TITAN MINING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Titan Mining Corporation have been prepared by management in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Ernst & Young LLP, an independent firm of chartered professional accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

/s/ Richard W. Warke	*/s/ Paul Ireland*
Executive Chairman	Interim Chief Financial Officer

March 22, 2018

Independent auditors' report

To the Shareholders of
Titan Mining Corporation

We have audited the accompanying consolidated financial statements of **Titan Mining Corporation**, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Titan Mining Corporation** 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.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
March 22, 2018

TITAN MINING CORPORATION
Consolidated Statements of Financial Position
(In United States Dollars)

	As at December 31,	
ASSETS	**2017**	**2016**
Current assets		
Cash and cash equivalents (Note 5)	$ 25,167,611	$ 8,156,928
Accounts receivable	186,559	1,229
Prepaid expenses and deposits	218,744	166,543
Supplies inventory	311,310	311,310
	25,884,224	8,636,010
Mineral properties, plant and equipment (Note 6)	33,121,914	28,714,942
Restricted cash (Note 7)	1,728,786	1,662,870
Other assets (Note 11)	100,474	-
TOTAL ASSETS	**$ 60,835,398**	**$ 39,013,822**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,631,426	$ 806,691
Acquisition obligations (Note 8)	1,025,000	13,870,648
	4,656,426	14,677,339
Reclamation and remediation provision (Note 9)	14,698,181	14,111,332
	19,354,607	28,788,671
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	$ 51,833,549	$ 10,368,927
Reserves	744,984	(77,382)
Deficit	(11,097,742)	(66,394)
	41,480,791	10,225,151
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 60,835,398**	**$ 39,013,822**

Commitments and contingencies (Note 15)
Subsequent event (Note 16)

APPROVED BY THE BOARD DIRECTORS

/S/ Richard W. Warke
Richard W. Warke - Director

/S/ Lenard Boggio
Lenard Boggio - Director

March 22, 2018

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

TITAN MINING CORPORATION
Consolidated Statements of Loss and Comprehensive Loss
(In United States Dollars, except for number of shares amount)

	Years ended December 31, 2017	2016
SITE EXPENSES		
Care and maintenance costs	$ 4,008,636	$ -
Depreciation	978,732	-
Exploration and evaluation expenses	1,748,342	-
	6,735,710	-
GENERAL AND ADMINISTRATION EXPENSES		
Share based compensation	955,524	-
Salaries and benefits	882,997	-
Professional fees	755,771	32,064
Office and administration	456,260	28,326
Investor relations	111,918	2,640
	3,162,470	63,030
OTHER EXPENSES/(INCOME)		-
Acquisition obligation amendment fees (Note 8)	525,000	-
Interest expense	356,758	-
Accretion expense (Note 9)	341,457	-
Interest income	(77,922)	(3,746)
Other	(12,125)	7,110
	1,133,168	3,364
NET LOSS FOR THE YEAR	**$ 11,031,348**	**$ 66,394**
OTHER COMPREHENSIVE LOSS:		
Items that may be reclassified to profit or loss:		
Unrealized loss on translation to reporting currency	133,158	77,382
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**$ 11,164,506**	**$ 143,776**
LOSS PER SHARE		
Basic and diluted	$ 0.16	$ 0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic and diluted	70,205,168	4,831,027

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

TITAN MINING CORPORATION
Consolidated Statements of Changes in Shareholders' Equity
(In United States Dollars, except for number of shares amount)

	Share Capital		Reserves				
	Number of Shares	Amount	Share Option Reserve	Currency Translation Adjustment	Total	Deficit	Total Equity
Balance, January 1, 2017	62,346,900	$10,368,927	$ -	$ (77,382)	$ (77,382)	$ (66,394)	$ 10,225,151
Shares issued in Initial Public Offering, net of issuance cost (Note 10)	36,950,000	38,464,622	-	-	-	-	38,464,622
Common shares issued for settlement of acquisition obligations (Note 10)	2,673,857	3,000,000	-	-	-	-	3,000,000
Share based compensation	-	-	955,524	-	955,524	-	955,524
Total comprehensive loss for the year	-	-	-	(133,158)	(133,158)	(11,031,348)	(11,164,506)
Balance, December 31, 2017	101,970,757	$51,833,549	$ 955,524	$ (210,540)	$ 744,984	$(11,097,742)	$ 41,480,791
Balance, January 1, 2016	1,000	$ 10	$ -	$ -	$ -	$ -	$ 10
Share-issued in private placements	59,377,000	8,157,680	-	-	-	-	8,157,680
Shares issued on acquisition of Empire State Mines Project (Note 4)	2,968,900	2,211,237	-	-	-	-	2,211,237
Total comprehensive loss for the year	-	-	-	(77,382)	(77,382)	(66,394)	(143,776)
Balance, December 31, 2016	62,346,900	$10,368,927	$ -	$ (77,382)	$ (77,382)	$ (66,394)	$ 10,225,151

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

TITAN MINING CORPORATION
Consolidated Statements of Cash Flows
(In United States Dollars)

	Years ended December 31 2017	2016
OPERATING ACTIVITES		
Loss for the year	$ (11,031,348)	$ (66,394)
Items not involving cash:		
Accretion (Note 9)	341,457	-
Acquisition obligation amendment fees (Note 8)	525,000	-
Depreciation	978,732	-
Interest expense	356,758	-
Stock based compensation	955,524	-
Unrealized foreign exchange (gain)/loss	(38,292)	3,489
Changes in non-cash working capital:		
Amounts receivable	(186,088)	(1,229)
Prepaid expenses and deposits	(52,952)	(1,955)
Accounts payable and accrued liabilities	88,483	64,767
Cash used by operating activities	**(8,062,726)**	**(1,322)**
FINANCING ACTIVITIES:		
Interest paid	(356,758)	-
Proceeds from issuance of shares on Initial Public Offering, net of share issuance costs (Note 10b)	38,464,622	-
Proceeds on issuance of shares in private placement	-	8,157,680
Advances from related party (Note 8c)	800,000	-
Repayment of acquisition obligations and advances (Note 8)	(11,170,648)	-
Cash provided by financing activities	**27,737,216**	**8,157,680**
INVESTING ACTIVITIES:		
Acquisition of other assets (Note 11b)	(100,474)	-
Cash acquired on acquisition of Empire State Mines	-	80,433
Purchases of property, plant and equipment	(801,279)	-
Additions to construction in progress	(1,599,632)	-
Restricted cash	(65,916)	
Cash (used) provided by investing activities	**(2,567,301)**	**80,433**
Effect of foreign exchange on cash and cash equivalents	(96,506)	(79,873)
Increase in cash and cash equivalents	**17,010,683**	**8,156,918**
Cash and cash equivalents, beginning of year	8,156,928	10
Cash and cash equivalents, end of year	**$ 25,167,611**	**$ 8,156,928**
Non-cash investing and financing activities		
Change in accounts payable and accrued liabilities with respect to construction in progress	$ 2,739,401	$ -
Issuance of common shares on settlement of acquisition obligations (Note 10b)	$ 3,000,000	$ 2,211,237

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

1. NATURE OF OPERATIONS

Titan Mining Corporation ("Titan" or the "Company") was incorporated on October 15, 2012 under the laws of British Columbia and is a natural resources company engaged in the acquisition, exploration and development of mineral properties. The Company holds a 100% indirect ownership interest in the Empire State Mines (formerly known as the Balmat Mines, Mill and Satellite Mines) in Northern New York State, United States, which it acquired on December 30, 2016. Empire State Mines now comprises the Empire State Mines' #2, #3, #4, Hyatt, Pierrepont and Edwards former operating mines. The Company is in the process of refurbishing the Empire State Mines' #4 mine in preparation for production. The Company's common shares are listed on the Toronto Stock Exchange and trade under the symbol "TI". The Company's head office is located at 555–999 Canada Place, Vancouver, BC, Canada V6C 3E1.

2. BASIS OF PRESENTATION

(a) Statement of compliance

The consolidated financial statements for the year ended December 31, 2017, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors of the Company for issuance on March 22, 2018.

(b) Basis of presentation

These consolidated financial statements are presented in U.S. dollars, which is the Company's presentation currency and have been prepared on a historical cost basis except for certain financial instruments that are measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These consolidated financial statements include the consolidation of Titan Mining Corporation with its wholly-owned subsidiaries listed below. Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

Subsidiary	Incorporation jurisdiction	Ownership %	
		2017	2016
1100951 BC Ltd.	British Columbia	100%	100%
Titan Mining (US) Corp.	Delaware	100%	100%
Balmat Holdings Corp.	Delaware	100%	100%
St. Lawrence Zinc. Co. LLC	Delaware	100%	100%
1077615 US LLC	Nevada	100%	0%

(d) Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and reported amounts of expenses during the reporting period. Estimates and assumptions are continually evaluated. However, actual outcomes could materially differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Information about critical judgements and estimates in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are as follows:

- *Determination of Technical and Commercial Feasibility* – The Company determined that its Empire State Mines' #4 mine had achieved technical and commercial feasibility effective November 1, 2017. As a result, costs subsequently incurred on the project are accounted for as development costs and capitalized to mineral property, plant and equipment, as appropriate instead of as exploration and evaluation expenditures accounted for in accordance with IFRS 6. The determination that the project had achieved technical and commercial feasibility is a matter of significant judgement particularly in circumstances where a preliminary feasibility or feasibility study has not been completed. In making its determination the Company took into consideration, among other factors: the long operating history of the Empire State Mines prior to its closure in 2008; the existing mineral resources; the results of the preliminary economic assessment completed in 2017; the existing mine permits, leases and infrastructure; and the funding made available to the Company to complete the project.

- *Reclamation and remediation provision* – The Company's accounting policy requires the recognition of a provision for future reclamation and other closure activities when the obligation arises. The present value of future obligations are estimated by the Company using mine closure plans and other studies based on current environmental laws and regulations and Company policy. The estimates include assumptions as to the future estimated costs, timing of the cash flows to discharge the obligations, inflation rates, and the prevalent market discount rates. The reclamation and closure estimates are more uncertain the further into the future the activities are to be performed. Any changes to these assumptions will result in an adjustment to the provision which affects the Company's liabilities and its property, plant and equipment.

- *Functional currency determination* – In accordance with IAS 21, management determined that the functional currency of the parent company, Titan Mining Corporation, is the Canadian dollar and the functional currency of the Company's wholly-owned subsidiaries is the U.S. dollar, as these are the currencies of the primary economic environments in which the companies operate.

- *Impairment* – Management applies significant judgement in its assessment and evaluation of asset or cash generating units 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 mineral properties, plant and equipment. External sources of information considered are changes in the Company's economic, legal and regulatory environment, which it does not control, but affect the recoverability of its mining assets. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

- *Acquisition of Empire State Mines* – The determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or an asset may require the Company to make certain judgements. In accordance with IFRS 3, a business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders. When acquiring a set of activities or assets in the exploration, evaluation and development stage, which may not have outputs, judgment is required to consider other factors to determine whether the set of activities or assets is a business. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition of the Empire State Mines did not meet the criteria of a business combination and the acquisition has been accounted for as an acquisition of assets.

- *Purchase price accounting* – Management made certain assumptions regarding the value of the total consideration exchanged and the fair values of the property, plant, and equipment and mineral interests acquired on the acquisition of the Empire State Mines. Changes to either the value of the consideration or the relative values of the assets acquired and/or liabilities assumed could have a pervasive impact on the financial statements of the Company given the majority of the Company's assets and liabilities were acquired on the acquisition of the Empire State Mines.

- *Estimated mineral resources* – Mineral resources are estimates of the amount of metal that can be extracted from the Company's properties, considering both economic and legal factors. Estimating the quantity and/or grade of mineral resources requires the analysis of drilling samples and other geological data. Calculating mineral resource estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity prices and foreign exchange rates. Estimates of mineral resources may change from period to period as the economic assumptions used to estimate mineral resources change and as a result of additional geological data generated during the course of operations. Changes in reported mineral resources may affect the Company's financial position in a number of ways, including the following:

    i. asset carrying values may be affected due to changes in estimated future cash flows;
    ii. prospective depreciation charges in the Company's consolidated statement of comprehensive income may change when such charges are determined by the unit-of-production basis, or when the useful lives of assets change; and
    iii. provision for reclamation liabilities balances may be affected as the estimated timing of reclamation activities is adjusted for changes in the estimated mine life as determined by the available mineral resources.

- *Determination of useful life of assets for depreciation purposes* – Significant judgment is involved in the determination of the useful life and residual value of long-lived assets that drive the calculation of depreciation charges. Changes in the estimate of useful lives and residual values may impact the depreciation calculations.

- *Share-based payments* – The fair value of share-based payments is calculated using the Black-Scholes option pricing model. The main assumptions used in the model include the estimated life of the option, the expected volatility of the Company's share price (using historical volatility of similar publicly-traded companies as a reference), the expected dividends, the expected forfeiture rate, and the risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's-length transaction given that there is no market for the options and they are not transferrable.

- *Taxation* – The provision for income taxes and the composition of income tax assets and liabilities requires management's judgment. In determining these amounts, management interprets the applicable income tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future taxable profits, which affect the extent to which potential future tax benefits may be accrued. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows resulting from estimates of future production and sales volumes, commodity prices, mineral resources, operating costs and other capital management transactions. These judgments, estimates and assumptions are subject to risks and uncertainties, which may impact the actual amount of deferred income tax assets recognized in the Company's statement of financial position and the benefit of other tax losses and temporary differences not yet recognized.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and short-term investments with maturities at the point of purchase of 90 days or less or that are cashable after 30 days at the option of the Company. Interest from cash and cash equivalents is recorded on an accrual basis.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the Canadian dollar and the functional currency of all of the parent company's wholly-owned subsidiaries is the U.S. dollar. These consolidated financial statements are presented in U.S. dollars, which is the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on the settlement of monetary items denominated in currencies other than the functional currency are recognized in profit or loss in the statement of income in the period in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and subsidiary companies

The financial results and position of operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at the average exchange rates for the period.

Exchange differences are transferred directly to the consolidated statement of comprehensive loss and are included in a separate component of equity titled "Currency translation adjustment". These differences are recognized in profit or loss in the period in which the operation is disposed of.

(c) Mineral properties

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges and include:

- The fair value of exploration properties acquired;
- Development costs on an area of interest once management has determined the property has achieved technical feasibility and commercial viability. Development expenditure includes operating and site administration costs net of the proceeds of metal sales during the development phase;
- Development costs on a property after commercial production is achieved when it is probable that additional economic benefit will be derived from future operations.

Mining properties are depleted over the economic life of the property on a units-of-production basis based on mineral reserves and, where included in the mine plan, mineral resources.

(d) Plant and equipment

Plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment includes its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with dismantling and removing the asset.

Depreciation is provided at rates calculated to write off the cost of plant and equipment, less their estimated residual value, using the straight-line method or unit-of-production method over their expected useful lives using the following general methodology:

- buildings – ten years straight-line basis;
- furniture and fixtures – five years straight-line basis;
- machinery and equipment – either seven years straight-line or unit-of-production basis;
- surface mobile equipment – five years straight-line basis; and
- underground mobile equipment - unit-of-production basis.

An item of plant and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal, determined as the difference between the net disposal proceeds and the carrying value of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date when the asset is available for use.

(e) Exploration and evaluation expenses

Exploration and evaluation expenses are comprised of costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

All exploration and evaluation expenditures are expensed. When technical feasibility and commercial viability have been determined and the subsequent costs incurred for the development of that project are capitalized as mining properties, plant and equipment, as appropriate.

(f) Impairment

At each reporting period the Company assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, or when the decision to proceed with the development of a particular project is taken based on its technical and commercial viability, the Company estimates the recoverable amount of the asset or group of assets and compares it against the carrying amount. The recoverable amount is the higher of the fair value, less cost of disposal and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of comprehensive loss for the period.

In calculating the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset.

(g) Loss per share

Basic loss per share calculations are based on the net loss for the period divided by the weighted average number of common shares issued and outstanding during the respective periods.

Diluted loss per share calculations are based on the net loss attributable to common shareholders for the period divided by the weighted average number of common shares outstanding during the period plus the effects of dilutive common share equivalents. The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the in-the-money options and other dilutive instruments are used to repurchase common shares at the prevailing market rate.

(h) Financial assets

Upon initial recognition, all financial assets are initially recorded at fair value and designated into one of the following three categories: available-for-sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). The designation depends on the purpose for which the financial assets were acquired. The Company's cash and cash equivalents, amounts receivable, balance due from related parties and restricted cash are classified as loans and receivables. Financial assets classified as loans and receivables are measured at amortized cost.

(i) Financial liabilities

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

(j) Reclamation and remediation provision

Reclamation and remediation provisions arise due to legal or constructive obligations as a result of the Company's exploration, development and operating activities, and are recorded in the period in which the activity generating the liability is incurred. The estimated present value of such reclamation and remediation costs, calculated using a risk-free, pre-tax discount rate, are capitalized to the corresponding asset along with the recording of a corresponding liability as soon as the obligation to incur such cost arises. The liability is adjusted each year for the unwinding of the discount rate, changes to the current market-based discount rate and for the amount or timing of the underlying cash flows needed to settle the obligation. Changes in reclamation and remediation estimates are accounted for prospectively as changes in the corresponding capitalized cost.

(k) Income taxes

Income tax is recognized in net income (loss) for the period except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or equity, respectively. Deferred tax is provided using the balance sheet method whereby 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 measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on 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. A deferred tax asset is recognized for unused tax losses, tax credits 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.

(l) New accounting standards, amendments and interpretations

In January 2016, the IASB issued IFRS 16, Leases, which eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase lease assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for lease assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about lease assets and expenses and cash flows related to leases; (b) a maturity analysis of lease liabilities; and (c) any additional company-specific information that is relevant to satisfying the disclosure objective. IFRS 16 is effective from January 1, 2019 and can be applied before that date but only if IFRS 15 is also applied. The Company is currently assessing the effect of this standard on its financial statements. As at December 31, 2017, the Company has developed an understanding of the requirements of IFRS 16 but has not commenced analysis of existing arrangements or possible changes that may result from adoption of IFRS 16.

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. IFRS 9 also introduces a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt the standard beginning January 1, 2018. The Company is currently assessing the effect of this standard and its related amendments on its financial statements. At this stage, the Company does not expect this standard to have a material effect on its financial statements.

4. EMPIRE STATE MINES ACQUISITION

On December 30, 2016 the Company, through its wholly owned subsidiary Titan Mining (US) Corporation, completed the acquisition of Balmat Holdings Corp. ("Balmat") and its wholly owned subsidiary, St. Lawrence Zinc Company, LLC, which own the Empire State Mines, from Star Mountain Resources Inc. ("Star Mountain"). Star Mountain had previously acquired the same two entities from Hudbay Minerals Inc. ("Hudbay") on November 2, 2015. Pursuant to the agreement between the Company and Star Mountain (the "Purchase Agreement"), the Company acquired 100% of the issued and outstanding shares of Balmat from Star Mountain.

As consideration for the shares acquired, the Company:

- issued 2,968,900 shares of the Company to Star Mountain valued at $2,211,237 (CDN$1.00 per share);
- made a cash payment of $1,000,000 to Star Mountain which was completed on January 4, 2017 (Note 8a).
- issued Star Mountain a promissory note in the principal amount of $2,000,000, payable in four quarterly installments of $500,000 each (Note 8b).
- assumed $3,318,794 in debts owed to Augusta Investments Inc. ("Augusta") (a company controlled by the President and CEO of the Company) by Star Mountain for advances made on the Company's behalf by Augusta to settle certain liabilities of Star Mountain (Note 8c).;
- paid certain pre-closing liabilities on behalf of Star Mountain totaling $51,854 (subject to minor adjustments) (Note 8a); and
- assumed Star Mountain's remaining purchase obligations to Hudbay stemming from Star Mountain's acquisition of Balmat on November 2, 2015, which was fair valued at $7,500,000 (Note 8d).

(In United States Dollars unless otherwise indicated)

Purchase accounting

The transaction has been accounted for as an asset acquisition using the purchase method, rather than as a business combination, as the net assets acquired did not constitute a business under IFRS. The Company capitalized transaction costs of $346,385 as part of the acquisition bringing the total purchase price to $16,428,269 as follows:

Consideration		**Amount**
Shares issued on acquisition	$	2,211,237
Cash payment to Star Mountain		1,000,000
Note payable to Star Mountain		2,000,000
Note payable to Augusta Investments Inc.		3,318,794
Pre-closing liabilities paid on Star Mountain's behalf		51,854
Letter agreement to pay Hudbay		7,500,000
Capitalized transaction costs		346,384
Total purchase price	**$**	**16,428,269**

The total purchase price was allocated to the assets acquired and liabilities assumed on a relative fair value basis as follows:

Assets acquired and liabilities assumed		**Amount**
Cash	$	81,430
Prepaid expenses and deposits		164,588
Supplies inventory		311,310
Property, plant and equipment		25,019,791
Mineral interests		3,695,151
Restricted cash		1,662,870
Accounts payable and accrued liabilities		(395,539)
Reclamation and remediation provision		(14,111,332)
Total purchase price	**$**	**16,428,269**

Pre-emptive rights

In connection with the Purchase Agreement, the Company and Star Mountain also entered into an agreement under which Star Mountain received pre-emptive rights to purchase additional common shares in the Company, should the Company propose to issue any such additional shares and/or any securities exercisable, convertible or exchangeable for or into common shares of the Company (subject to certain exceptions), to maintain Star Mountain's 5% equity interest in the Company. This pre-emptive right terminates on the earlier of (a) the date that Star Mountain's ownership interest falls below 3% and (b) December 30, 2017. Shares offered to Star Mountain under this pre-emptive right are to be priced at the subscription price for the offering. The pre-emptive rights expired unexercised.

(In United States Dollars unless otherwise indicated)

5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	December 31, 2017	December 31, 2016
Cash	$ 25,167,611	$ 82,198
Short-term investments	-	8,074,730
Cash and cash equivalents	$ 25,167,611	$ 8,156,928

6. MINERAL PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties	Plant and Equipment	Land	Construction in progress	Total
Cost					
Balance at January 1, 2016	$ -	$ -	$ -	$ -	$ -
Acquisition of the Empire State Mines	3,695,151	23,938,344	1,081,447	-	28,714,942
Balance at December 31, 2016	3,695,151	23,938,344	1,081,447		28,714,942
Additions	-	1,046,669	-	4,536,804	5,583,473
Balance at December 31, 2017	3,695,151	$24,985,013	$ 1,081,447	$ 4,536,804	$ 34,298,415
Accumulated depreciation					
Balance at January 1, 2016	$ -	$ -	$ -	$ -	$ -
Depreciation	-	-	-	-	-
Balance at December 31, 2016	-	-	-	-	-
Depreciation expensed	-	978,732	-	-	978,732
Depreciation capitalized to CIP	-	197,769	-	-	197,769
Balance at December 31, 2017	-	$ 1,176,501	$ -	$ -	$ 1,176,501
Net Book Value at December 31, 2016	$ 3,695,151	$23,938,344	$ 1,081,447	$ -	$ 28,714,942
Net Book Value at December 31, 2017	$ 3,695,151	$23,808,512	$ 1,081,447	$ 4,536,804	$ 33,121,914

On November 1, 2017 the Company determined the technical and commercial feasibility of the Empire State Mines' #4 mine. Following an assessment that no impairment existed at that time, the Company transferred its mineral properties from being classified as exploration and evaluation assets accounted for under IFRS 6 to development assets.

7. RESTRICTED CASH

Restricted cash comprises funds held in escrow for the New York State Department of Environmental Conservation as assurance for the funding of future reclamation costs associated with the Company's reclamation and remediation obligations (Note 9). The funds are invested in a certificate of deposit which renews automatically for additional terms of one year or more.

(In United States Dollars unless otherwise indicated)

8. ACQUISITION OBLIGATIONS

Amounts outstanding with respect to the Company's acquisition of the Empire State Mines (Note 4) are as follows:

		December 31, 2017		December 31, 2016
Cash payable to Star Mountain upon closing (a)	$	-	$	1,051,854
Note payable to Star Mountain (b)		1,025,000		2,000,000
Note payable to Augusta (c)		-		3,318,794
Letter Agreement to pay Hudbay (d)		-		7,500,000
	$	1,025,000	$	13,870,648

a) Cash payable to Star Mountain upon closing

Paid when due on January 4, 2017.

b) Note payable to Star Mountain

The promissory note due to Star Mountain is payable in quarterly installments with $500,000 due three months, six months, nine months and twelve months after December 30, 2016. The first and second installments of $500,000 were paid on March 30, 2017 and June 30, 2017, respectively. The payment of the third installment of $500,000 due on September 30, 2017 was extended for a fee of $25,000 to the earlier of (a) five days from the date of the Company's IPO and (b) October 31, 2017.

At December 31, 2017, the $525,000 payment due October 24, 2017 and the $500,000 payment due December 30, 2017, remain outstanding pending the outcome of a claim brought against Star Mountain by Aviano Financial Group LLC ("Aviano"). The Company received notice on October 10, 2017 that Aviano, a creditor of Star Mountain, intended to amend a pre-existing action initially filed in February 2017 in Colorado against Star Mountain to collect debts owing by Star Mountain to Aviano aggregating approximately $800,000. The amended action of Aviano against Star Mountain was filed in the state of Colorado on October 12, 2017, adding claims for damages and a claim to set aside the conveyance of the Empire State Mines by Star Mountain to the Company alleging that it was a fraudulent conveyance. In addition, the Aviano notice stated that it intends to file an analogous action in New York alleging fraudulent conveyance, naming Star Mountain and the Company as defendants. As at the date hereof, no litigation has been commenced by Aviano against the Company. Pursuant to the Purchase Agreement, Star Mountain has agreed to indemnify the Company against certain claims including the proposed action by Aviano against the Company. On or about February 21, 2018, Star Mountain filed a Voluntary Petition for Non-Individuals Filing Bankruptcy in the United States Bankruptcy Court for the District of Arizona.

The Company believes that claim of fraudulent conveyance is wholly without merit and Star Mountain has informed the Company that Star Mountain believes that the claim of fraudulent conveyance is wholly without merit and that it intends to defend against the amended action and assert counterclaims against Aviano. Irrespective of the merits of the claim, if the fraudulent conveyance claim is resolved adversely against the Company or Star Mountain, this could materially adversely affect the Company by terminating its interest in the Empire State Mine Project and the Company's ability to develop the Empire State Mines. Such a result would have a significant negative impact on the Company and could have a material effect on these financial statements.

(In United States Dollars unless otherwise indicated)

c) Note payable to Augusta

As part of the acquisition the Company assumed $3,318,794 in debts from Star Mountain which were paid on the Company's behalf by Augusta. Concurrent with the closing of the acquisition the Company entered into a debenture agreement (the "Original Debenture") with Augusta whereby the amounts owed were to be paid on demand or December 31, 2017, if earlier. The Original Debenture bore interest at 12% per annum payable monthly in arrears. In August 2017 and September 2017, the Company entered into additional debenture agreements (the "Additional Debentures") to borrow up to an additional $800,000 from Augusta. The Additional Debentures had an upfront fee due upon funding of 2% and had the same terms and conditions as the Original Debenture. On October 20, 2017, Augusta was paid $4,475,552 representing the debenture principal of $4,118,794 plus interest and fees of $356,758.

d) Letter agreement to pay Hudbay

Concurrent with the closing of the acquisition of the Empire State Mines, the Company entered into a separate standalone agreement (the "Letter Agreement") with Hudbay that modified the options for payment of the remaining purchase price obligation owed to Hudbay under the 2015 purchase agreement between Hudbay and Star Mountain and assumed by the Company in its acquisition from Star Mountain. Under this Letter Agreement and in addition to the two repayment options already provided for in the 2015 Hudbay/Star Mountain agreement, the Company, at its option, can elect to:

i. make a one-time payment to Hudbay of $5,000,000 in cash on the earlier of: (a) the date the Company completes an initial public offering ("IPO") of its common shares; and (b) June 28, 2017; and

ii. issue to Hudbay, as soon as reasonably practicable after the IPO date, such number of common shares of Titan Mining that is equal to $2,500,000 divided by the per share price of the common shares issued in such IPO, for no additional consideration.

During the second quarter of 2017, Hudbay agreed to extend the timing of the payment of the $5,000,000 which was due on June 28, 2017 to October 31, 2017. As consideration for the extension, the Company increased the value of the common shares to be issued upon completion of an IPO from $2,500,000 to $3,000,000. The increased value has been recorded as an increase to the acquisition obligations of $500,000 with a corresponding expense.

On October 20, 2017, the Company paid Hudbay $5,000,000 in cash and issued 2,673,857 common shares of the Company (Note 10b).

9. RECLAMATION AND REMEDIATION PROVISION

	Year ended December 31, 2017	Year ended December 31, 2016
Balance, beginning of the year	$ 14,111,332	$ -
Initial recognition on acquisition Empire State Mines	-	14,111,332
Accretion	341,457	-
Change in estimates	245,392	-
Balance, end of the year	$ 14,698,181	$ 14,111,332

The Company recognized a provision of $14,111,332 for the historical reclamation and remediation obligations at the Empire State Mines upon its acquisition by the Company on December 30, 2016.

Although the ultimate amounts for future site reclamation and remediation are uncertain, the best estimate of these obligations is based on the information currently available, including current legislation, third party estimates, and management estimates. The amounts and timing of the mine closure obligations will vary depending on several factors including future operations and the ultimate life of the Empire State Mines, future economic conditions, and changes in applicable environmental regulations.

At December 31, 2017, the estimated future cash flows have been adjusted using an inflation rate of 2.0% (December 31, 2016 – 2.0%) and have been discounted using a discount rate of 2.40% (December 31, 2016 – 2.45%). At December 31, 2017, the total undiscounted amount for the estimated future cash flows is $19,494,923 (December 31, 2016 – $19,100,515).

10. SHARE CAPITAL

(a) Authorized capital

The Company's authorized share capital consists of an unlimited number of Class A common shares without par value.

(b) Issued and outstanding

At December 31, 2017 the Company had 101,970,757 common shares issued and outstanding (December 31, 2016 – 62,346,900 common shares).

On October 19, 2017, 35,750,000 common shares were issued at CDN$1.40 per share for gross proceeds of CDN$50,050,000 ($40,110,595) upon completion of the IPO. In connection with the IPO, on November 6, 2017, the Company issued another 1,200,000 common shares at CDN$1.40 per share for gross proceeds of CDN$1,680,000 ($1,318,061) upon the exercise of the over-allotment option by the underwriters. The Company incurred $3,568,370 in underwriting, professional and other costs in connection with the IPO of which $2,964,034 has been deducted from share capital and $604,336 expensed to the consolidated statements of loss and comprehensive loss.

On October 20, 2017, the Company issued 2,673,857 common shares at CDN$1.40 per share with a value of CDN$3,743,400 ($3,000,000) as part of the settlement of its acquisition obligation to Hudbay in accordance with the Letter Agreement (Note 8d).

During the twelve months ended December 2016 the Company issued 59,377,000 common shares in private placements for proceeds of $8,157,680 and 2,968,900 shares with a deemed value of $2,211,237 in relation to the acquisition of the Empire State Mines.

(c) Stock options.

The Company's stock option plan provides for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries. The exercise price of each option is determined by the Board of Directors but cannot be lower than the previous day's closing market price of the Company's shares on the date of grant. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Unless determined otherwise by the Board of Directors, the options expire within 5 years from the date of grant.

(In United States Dollars unless otherwise indicated)

For the year ended December 31, 2017, the Company recognized a stock-based compensation charge against income of $955,524 (December 31, 2016 – nil). The following table shows the change in the Company's stock options during the years ended December 31, 2017 and 2016:

	2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, start of the year	-	$ -	-	$ -
Granted	6,000,000	$ 1.40	-	-
Forfeited	(35,000)	$ 1.40	-	-
Balance, end of the year	5,965,000	$ 1.40	-	$ -

For the options granted in the year ended December 31, 2017, the weighted average fair value was estimated at $0.45 (CDN$ 0.60) per option based on the Black-Scholes option pricing model using the following weighted average assumptions:

Assumptions	2017	2016
Risk-free interest rate	1.02%	-
Expected life	5 years	-
Expected volatility(1)	71.59%	-
Grant date share price(2)	CDN$1.02	-
Expected dividend yield	0	-

(1) The expected volatility was based on comparable companies.

(2) The exercise price on 5,675,000 options originally granted at $1.00 was subsequently adjusted to $1.40 following the IPO

The following table provides information on outstanding and exercisable stock options at December 31, 2017.

		December 31, 2017		
Grant Date	Exercise price	Number of stock options outstanding	Weighted average remaining contractual life (years)	Number of stock options exercisable
June 1, 2017	$ 1.40	5,240,000	4.42	450,000
June 29, 2017	$ 1.40	400,000	4.50	200,000
October 11, 2017	$ 1.40	150,000	4.78	-
November 13, 2017	$ 1.35	175,000	4.87	-
		5,965,000		650,000

11. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management personnel for the year ended December 31, 2017 and 2016, were its Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Directors. The remuneration for the Company's key management for the year ended December 31, 2017 and 2016 comprised:

(In United States Dollars unless otherwise indicated)

	Year ended December 31, 2017	Year ended December 31, 2016
Salaries and benefits	$ 659,328	$ -
Other short-term benefits	8,747	18,860
Stock based compensation	799,627	-
	$1,467,702	$ 18,860

(b) Other related party transactions

In addition to the transactions described above and elsewhere in these consolidated financial statements the Company also had the following related party transactions:

The Company shares office space, equipment, personnel and various administrative services with other companies (Arizona Mining Inc. ("Arizona Mining"), NewCastle Gold Ltd (until December 22, 2017) and Armor Minerals Inc.) related to it by virtue of certain directors and management in common. These services have been mainly provided through a management company, 688284 BC Ltd. (the "Management Company"), equally owned by the related companies. Costs incurred by the Management Company are allocated between the companies based on time incurred and use of services and are charged at cost. The Company was charged for the following with respect to these arrangements in the years ended December 31, 2017 and 2016:

	Year ended December 31, 2017	Year ended December 31, 2016
Expenses reimbursement:		
Exploration and evaluation	$ 22,258	$ -
Investor relations	57,146	-
Office and administration expenses	204,607	7,395
Professional fees	98,991	-
Salaries and benefits	867,980	-
	$ 1,250,982	$ 7,395

Other assets of $100,474 (December 31, 2016 – $nil) relate to the Company's share of jointly owned assets (primarily leasehold improvements and furniture and equipment) held by the management company.

At December 31, 2017 accounts receivable included $40,846 outstanding (2016 - $nil) with respect to these arrangements and an amount payable to Arizona Mining of $3,292 (December 31, 2016 - $2,635), related to the reimbursement of expenses incurred on the Company's behalf.

The Company began prospecting for base metals in an area of New Mexico in 2017 after being introduced to the area pursuant to an agreement with Arizona Mining. The agreement enables the Company to explore the area and take title to any claims subject to a back-in right whereby Arizona Mining can acquire a 60% interest in the claims on payment of two times the exploration expenditures at that time. The right is exercisable on the earlier of the Company expending $2.5 million on exploration or three years.

(In United States Dollars unless otherwise indicated)

12. FINANCIAL INSTRUMENTS

(a) Designation and valuation of financial instruments

The Company's financial instruments and their designation as at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 25,167,611	$ 8,156,928
Accounts receivable	186,559	1,229
Total financial assets	$ 25,354,170	$ 8,158,157
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	$ 3,631,426	$ 806,691
Acquisition obligations	1,025,000	13,870,648
Total financial liabilities	$ 4,656,426	$ 14,677,339

The book value of the Company's financial instruments approximates their fair values because of the short-term maturity of these financial instruments.

(b) Financial risk

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The Company manages risks to minimize potential losses. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk with respect to its cash and cash equivalents and accounts receivable. The Company's maximum exposure to credit risk is the amount disclosed in the consolidated statements of financial position. Credit risk associated with cash and cash equivalents is minimized by placing the majority of these instruments with major Canadian financial institutions with strong investment-grade ratings as determined by a primary ratings agency. Credit risk associated with accounts receivable is minimal due to the immaterial nature of these receivables.

Liquidity risk

Liquidity risk represents the risk that the Company will be unable to meet its obligations associated with its financial liabilities. The Company endeavours to manage its liquidity risk by maintaining sufficient readily available cash in order to meet its liquidity requirements at any point in time.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risk: price risk, interest rate risk and currency risk.

Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is considered insignificant due to the low interest rates in the current economic environment and short-term nature of its holdings and as such the Company does not take any actions to manage interest rate risk.

Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Company's functional currency. The Company incurs expenditures in Canadian and U.S. dollars with the majority of the expenditures being incurred in U.S. dollars to support the operations of the Empire State Mine. The Company does not consider the currency risk to be material to the future operations of the Company and as such does not have a hedging program or any other programs to manage currency risk.

As the functional currency of the parent company is Canadian dollars, currency risk arises from financial instruments denominated in U.S. dollars that are held at the parent company level. Conversely for the Company's subsidiaries whose functional currency is U.S. dollars, currency risk arises from financial instruments denominated in Canadian dollars that are held at the subsidiary company level.

The Company's financial instruments denominated in currencies that are not the U.S. dollar as at December 31, 2017 and 2016 are:

	December 31, 2017		December 31, 2016	
	Canadian dollar	U.S. dollar equivalent	Canadian dollar	U.S. dollar equivalent
Cash and cash equivalents	$ 21,724,896	$17,316,915	$ 10,842,514	$ 8,075,504
Accounts receivable	218,724	174,345	1,650	1,229
Accounts payable and accrued liabilities	(963,259)	(767,813)	(242,083)	(180,299)
Net exposure	$ 20,980,361	$16,723,447	$ 10,602,081	$ 7,896,434

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would have resulted in an approximate $1,672,344 (December 31, 2016 - $789,643) decrease or increase in the Company's comprehensive loss, respectively.

(In United States Dollars unless otherwise indicated)

13. 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 pursue the development and exploration of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk.

The capital structure of the Company currently consists of common shares and the balance of the Acquisition Obligations. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, its expected funding requirements, and risk characteristics of the underlying assets. The Company's funding requirements are based on cash forecasts. In order to maintain or adjust the capital structure, the Company may issue new debt, new shares and/or consider strategic alliances. Management reviews its capital management approach on a regular basis. There were no changes in the Company's approach to capital management and the Company is not subject to any externally imposed capital requirements.

14. INCOME TAXES

The provision for income taxes reported differs from the amount computed by applying the cumulative Canadian Federal and Provincial income tax rates to the loss before the tax provision due to the following:

	Year ended December 31, 2017	Year ended December 31, 2016
Net loss for the year	$ (11,031,348)	$ (66,394)
Statutory income tax rate	26%	26%
Expected income tax recovery	(2,868,151)	(17,262)
Differences in tax rates	(1,024,294)	-
Impact of tax reform in U.S.	918,710	-
Permanent differences	268,761	50
Temporary differences not recognized	2,704,974	17,212
	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. At December 31, 2017, the Company had unrecognized Canadian tax loss carry forwards of approximately C$3,777,000 and unrecognized US tax loss carry forwards of approximately $3,950,000, which expire in 2036 and 2037. At December 31, 2017, the Company also had Canadian deductible temporary differences of approximately C$2,970,000 with respect to financing fees and expenses and US deductible temporary differences of approximately $3,460,000 primarily with respect to mining property, plant and equipment and exploration and evaluation expenditures both for which no deferred tax asset has been recognized. The deductible temporary differences do not expire under current legislation.

At December 31, 2016 the Company's unrecognized deductible temporary differences and tax loss carry forwards for which no deferred tax asset was recognized consisted of tax loss carry forwards of $92,288,000. Following an assessment of the tax implications of the acquisition of the Empire State Mines by the Company, during 2017 the Company filed a section 338 election in the U.S. that resulted in a step-up of the tax basis of the assets acquired with the resultant effective use of the net operating loss carry forwards at that time.

(In United States Dollars unless otherwise indicated)

15. COMMITMENTS AND CONTINGENCIES

The Company's commitments as at December 31, 2017 and their approximate timing of payment are as follows:

	2018	2019-2020	2021-2022	2023+	Total
Accounts payable and accrued liabilities	$ 3,631,426	$ -	$ -	$ -	$3,631,426
Acquisition obligations (Note 8)	1,025,000	-	-	-	1,025,000
Operating lease obligations	229,246	458,492	288,875	-	976,613
Advance royalties on mineral rights	36,708	36,708	36,708	36,708	146,832
	$ 4,922,380	$495,200	$ 325,583	$36,708	$5,779,871

On or about March 12, 2018, the Company received a letter from legal counsel to SGS Acquisition Company Limited ("SGS") dated March 9, 2018. The letter states that in 2016 SGS filed an action in the U.S. District Court for the District of Colorado against certain parties and Star Mountain. The Company is not a named party in this case. SGS alleges the Company (a) has obligations to SGS under mutual indemnification provisions to Star Mountain for the breach of any representations, warranties or breaches of covenants under the Purchase Agreement and (b) failed to conduct its due diligence in connection with the Purchase agreement, which interfered with SGS's ability to recover from Star Mountain. SGS is not a party the Purchase Agreement. SGS states that "the net economic benefits lost to SGS resulting from Star Mountain's acts, and by extension, the Company, amount to approximately $28.3 million." The Company believes these claims are wholly without merit.

16. SEGMENTED INFORMATION

The Company operates in one reportable segment being the acquisition, exploration and development of mineral properties. All of the Company's non-current assets are located in the United States other than other assets of $100,474, which are located in Canada.

17. SUBSEQUENT EVENT

On February 26, the Company announced that it has concluded an offtake agreement with Glencore Ltd. for 100% of the zinc concentrate from its Empire State Mines' #4 mine. The long-term contract will commence on the first production of concentrate from the mine.