NICKEL NORTH EXPLORATION CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(Unaudited –Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

The accompanying unaudited interim financial report of the Company has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report in accordance with securities legislation and the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NICKEL NORTH EXPLORATION CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	September 30, 2017	December 31, 2016 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 189,978	$319,006
Sales tax recoverable and other receivables		10,476	5,980
Prepaid expenses and deposits		8,439	6,490
Restricted cash	5	28,750	28,750
Total current assets		237,643	360,226
Equipment	6	8,043	5,500
Exploration and evaluation assets	7	10,968,366	10,903,880
Total assets		$ 11,214,052	$11,269,606
LIABILITIES AND EQUITY			
Current liabilities			
Accounts and other payables	8/10	$ 19,848	$124,914
Loan payable	10	612,049	302,959
Total current liabilities		631,897	427,873
Deferred income tax liabilities		439,993	439,993
Total liabilities		1,071,890	867,866
Equity			
Share capital	9	11,101,459	11,101,459
Contributed surplus		736,112	736,112
Deficit		(1,695,409)	(1,435,831)
Total equity		10,142,162	10,401,740
Total liabilities and equity		$ 11,214,052	$11,269,606

Going concern (Note 2)

The financial statements were approved and authorized for issue by the board of directors on November 27, 2017 and were signed on behalf by:

" Jingbin Wang" — Director

"Yingting Guo" — Director

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

NICKEL NORTH EXPLORATION CORP.
CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2017 AND 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
EXPENSES					
Accounting and audit		$ 3,500	$ -	$ 17,500	$ 16,500
Bank charges and interest		12,433	460	24,679	943
Consulting fees	10	32,519	22,727	77,056	67,853
Depreciation		36	77	36	475
Legal		6,805	7,412	18,195	12,964
Media and conference		2,306	1,816	4,121	4,059
Office administration and miscellaneous		5,301	10,333	25,228	36,276
Transfer agent and filing fees		8,429	4,228	15,458	13,425
Travel and promotion		136	-	247	4
Wages and benefits		27,886	24,117	78,236	74,938
		(99,351)	(71,170)	(260,756)	(227,437)
OTHER ITEMS					
Interest and other income		560	887	1,178	968
Net and comprehensive loss for the period		$ (98,791)	$ (70,283)	$ (259,578)	$ (226,469)
Basic and diluted loss per common share	9	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding		76,518,747	76,518,747	76,518,747	76,518,747

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

NICKEL NORTH EXPLORATION CORP.
CONDENSED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, January 1, 2016	76,518,747	$ 11,101,459	$ 736,112	$(1,242,429)	$ 10,595,142
Comprehensive loss for the period	-	-	-	(226,469)	(226,469)
Balance, September 30, 2016	76,518,747	$11,101,459	$ 736,112	(1,468,898)	10,368,673
Comprehensive income for the period	-	-	-	33,067	33,067
Balance, December 31, 2016	76,518,747	$ 11,101,459	$ 736,112	$(1,435,831)	$ 10,401,740
Comprehensive loss for the period	-	-	-	(259,578)	(259,578)
Balance, September 30, 2017	76,518,747	$ 11,101,459	$ 736,112	$(1,695,409)	$ 10,142,162

The accompanying notes are an integral part of these condensed interim financial statements

NICKEL NORTH EXPLORATION CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JUNE 30, 2017 AND 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	$ (259,578)	$ (226,469)
Items not affecting cash:		
Depreciation	36	475
Accrued interest on loan	23,935	-
Changes in non-cash working capital items:		
Sales tax recoverable and other receivables	(4,496)	142,953
Prepaid expenses and deposits	(1,949)	(2,021)
Account and other payables	(24,701)	6,089
Net cash from (used in) operating activities	(266,753)	(78,973)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Exploration and evaluation assets, net	(144,851)	(5,101)
Purchase equipment	(2,579)	-
Net cash from (used in) investing activities	(147,430)	(5,101)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Loan from related party	285,155	-
Net cash provided by financing activities	285,155	-
Change in cash and cash equivalents during the period	(129,028)	(84,074)
Cash and cash equivalents, beginning of the period	319,006	177,862
Cash and cash equivalents, end of the period	$ 189,978	$ 93,788

Supplemental cash flow information (Note 11)

1. NATURE OF BUSINESS

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

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

2. BACKGROUND AND BASIS OF PREPARATION

Basis of preparation

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standard Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all of the disclosures required for a completed set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of measurement

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

Functional and presentation currency

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

Going concern

The Company is an exploration stage company. At present, the Company's operations do not generate cash flow. As at September 30, 2017, the Company had a working capital deficiency of $394,254 and an accumulated deficit of $1,695,409. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in the near future, which raises significant doubt about the Company's ability to continue as a going concern. The directors, after reviewing the current cash position and having considered the Company's ability to raise funds in the short term, believe that the going concern basis is appropriate in preparing its financial statements.

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

Use of estimates and judgements

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

2. BACKGROUND AND BASIS OF PREPARATION (continued)

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

i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these assets. The assessment of indications of impairment and the measuring of the recoverable amount when impairment tests have been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

ii) The determination of the fair value of stock options or warrants using stock option pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

v) The recognition of provisions for restoration, rehabilitation and environmental obligations.

vi) The determination of fair value of the liability component at the date of issuance of the convertible debt is based on a discounted cash flow model which requires management to estimate the current market interest rate that the Company could have obtained for a similar secured loan without a conversion option. Application of a different rate in the model could result in a different initial fair value of the liability component which would impact future interest accretion throughout the life of the liability.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the Company's annual financial statements for the year ended December 31, 2016 were consistently applied to all the periods presented unless otherwise noted below.

New accounting standards issued but not yet effective

New accounting standards effective January 1, 2018

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

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

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

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

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

(Expressed in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016
Cash	$ 39,978	$ 19,006
Guaranteed investment certificates	150,000	300,000
	$ 189,978	$ 319,006

As at September 30, 2017, the Company's guaranteed investment certificate of $150,000 bore interest at 0.8% per annum and matures in 2018.

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

5. RESTRICTED CASH

The Company has provided corporate credit cards to its directors with a credit limit totalling $25,000 to pay the Company's expenses. As collateral for the credit cards, the Company has a one-year term deposit of $28,750 earning annual interest at the prime rate minus 2% per annum. As at September 30, 2017, the credit cards had a payable balance of $3,863 (December 31, 2016 – $152) in total.

6. EQUIPMENT

		Office Equipment
Cost		
Balance as at January 1, 2016	$	12,521
Addition		-
Balance as at December 31, 2016		12,521
Addition		2,579
Balance as at September 30, 2017	$	15,100
Accumulated depreciation		
Balance as at January 1, 2016	$	6,546
Depreciation for the year		475
Balance as at December 31, 2016		7,021
Depreciation for the period		36
Balance as at September 30, 2017	$	7,057
Net book value		
Net book value as at December 31, 2016	$	5,500
Net book value as at September 30, 2017	$	8,043

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

	January 1, 2016	Additions	December 31, 2016	Additions	September 30, 2017
Hawk Ridge Property, Quebec					
Acquisition costs					
Option payments	$ 2,817,657	$ -	$ 2,817,657	$ -	$ 2,817,657
Other property costs	164,061	8,984	173,045	34,240	207,285
	2,981,718	8,984	2,990,702	34,240	3,024,942
Exploration costs					
Accommodation/camp	654,291	-	654,291	-	654,291
Assays	578,844	8,774	587,618	7,146	594,764
Drilling	1,828,044	81,100	1,909,144	10,000	1,919,144
Field supplies	856,650	(33,400)	823,250	-	823,250
Geological consulting	2,468,806	13,250	2,482,056	5,600	2,487,656
Miscellaneous	303,553	18,000	321,553	7,500	329,053
Transportation	1,738,942	-	1,738,942	-	1,738,942
Travel	363,763	1,500	365,263	-	365,263
	8,792,893	89,224	8,882,117	30,246	8,912,363
Exploration prepayment	-	-	-	-	-
Mining exploration tax credits	(1,222,763)	5,532	(1,217,231)	-	(1,217,231)
Balance, end of the period	10,551,848	103,740	10,655,588	64,486	10,720,074
Nairn Property, Ontario					
Acquisition costs	242,182	-	242,182	-	242,182
Exploration costs					
Geological consulting	650	-	650	-	650
Miscellaneous	4,180	1,280	5,460	-	5,460
Balance, end of the period	247,012	1,280	248,292	-	248,292
Total balance, end of the period	$ 10,798,860	$ 105,020	$ 10,903,880	$ 64,486	$ 10,968,366

7. EXPLORATION AND EVALUATION ASSETS (continued)

Hawk Ridge Property:

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

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

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

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

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

The exploration expenditures incurred on the property in Quebec are entitled to certain Quebec mining exploration tax credits. As at June 30, 2017, all eligible Quebec mining exploration tax credits have been claimed and received.

Nairn Property:

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

(Expressed in Canadian Dollars)

8. ACCOUNTS AND OTHER PAYABLES

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

	September 30, 2017	December 31, 2016
Accounts payable	$ 735	$ 2,412
Accrued expenses	15,250	122,350
Other payable	3,863	152
	$ 19,848	$ 124,914

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

9. SHARE CAPITAL

Authorized

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

Shares issued and outstanding

	Note	Number of Common Shares	$
Balance, January 1, 2016, December 31, 2016 and September 30, 2017		76,518,747	11,101,459

During the nine months period ended September 30, 2017, the Company had no common share transactions.

During the year ended December 31, 2016, the Company had no common share transactions.

Basic and diluted loss per share

The calculation of basic loss per share for the nine months ended September 30, 2017 was based on net loss of $259,578 (September 30, 2016 –$226,469), attributable to common shareholders and a weighted average number of common shares outstanding of 76,518,747 (~~June~~ September 30, 2016 – 76,518,747). Diluted loss per share was calculated in a manner similar to basic loss per share except the weighted average number of shares outstanding is increased to include the assumed exercised of in-the-money stock options, warrants, and agent's warrants, if dilutive.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Stock options

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

During nine months ended September 30, 2017 and during the years ended December 31, 2016, no stock options were granted.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, Outstanding and Exercisable at January 1, 2016	539,750	$ 0.20
Forfeited	(212,500)	$ 0.20
Balance, Outstanding and Exercisable at December 31, 2016	327,250	$ 0.20
Expired	(327,250)	
Balance, Outstanding and Exercisable at September 30, 2017	-	$ -

No options to acquire common shares were outstanding and exercisable at September 30, 2017.

Warrants

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

During nine months ended September 30, 2017 and during the years ended December 31, 2016, the Company did not issue any warrants.

The Balance of the outstanding and exercisable warrants of the Company as at January 1, 2016, December 31, 206 and September 30, 2017 is nil.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into the following related party transactions for the nine months period ended September 30, 2017 and 2016:

a) Incurred consulting fees of $39,000 (September 30, 2016 - $29,250) from a company controlled by the Chief Executive Officer ("CEO") of the Company.

b) Incurred corporate consulting fees of $22,500 (September 30, 2016 - $22,500) from an affiliated company.

c) Incurred office and administration fees of $6,000 (September 30, 2016 - $18,000) from a company with directors in common.

d) On November 2, 2016, the Company entered into a loan agreement with an affiliated company (the "Lender"). The principal of the loan was $300,000 and the loan took effect on November 15, 2016. The loan is unsecured, bears interest at 8% per annum and matured on December 31, 2016. On December 30, 2016, the Company entered into an amendment agreement with the Lender to extend the repayment term of the loan from December 31, 2016 to June 30, 2017. Pursuant to the amendment, the $2,959 of accrued interest on the $300,000 loan, will be included in the aggregate principal sum and bear interest at a rate of 8% per annum. All other terms and conditions of loan agreement dated November 2, 2016 entered into between the Company and the Lender remain in force. On June 28, 2017, the Company and the Lender agreed to further extend the repayment term of the loan to the Company to June 30, 2018, while also increasing the principal amount of the loan to $600,000 (the "Principal Amount"). The Principal Amount comprises the initial amount of the loan, interest accrued on the loan, and the remaining amount that will be advanced to the Company. The Principal will bear interest at a fixed rate of 8% per annum. As of December 31, 2016, the loan payable balance is $302,959. As of September 30, 2017, the loan payable balance is $612,049.

e) Incurred director fees of $15,556 (September 30, 2016 - $15,939) from the directors of the Company.

f) Included in account and other payables is $13,029 (December 31, 2016 - $43,350) due to directors, officers and companies controlled by directors and officers for services rendered and unpaid director fees. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management includes directors (executive and non-executive) and senior officers of the Company, including the CEO and Chief Financial Officer. The compensation paid or payable to key management personnel for the nine months ended September 30, 2017 and 2016 are as follows:

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Wage and consulting fees	$ 132,793	$ 120,127

(Expressed in Canadian Dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

Significant non-cash investing and financing transactions

There were no significant non-cash investing or financing transactions for the nine months ended September 30, 2017 and for the nine months ended September 30, 2016.

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the exploration and evaluation of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, and acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management.

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

13. FINANCIAL INSTRUMENTS

Fair values

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

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

		September 30, 2017	December 31, 2016
FVTPL	(i)	$ 218,728	$ 347,756
Other financial liabilities	(ii)	$ 631,897	$ 427,873

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

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (continued)

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

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

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

	Level 1	Level 2	Level 3	Total September 30, 2017
Cash and cash equivalents	$ 189,978	$ -	$ -	$ 189,978
Restricted cash	$ 28,750	$ -	$ -	$ 28,750

Financial risk management

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. As at September 30, 2017, the Company had a working capital deficiency of $394,254 (December 31, 2016 – working capital deficiency of $67,647). All of the Company's financial liabilities are classified as current.

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

Significant contractual obligations in years subsequent to September 30, 2017 are as follows:

	Carrying value	Contractual cash flows	< 1 year	1 – 3 years
Accounts and other payables	$ 19,848	$ 19,848	$ 19,848	$ -
Loan payable	$ 612,049	$ 612,049	$ 612,049	$ -

Interest rate risk

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