017 was a result of the reversal of impairment of exploration and evaluation properties of $50,000. Exploration expenditures for the past eight quarters have consisted of property care and maintenance activities.

Results of Operations

Quarter ended December 31, 2017

The quarter ended December 31, 2017 had a net income of $2,139, compared to a net loss of $124,018 for the quarter ended December 31, 2016, a difference of $126,157. The current quarter resulted in a net income due to a a recovery of impairment loss recorded in the current quarter of $50,000. The comparative quarter net loss included a write-down of $77,024 in exploration and evaluation assets whereas there was no such expense recorded in the current quarter. Exploration expenditures totaled $7,602 which was primarily for new property investigations while there were minimal expenditures during the comparative quarter relating to care and maintenance of existing properties.

General and administrative expenses totaled $40,259 for the current quarter compared to $46,734 for the comparative quarter, a decrease of $6,475. Most notable cost decreases were $3,888 in office and administrative expenses and $3,249 in shareholder communications. The shareholder communications expense for the current quarter was less than the comparative quarter due to the timing of the Company's annual general meeting

Year ended December 31, 2017

The net loss for the year ended December 31, 2017 was $80,627 compared to $219,288 for the year ended December 31, 2016, a decrease of $138,661. As in the quarterly comparison, the current year's net loss was impacted by a recovery of $50,000 and the comparative year's net loss was impacted by a write-down of $77,024 on exploration and evaluation assets. Exploration expenditures for the current and comparative years were the same as those for the quarterly comparison. The comparative year recorded an impairment charge on available-for-sale investments of $750 whereas there was no such charge for the current year. There were minimal exploration expenditures relating to care and maintenance of the properties during both the current and comparative years.

General and administrative expenses for the year ended December 31, 2017 totalled $123,025 compared to $141,254 for the year ended December 31, 2016, a decrease of $18,229. Notable costs decreases during the current year were $9,745 in office and administrative expenses and $8,925 in salaries and benefits. These costs were lower due to the Company's portion of shared personnel and administrative costs decreasing during the current year.

Liquidity and Capital Resources

The Company is in the exploration stage and therefore has no cash flow from operations. The Company does not have any commitments and as of the date of this report, it no longer has option agreements relating to the Rivier property that had cash and share payments scheduled to be paid and received.

As at December 31, 2017, current assets were $250,862 of which $245,217 was cash and $4,501 was the fair value of available-for-sale investments. Current liabilities were $225,230, resulting in working capital of $25,632. The current liabilities balance includes $207,805 that has been accrued over several periods and is owing to related parties. The Company's last private placement to raise funds was in 2015 for $250,000. Issued in this private placement were 5,000,000 share purchase warrants with an exercise price of $0.05 per share, of which all were exercised during the year ended December 31, 2017, for proceeds to the Company of $250,000. Current funds continue to be used for care and maintenance activities on the Company's properties and for general working capital purposes.

The Company has primarily funded its operations through the issuance of equity financing. The Company does not expect its capital resources to be sufficient to cover its corporate operating costs and future exploration expenditures through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity.

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk. The Company is not exposed to the risk related to the fluctuation of foreign currency rates.

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 any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to not be significant.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to equity price risk due to the potentially volatile and speculative nature of the businesses in which the available-for-sale investments are held. The common shares held in Damara and Voyager are monitored by management with decisions on sale taken at Board level. A 10% change in fair value of the shares would result in a $450 increase or decrease in comprehensive loss.

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and available-for-sale investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or available-for-sale investments that are invested in asset-based commercial paper.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2017, the Company had cash of $245,217 (2016: $31,254) available to apply against short-term business requirements and current liabilities of $225,230 (2016: $133,476). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Related Party Transactions

The Company had transactions during the periods ended December 31, 2017 and 2016 with related parties who consisted of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Mill Street Services Ltd. ("Mill Street")	Management services

During the years ended December 31, 2017 and 2016, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended December 31, 2017	2016	Year ended December 31, 2017	2016
General and administrative expenses:				
Office and administration	$ 6,712	$ 10,282	$ 28,823	$ 38,494
Salaries and benefits	3,785	3,856	13,220	21,669
Transfer agent and regulatory fees	198	45	3,094	1,798
Travel and accommodation	217	436	859	1,518
	$ 10,912	**$ 14,619**	**$ 45,996**	**$ 63,479**

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Chief Financial Officer and Corporate Secretary.

Deposits as of December 31, 2017 consist of $61,000 (2016: $61,000) paid to Gold Group and are related to the shared office and administrative services agreement with Gold Group that was effective July 1, 2012. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.

Amounts due to related parties as of December 31, 2017 consist of $112,255 (2016: $64,542) due to Gold Group for reimbursement of shared costs and $95,550 (2016: $51,450) owed to Mill Street, a company controlled by the Chief Executive Officer of the Company, for accrued management fees. The balance due to Gold Group is partially collateralized by a deposit and the amount due to Mill Street is unsecured and due on demand. The amounts due are non-interest-bearing.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation, other than those included in salaries and benefits above, comprises:

	Three months ended December 31, 2017	2016	Year ended December 31, 2017	2016
Management fees(1)	$ 10,500	$ 10,500	$ 42,000	$ 42,000
Salaries and benefits	688	916	2,587	4,124
	$ 11,188	**$ 11,416**	**$ 44,587**	**$ 46,124**

(1) Paid to Mill Street for services of the CEO.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Warrants and Options

As at April 23, 2018, the Company had 20,098,858 common shares issued and outstanding and the following incentive stock options are currently outstanding:

STOCK OPTIONS

No. of options	Exercise price	Expiry date
245,000	$0.75	July 19, 2022

Future Accounting Changes

The Company will be required to adopt the following standards and amendments issued by the IASB as described below. The Company is in the process of evaluating the impact of the new standard and amendments on its financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9 and is effective for the Company's annual period beginning January 1, 2018.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Effective for the Company's annual period beginning January 1, 2018. The Company has yet to assess the impact of IFRS 9 on its financial statements.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

Joint Venture Funding Risk

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party.

Financing and Share Price Fluctuation Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

Political and Regulatory Risks

The Company is currently operating in Canada which has a stable political and regulatory environment. However, changing political aspects may affect the regulatory environment in which the Company operates.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are considered low in Canada, the principal country of operation of the Company, but a change in social expectations could add new layers of risk to the viability of exploration and development properties.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.