



## CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended  
December 31, 2017 and 2016

(Expressed in Canadian dollars)



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GPM Metals Inc.

We have audited the accompanying consolidated financial statements of GPM Metals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in 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.

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

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

### *Opinion*

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

### *Emphasis of Matter*

Without qualifying our audit opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
April 26, 2018  
Toronto, Ontario

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## **Management`s Responsibility for Consolidated Financial Statements**

The accompanying audited consolidated financial statements of GPM Metals Inc. (the `Company` or `GPM`) are the responsibility of management and the Board of Directors.

The audited consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the audited consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the audited consolidated financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the audited consolidated financial statements and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the audited consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the audited consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company`s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) Peter Mullens  
Peter Mullens  
Chief Executive Officer

(signed) Paul Murphy  
Paul Murphy  
Chief Financial Officer

Toronto Canada  
April 26, 2018

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**GPM METALS INC.****Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)**

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	As at December 31, 2017	As at December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 231,889	\$ 1,827,393
Short-term investments (note 5)	21,853	25,000
Accounts receivable and other assets (note 6)	66,189	110,823
<b>Total current assets</b>	<b>319,931</b>	<b>1,963,216</b>
<hr/>		
<b>Total assets</b>	<b>\$ 319,931</b>	<b>\$ 1,963,216</b>
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<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities	\$ 313,826	\$ 468,377
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<b>Capital, reserves and deficit</b>		
Share capital (note 7)	23,439,480	23,439,480
Capital surplus	14,738,742	13,554,655
Warrant reserve (note 9)	-	518,549
Deficit	(38,172,117)	(36,017,845)
<b>Total capital, reserves and deficit</b>	<b>6,105</b>	<b>1,494,839</b>
<b>Total liabilities and equity</b>	<b>\$ 319,931</b>	<b>\$ 1,963,216</b>

**Nature of operations and going concern** (note 1)

**Subsequent events** (note 16)

**Approved on behalf of the Board:**

(Signed) \_\_\_\_\_, Director

(Signed) \_\_\_\_\_, Director

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**GPM METALS INC.****Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)**

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	Year Ended December 31,	
	2017	2016
<b>Operating expenses</b>		
General and administrative (note 11)	\$ 1,060,939	\$ 1,631,650
Foreign exchange (gain/loss)	32,397	39,206
Exploration and evaluation expenditures (note 13)	1,064,029	3,110,508
Amortization	-	4,548
<b>Operating Loss</b>	<b>(2,157,365)</b>	<b>(4,785,912)</b>
Interest income	6,240	10,154
Gain on sale of properties (note 13 (d))		4,389,852
FV adjustment on short-term investments	<b>(3,147)</b>	<b>7,500</b>
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (2,154,272)</b>	<b>\$ (378,406)</b>
<b>Basic and diluted net loss per common share</b> (note 10)	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b> basic (note 10)	<b>90,233,118</b>	<b>69,449,828</b>

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The notes to the consolidated financial statements are an integral part of these statements

# GPM METALS INC.

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended December 31	
	2017	2016
<b>Operating activities</b>		
Net income (loss) for the year	\$ (2,154,272)	\$ (378,406)
Adjustments for non-cash items:		
Amortization	-	4,548
Gain on sale of properties (note 13(d))	-	(4,400,000)
Realized foreign exchange (gain)/loss	(32,397)	(39,206)
FV adjustment on short-term investments	3,147	(7,500)
Share based payments (note 8)	665,539	919,761
Non-cash working capital items:		
Accounts receivable and other assets	44,634	410,969
Amounts payable and other liabilities	(154,552)	86,721
<b>Net cash used in operating activities</b>	<b>(1,627,901)</b>	<b>(3,403,113)</b>
<b>Financing activities</b>		
Proceeds from private placement warrants	-	4,120,387
Broker warrants from private placement	-	37,414
Proceeds from exercise of options	-	32,500
Net cash provided by financing activities	-	4,190,301
<b>Net change in cash</b>	<b>(1,627,901)</b>	<b>787,189</b>
<b>Cash, beginning of year</b>	<b>1,827,393</b>	<b>1,000,998</b>
<b>Effect of foreign exchange rate fluctuation on cash held</b>	<b>32,397</b>	<b>39,206</b>
<b>Cash, end of year</b>	<b>\$ 231,889</b>	<b>\$ 1,827,393</b>

The notes to the consolidated financial statements are an integral part of these statements

**GPM METALS INC.****Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)**

	Share capital (note 7)	Reserves		Deficit	Total
		Capital surplus	Warrant reserve (note 9)		
Balance, December 31, 2015	\$23,718,447	\$ 8,087,678	\$4,996,495	\$ (35,639,439)	\$ 1,163,181
Share based payments (note 8)	-	919,761	-	-	919,761
Warrants cancelled	-	4,561,816	(4,561,816)	-	-
Special warrants issued for private placement	-	-	4,120,387	-	4,120,387
Shares issued on exercise of special warrants (note 9)	4,001,889	-	(4,001,889)	-	-
Shares issued on exercise of broker warrants	72,044	-	(34,630)	-	37,414
Shares issued on exercise of options	47,100	(14,600)	-	-	32,500
Return of capital (note 7)	(4,400,000)	-	-	-	(4,400,000)
Net loss and comprehensive loss for the year	-	-	-	(378,406)	(378,406)
Balance, December 31, 2016	\$23,439,480	\$13,554,655	\$ 518,549	\$ (36,017,845)	\$ 1,494,839

	Share capital (note 7)	Reserves		Deficit	Total
		Capital surplus	Warrant reserve (note 9)		
<b>Balance, December 31, 2016</b>	<b>\$23,439,480</b>	<b>\$13,554,655</b>	<b>\$ 518,549</b>	<b>\$(36,017,845)</b>	<b>\$ 1,494,839</b>
Share based payments (note 8)	-	665,538	-	-	665,538
Warrants expired	-	518,549	(518,549)	-	-
Net loss and comprehensive loss for the year	-	-	-	(2,154,272)	(2,154,272)
<b>Balance, December 31, 2017</b>	<b>\$23,439,480</b>	<b>\$ 14,738,742</b>	<b>\$ -</b>	<b>\$(38,172,117)</b>	<b>\$ 6,105</b>

The notes to the consolidated financial statements are an integral part of these statements

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# **GPM METALS INC.**

## **Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)**

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### **1. Nature of operations and going concern**

GPM Metals Inc. (the "Company" or "GPM") was incorporated under the Alberta Business Corporation Act on March 16, 1994 under the name of Minera Sierra Madre Inc. Effective December 15, 1999, the Company changed its name to MSA Capital Corp. and, subsequently, on October 28, 2002, changed its name to Coronation Minerals Inc. On April 5, 2004, the Company filed articles of continuance and was continued under the Business Corporations Act (Ontario). On August 17, 2009, the Company announced that it had filed articles of amendment to change its name to Guyana Precious Metals Inc. Effective August 27, 2013, the Company changed its name to GPM Metals Inc. The primary office is located at 141 Adelaide Street West, Suite 1101, Toronto, Ontario, M5H 3L5.

The Company is a development stage entity that does not generate operating revenues and has limited financial resources. The Company is subject to risks and challenges similar to companies in a comparable stage of development. These risks include the availability of capital and risks inherent in the mining industry related to development, exploration and operations as well as global economic risks and commodity price volatility. The underlying value of the Company's mineral properties are entirely dependent on the Company's ability to obtain the necessary permits to operate and secure the required financing to complete development of and establish future profitable production from its mineral assets, or the proceeds from the disposition of its mineral properties.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations for the next twelve months from December 31, 2017. At December 31, 2017, the Company had not yet achieved profitable operations, had an accumulated deficit of \$38.2 million since inception (December 31, 2016, \$36.0 million) and expects to incur further losses in the development of its business.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its ongoing corporate overhead expenditures as well as advance the exploration of its claims and development of its projects. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to do so in the future or that such arrangements will be on terms advantageous to the Company. These material uncertainties cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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

### **2. Significant accounting policies**

#### *(a) Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2017. The Board of Directors approved the statements on April 26, 2018.

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## **GPM METALS INC.**

### **Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)**

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#### **2. Significant accounting policies (continued)**

##### *(b) Recent accounting pronouncements*

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also required a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date is January 1, 2018. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The Company is currently assessing the impact on the financial statements.

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16"), which replaces IAS 17 – Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. The Company is assessing the potential impact of this standard.

##### *(c) Basis of presentation*

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2.

##### *(d) Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statement of income and comprehensive income from the date that control commences until it ceases, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

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## GPM METALS INC.

### Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

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#### 2. Significant accounting policies (continued)

*(d) Basis of consolidation (continued)*

The following companies have been consolidated within the consolidated financial statements:

<b>Corporation</b>	<b>Country of Incorporation</b>	<b>Principle activity</b>
GPM Metals Inc.	Canada	Parent company
1901743 Ontario Inc. <sup>(1)</sup>	Canada	Holding company
DPG Resources Australia Pty Ltd <sup>(2)(4)</sup> . (note 13d)	Australia	Exploration Company
Guyana Precious Metals (Barbados) Inc. <sup>(1)</sup>	Barbados	Holding Company
Chaska Resources SAC <sup>(3)(5)</sup>	Peru	Exploration company

(1) 100% owned by GPM

(2) 100% owned by 1901743 Ontario Inc.

(3) 100% owned by Guyana Precious Metals (Barbados) Inc.,

(4) Also referred to as DPG Resources Inc. throughout these financial statements

(5) Also referred to as Chaska throughout these financial statements

*(e) Foreign currencies*

The functional currency for the Company and its subsidiaries, as determined by management, is the Canadian Dollar. For the purpose of the consolidated financial statements, the results of operations and financial position are expressed in Canadian Dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognized in the consolidated statement of loss and comprehensive loss.

*(f) Financial Instruments*

Financial assets:

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss (FVTPL)', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value.

Financial assets classified as FVTPL are subsequently measured at fair value on each subsequent reporting date with movements in fair value recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities:

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

All financial liabilities including borrowings are initially measured at fair value.

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# GPM METALS INC.

## Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

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### 2. Significant accounting policies (continued)

Financial liabilities: (continued)

Financial liabilities classified as 'FVTPL' are subsequently measured at fair value on each subsequent report date with movements in fair value recognized in the statement of loss and comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on the consolidated statement of loss and comprehensive loss on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

*De-recognition of financial liabilities:*

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

Transaction costs associated with FVTPL financial assets and financial liabilities are expensed as incurred while transaction costs associated with all other financial assets and financial liabilities are included in the initial carrying value of the financial asset and financial liability.

The Company's financial instruments consist of the following;

<b>Financial assets:</b>	<b>Classification:</b>
Cash	FVTPL
Short-term investments	FVTPL

  

<b>Financial liabilities:</b>	<b>Classification:</b>
Accounts payable and other liabilities	Other financial liabilities

*Financial instruments recorded at fair value:*

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As at December 31, 2017 and December 31, 2016, the fair value of the financial liabilities approximates the carrying value, due to the short term nature of the instruments.

As of December 31, 2017 and December 31, 2016, cash and the Company's investment in Prophecy Coal Corp. ('Prophecy Coal') (note 5) are recorded at fair value and are considered as Level 1 financial instruments. As at December 31, 2017, Prophecy Coal common shares are carried at a fair value of \$21,853. (December 31, 2016 \$25,000)

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## **GPM METALS INC.**

### **Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)**

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#### **2. Significant accounting policies (continued)**

##### *(g) Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

##### *(h) Exploration and evaluation expenditures*

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditure will be capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit. If an exploration property is disposed of any, consideration is reflected as a gain on disposition.

##### *(i) Cash*

Cash in the statements of financial position comprise cash at banks and on hand.

##### *(j) Provisions*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions or onerous contracts at December 31, 2017 and December 31, 2016.

##### *(k) Common shares (share capital) and subscriber warrants*

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Subscriber warrants are classified within warrant reserve. Where common shares and subscriber warrants are offered together (as a "unit") the Corporation allocates the consideration received per unit, net of any issuance costs, to the common shares and subscriber warrants based on their relative fair values. The fair value of warrants is measured using a Black-Scholes option pricing model.

##### *(l) Share based payment transactions*

Share based payments to employees:

The company measures share based payments to employees at the fair value of the options at the grant date. The fair value of share options granted to employees is recognized as an expense over the vesting or service period with a corresponding increase in equity. The fair value of the options granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted. At each financial reporting

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## **GPM METALS INC.**

**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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### **2. Significant accounting policies (continued)**

Share based payments to employees (continued)

date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

Share based payments to non-employees:

The Company measures share based payments to non-employees at the fair value of the goods or services received at the date of receipt of the goods or services. The fair value of share options granted to non-employees is recognized as an expense over the period the services have been provided. If the fair value of the goods or services cannot be measured reliably, the fair value of the options granted will be used, measured using the Black-Scholes option-pricing model.

#### *(m) Warrants*

Special warrants give the holder the right to purchase a set number of shares for a fixed price on or before the warrant's expiration date.

Warrants are cancelled on their given expiration date. Expired warrants are cancelled to contributed surplus.

#### *(n) Income taxes*

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, 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.

#### *(o) Restoration, rehabilitation and environmental obligations*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon

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## **GPM METALS INC.**

### **Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)**

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#### **2. Significant accounting policies (continued)**

##### *(o) Restoration, rehabilitation and environmental obligations (continued)*

as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related assets, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

At December 31, 2017 and December 31, 2016, the Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

##### *(p) Interest income*

Interest income is recognized on the accrual basis using the effective interest method.

##### *(q) Loss per share*

The Company presents basic loss per share data for its common shares, calculated by dividing the income/loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The dilutive effect of outstanding stock options and warrants on earnings per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase common shares of the Company. If the number of common shares outstanding increases or decreases as a result of share split or consolidation, the calculation of basic and diluted income/ loss per share for all periods presented, is adjusted retrospectively.

##### *(r) Significant accounting judgments and estimates*

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *(s) Distributions of non-cash assets to owners*

The Company accounted for the Weebigee Project note 13(d) distribution in accordance with IFRIC 17, Distribution of Non-Cash Assets to Owners, which requires the assets being distributed to be recognized at fair value. The Company used significant judgments related to the fair value measurement of assets and liabilities distributed pursuant to the Arrangement. The estimates required management to exercise judgement concerning valuation approaches and methods, estimates of future cash flows and discount rates.

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## **GPM METALS INC.**

**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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### **2. Significant accounting policies (continued)**

*(t) Critical accounting estimates*

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The inputs used in accounting for share based payment transactions and in valuation of warrants issued in unit financing.
- Management assumption of no material restoration, rehabilitation and environmental obligations, based on the fact and circumstances that existed during the period:
- Management's position that there is no income tax asset recognized within these consolidated financial Statements: and
- Valuation of shares pursuant to the gain on sale of property

Management applied judgment in determining the functional currency of the Company and its subsidiaries as Canadian dollars.

### **3. Capital risk management**

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which comprises share capital, shares to be issued, reserves and deficit, which at December 31, 2017 is \$6,105 (December 31, 2016 \$1,494,839).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2017.

### **4. Financial risk management**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk and equity price risk).

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## **GPM METALS INC.**

### **Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)**

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#### **4. Financial risk management (continued)**

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

##### *(i) Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with select major Canadian, Peruvian, Barbadian and Australian chartered banks, from which management believes the risk of loss to be minimal.

##### *(ii) Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2017, the Company had cash of \$231,889 (December 31, 2016 \$1,827,393) to settle current liabilities of \$313,826 (December 31, 2016 \$468,377). Some of the Company's financial liabilities have maturities longer than 90 days and are not subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

##### *(iii) Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

###### *a) Foreign currency risk*

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As of December 31, 2017, the Company funds certain operations, exploration and administrative expenses in Peru and Barbados on a cash call basis using US dollar currency, and in Australia using the Australian dollar currency converted from its Canadian dollar bank accounts held in Canada. The Company maintains US dollar bank accounts in Canada, Peru and Barbados, Australian dollar bank accounts in Australia. The Company is subject to gains and losses from fluctuations in the US dollar and the Australia dollar against the Canadian dollar.

###### *b) Equity price risk*

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company's investment in the common shares of Prophecy Coal Corp. ("Prophecy Coal") (note 5) are subject to fair value fluctuations arising from changes in the equity market.

##### *(iv) Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

- (i)* The Company holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in foreign exchange rate against the Canadian dollar would affect the reported income and comprehensive income for the year ended December 31, 2017 by approximately \$18,690 (December 2016 \$38,595)

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## GPM METALS INC.

Notes to Consolidated Financial Statements  
Years Ended December 31, 2017 and 2016  
(Expressed in Canadian Dollars)

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### 4. Financial risk management (continued)

(iv) *Sensitivity analysis (continued)*

(ii) The Company's investment in the common shares of Prophecy Development Corp. (note 5) is subject to fair value fluctuations (included in 'short-term investments'). As at December 31, 2017, sensitivity to a plus or minus 10% change in the quoted market price of Prophecy Development Corp. common shares, with all other variables held constant, would affect reported income and comprehensive income for the year ended December 31, 2017 by approximately \$2,185 (December 31, 2016 \$2,500)

### 5. Short-term investments

	Number of Shares	As at December 31, 2017	As at December 31, 2016
Common shares of Prophecy Development Corp.	5,000	\$ 21,853	\$ 25,000

### 6. Accounts receivable and other assets

	As at December 31, 2017	As at December 31, 2016
Harmonized sales tax recoverable - (Canada)	\$ 16,906	\$ 37,256
Sales tax recoverable - (Australia)	10,584	41,818
Pacific Consulting (Australia)	962	952
Adrian Buer (Australia)	4,901	4,854
Prepaid expenses	18,071	19,319
Miscellaneous	14,766	6,624
	\$ 66,189	\$ 110,823

### 7. Share capital

#### a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

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## GPM METALS INC.

### Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

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#### 7. Share capital (continued)

##### b) Common shares issued

At December 31, 2017, the issued share capital amounted to \$23,439,480. The changes in issued share capital for the periods were as follows:

	Number of common shares	Amount
Balance, December 31, 2015	61,525,357	\$ 23,718,447
Exercise of warrants (1)	28,333,333	4,001,889
Broker warrants converted (2)	249,428	72,044
Exercise of options	125,000	47,100
Return of capital (3)	-	(4,400,000)
Balance, December 31, 2016	90,233,118	23,439,480
2017 – no activity	-	-
Balance, December 31, 2017	<b>90,233,118</b>	<b>\$ 23,439,480</b>

- (1) On May 24, 2016 the Company announced it had closed its previously announced, non-brokered private placement (the "Offering") pursuant to which it issued 28,333,333 special warrants at a price of \$0.15 per Special warrant to raise aggregate gross proceeds of \$4,240,000 (\$4,001,889 net). On September 21, 2016, each Special Warrant automatically converted into one common share of the Company without any additional payment by the holder.
- (2) The Company also issued an aggregate of 853,500 broker warrants to eligible registrants assisting in connection with the Offering, each entitling the holder to acquire one common share of the Company at an exercise price of \$0.15 for one year. The fair value of these broker warrants was \$118,499 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 149.5%; risk-free interest rate of 0.61% and an expected life of 1 year. All securities issued and issuable pursuant to the Offering were subject to a statutory hold period which expired on September 21, 2016. In 2016, 249,428 broker warrants were converted into one common share each.
- (3) As a part of the sale of the Weebigee project, the Company received 40,000,000 shares of Lago Dourado Minerals Ltd valued at \$4,400,000. These shares were distributed to the Company's shareholders as a return of capital. Refer to Note 13 (d) for details.

#### 8. Stock options

The Company adopted a stock option plan for employees, consultants, officers and directors on April 24, 1995. The number of common shares reserved for issue under the stock option plan may not exceed 10% of the issued and outstanding capital of the Company at any given time. The term of options granted under the stock option plan may not exceed five years from the date of the grant and the option price, which may be determined by the directors of the Company, may not be less than the market price for the common shares at the grant date, less an approved discount.

The Company records a charge to the statements of Income/Loss and comprehensive income/loss using the Black-Scholes valuation model. For options granted to non-employees, the valuation is based on services provided if reliably measurable. The Black-Scholes valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price of the Company at the date of issue.

Options pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do

## GPM METALS INC.

### Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

#### 8. Stock options (continued)

not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

The following tables reflect the continuity of stock options for the years ended December 31, 2017 and December 31, 2016.

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2015	2,325,000	0.20
Exercised (at share price on date exercised)	(125,000)	0.26
Expired and Cancelled	(125,000)	0.56
Granted	3,825,000	0.50
Balance, December 31, 2016	5,900,000	0.36
Weighted average exercise price for vested options		0.23
Balance, December 31, 2016	<b>5,900,000</b>	<b>0.36</b>
Expired and Cancelled	<b>(1,575,000)</b>	<b>0.10</b>
Granted	<b>3,350,000</b>	<b>0.07</b>
Balance, December 31, 2017	<b>7,675,000</b>	<b>0.32</b>
Weighted average exercise price for vested options		<b>0.35</b>

The following table reflects the stock options issued and outstanding as of December 31, 2017:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
September 7, 2020	0.115	2.69	500,000	500,000	-
July 26, 2019	0.50	1.57	3,825,000	2,868,750	956,250
March 2, 2020	0.15	2.17	3,350,000	1,675,000	1,675,000
		<b>1.903</b>	<b>7,675,000</b>	<b>5,043,750</b>	<b>2,631,250</b>

(1) On September 7, 2015 the Company granted 500,000 options to a certain officer of the Company at a price of \$0.115 per share. The fair value of these options at the date of grant of \$0.105 was estimated using the Black-Scholes valuation model with the following assumptions: a five year expected term; a 137% expected volatility based on historical trends; risk free interest rate of 0.75%; share price at the date of grant of \$0.12; and an expected dividend yield of 0%. The grant date fair value assigned to these options was \$52,500. These options, which will vest by 25% upon date of grant and by 25% on each of the 6, 12 and 18 month anniversaries of the date of grant, will expire on September 7, 2020. For the year ended December 31, 2017 the impact on salaries and benefits (note 12) was \$1,584 (year ended December 31, 2016 \$22,615).

(2) On July 26, 2016 the Company granted 3,825,000 options to certain directors, officers and consultants of the Company at a price of \$0.50 per share. The fair value of these options at the date of grant of 0.3637 was estimated using the Black-Scholes valuation model with the following assumptions: a 2.76 year expected term; a 133.72% expected volatility based on historical trends; risk free interest rate of 0.58%; share price at the date of grant of \$0.49 and an expected dividend yield of 0%. The grant date fair value assigned to these options was \$1,391,153. These options, which will vest by 25% upon date of grant and by 25% on each of the 6, 12 and 18 month anniversaries of the

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## GPM METALS INC.

### Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

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#### 8. Stock options (continued)

date of grant, will expire on July 26, 2019. For the year ended December 31, 2017 the impact on salaries and benefits was \$343,378, on consulting fees was \$37,459 and on exploration and evaluation was \$96,770. For the year ended December 31, 2016 the impact on salaries and benefits was \$824,878, on consulting fees was \$70,359 and on exploration and evaluation was \$181,760.

(3) On March 2, 2017 the Company granted 3,350,000 options to certain directors, officers and consultants of the Company at a price of \$0.15 per share. The fair value of these options at the date of grant of \$0.0657 was estimated using Black-Scholes valuation model with the following inputs and assumptions: a 2.72-year expected term: 129.62% expected volatility based on historical trends: risk free interest rate of 0.77% and an expected dividend yield of 0%. The grant date fair value assigned to these options was \$220,169. These options, which will vest by 25% on the date of grant and on each of the 6, 12 and 18 month anniversaries of the date of grant, will expire on March 2, 2020. For the year ended December 31, 2017 the impact on salaries and benefits was \$98,733, on consulting fees was \$55,625 and on exploration and evaluation was \$31,984.

#### 9. Warrants

The following table reflects the continuity of warrants for the periods ended December 31, 2017 and December 31, 2016:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2015	3,000,000	0.28
Issued May 20, 2016	28,333,333	
Issued May 29, 2016 broker warrants	853,500	0.15
Converted to common shares, September 21, 2016	(28,333,333)	
Broker warrants exercised, September 2016	(249,428)	0.15
Balance, December 31, 2016	3,604,072	0.26
Expired May 24, 2017	(604,072)	0.15
Expired May 27, 2017	(3,000,000)	0.28
<b>Balance, December 31, 2017</b>	<b>-</b>	<b>-</b>

#### 10. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2017 were based on the loss attributable to common shareholders of \$2,154,272 (year ended December 31, 2016 – loss of \$378,406) and the basic weighted average number of common shares outstanding of 90,233,118 (year ended December 31, 2016 basic weighted average number of common shares outstanding of 69,449,828). Diluted loss per share did not include the effect of 7,675,000 stock options (December 31, 2016 – 5,900,000 stock options and 3,604,072 warrants) as they are anti-dilutive or not in the money.

# GPM METALS INC.

## Notes to Consolidated Financial Statements Years Ended December 31, 2017 and 2016 (Expressed in Canadian Dollars)

### 11. General and administrative

	Year Ended December 31,	
	2017	2016
Salaries and benefits	\$ 521,142	\$ 1,088,876
Consulting fees	288,985	190,359
Administrative and general	121,114	101,236
Reporting issuer costs	31,991	77,549
Professional fees	80,700	143,318
Insurance	16,890	30,311
	<b>\$ 1,060,939</b>	<b>\$ 1,631,650</b>

### 12. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The transactions noted below are in the normal course of business and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) GPM entered into the following transactions with related parties:

	Notes	Year Ended December 31,	
		2017	2016
Bruce Rosenberg	(i)	\$42,535	\$ 79,271
Alan Ferry	(ii)	42,535	58,906
Doug Lewis	(ii)	42,535	58,906
Alexander Po	(ii)	-	6,000
Harry Burgess	(ii)	36,291	47,179
J. Patrick Sheridan	(iii)	213,088	190,359
Dan Noone	(ii)	79,119	117,265
Paul Murphy	(iv)	55,731	192,974
-			

- (i) Bruce Rosenberg is a director of the Company. Fees related to director's fees and stock based compensation. In 2016 fees related to director's fees, stock based compensation, legal services provided by Mr. Rosenberg and exercise of options. Mr, Rosenberg is owed director's fees of \$3,000 and this amount was included in amounts payable and other liabilities.
- (ii) Director fees and stock based compensation. Mr. Ferry, Mr. Lewis and Mr. Burgess are each owed director's fees of \$3,000. These amounts were included in amounts payable and other liabilities.
- (iii) Chief Executive Officer; fees and stock based compensation. As at December 31, 2017 Mr. Sheridan was owed \$19,334 (December 31, 2016 - \$16,759) and these amounts were included in amounts payable and other liabilities.
- (iv) Chief Financial Officer; stock based compensation

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## GPM METALS INC.

Notes to Consolidated Financial Statements  
Years Ended December 31, 2017 and 2016  
(Expressed in Canadian Dollars)

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### 12. Related party balances and transactions (continued)

(b) Remuneration of Directors and key management personal of the company was as follows:

	Year Ended December 31,	
	2017	2016
Total salaries and benefits	\$ 168,000	\$ 194,365
Total share based payments	343,834	456,494

Salaries and benefits include director fees. Board of Directors and select officers do not have employment or services contracts with the Company. Directors are entitled to director fees and stock options for their services.

### 13. Exploration and evaluation expenditures

The Company enters into exploration agreements or permits with other companies or foreign governments pursuant to which it may explore, or earn interests in mineral properties by issuing common shares and/or making option or rental payments and/or incurring expenditures in varying amounts by varying dates. Failure by the Company to meet such requirements can result in a reduction or loss of the Company's ownership interests or entitlements under the agreements or permits.

(a) Rory Group

The Company has a 100% interest in the Rory Group consisting of 40 staked claims located in the Yukon Territory, Canada.

(b) Walker Gossan Project

On January 27, 2014, the Company, through its wholly owned subsidiary DPG Resources Australia Pty Limited entered into, an Earn-In/Joint Venture Agreement with Rio Tinto Exploration Pty Limited ("Rio Tinto"), a wholly owned subsidiary of Rio Tinto Limited covering base metal exploration and development rights, in relation to certain granted exploration tenements and tenement applications in McArthur Basin Mining District, Northern Territory, Australia (the "Walker Gossan project").

Rio Tinto and GPM have entered into a definitive Two Stage Earn-In/Joint Venture Agreement granting GPM an initial 51% interest under certain conditions that include:

Stage One

1. Payment of Australian Dollar ("AUD") \$1,000,000 on signing (paid);
2. Minimum expenditure of AUD\$2,000,000 within 3 years of effective date; (met)
3. Combined expenditures of AUD\$20,000,000 over a 10-year period; and
4. Milestone payments within the combined expenditures as follows:
  - (i) AUD\$100,000 upon the grant of licenses to all of the properties;
  - (ii) AUD\$1,000,000 upon the completion of the first drill hole on the Walker Gossan project (paid); and
  - (iii) AUD\$4,000,000 upon the completion of a resource study that shows an indicated status for minimum 20 million tons of greater than 8% combined lead and zinc, or lead, zinc and silver, within the licensed area or a Decision to Mine being made.

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## **GPM METALS INC.**

**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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### **13. Exploration and evaluation expenditures (continued)**

(b) Walker Gossan Project (continued)

#### Stage Two

GPM may increase its interest to 75% by completing a Feasibility Study within 3 years of completing Stage One. Rio Tinto may elect to contribute pursuant to its participating share, not contribute and be diluted or convert its interest into a Net Smelter Return (2.5%) royalty. There are rights of first refusal on purchase and sale of interest for both parties at fair market value. GPM will be responsible for all negotiations with the Northern Land Council for consent to issue the exploration license applications and work programs to be conducted by GPM under its sole rights or as operator.

Exploration license EL 30952 was intentionally surrendered during the year after consultation with Rio Tinto. It was not significant to the target area.

(c) *Pasco Gold Property*

On September 15, 2014, the Company, through its wholly owned subsidiary Chaska Resources SAC, entered into a definite agreement to purchase 100% interest in the exploration concession known as Pasco Gold 1, which consists of 1000 hectares of land, located in the district of Huachon, Province of Pasco, in the Republic of Peru (the "Purchase").

On September 3, 2015, the company completed the acquisition of the property with total consideration as follows:

- (i) Payment of USD \$13,000 (paid); and
- (ii) Issuance of 50,000 common shares of GPM (issued).

The claim known as Pasco Gold 10 was not renewed in 2017 as a section of it is inside the urban area of the Municipalidad of Huachon. As well two additional claims were not renewed as the Peruvian Mining Office reduced their area and the Company was no longer interested. These claims are not material to the project.

(d) *Weebigee Project*

#### Goldeye Project

On April 15, 2015, the Company announced it had entered into a definitive earn-in option agreement (the "Agreement") with Goldeye Explorations Limited ("Goldeye"), whereby GPM has the right and option (the "50.1% Option") to earn an undivided 50.1% legal and beneficial interest in the Weebigee Project (the "Weebigee Project") located in Ontario and the right and option (the "70% Option") to acquire a further 19.9% legal and beneficial interest in the Weebigee Project for an aggregate undivided 70% legal and beneficial interest in the Weebigee Project.

On July 21, 2016, the Company announced that it and Sandy Lake Gold Inc. (Sandy Lake) (formerly Lago Dourado Minerals Ltd.) have completed the previously announced acquisition (the Acquisition) by Sandy Lake from GPM of GPM's property interests in the Sandy Lake district in northwestern Ontario (Weebigee Project). As consideration for the Acquisition, Sandy Lake issued an aggregate of 40,000,000 common shares to GPM. Consistent with the terms of the Acquisition agreement the Company distributed the 40,000,000 shares of Sandy Lake to its shareholders on September 16, 2016 at the rate of \$0.65 share for each share held of GPM. The result of the transaction was a gain on the sale of \$4,389,852 on the Weebigee project equal to the fair value of the Sandy Lake shares less related costs of \$15,034. In addition, the Company recorded a return of capital to the shares equal to the Fair Value of the Sandy Lake shares.

## GPM METALS INC.

Notes to Consolidated Financial Statements  
Years Ended December 31, 2017 and 2016  
(Expressed in Canadian Dollars)

### 13. Exploration and evaluation expenditures (continued)

(e) the following is a detailed list of expenditures incurred on the Company's mineral properties:

	Year Ended December 31,	
	2017	2016
<b>Canada</b>		
General	\$ -	\$ 73,276
Travel	-	28,556
Geologist	-	88,075
Wages and Salaries	-	3,361
	<b>\$ -</b>	<b>\$ 193,268</b>
<b>Australia</b>		
Northern Territory Grant	\$ (87,819)	\$ -
Drilling expense (recovery)	(146,986)	465,972
<b>41,487</b> 1,615,749		
Consulting	169,039	427,071
	<b>\$ (24,279)</b>	<b>\$2,508,792</b>
<b>Peru</b>		
General	\$ 1,088,309	\$ 408,448
	<b>\$ 1,088,309</b>	<b>\$ 408,448</b>
	<b>\$ 1,064,029</b>	<b>\$3,110,508</b>

### 14. Income taxes

(a) *Provision for income taxes*

Income taxes differ from the amount that would be computed by applying the combined statutory income tax rates of 26.50% (2016 26.50%). The reasons for the differences are as follows:

	Year Ended December 31	
	2017	2016
Income (loss) for the year before income taxes	\$ (2,154,272)	\$ (378,406)
Expected tax recovery at statutory rates	(571,000)	(100,182)
Increase (decrease) resulting from:		
Rate differential on foreign subsidiaries	(28,000)	(113,117)
Non-deductible stock-based compensation	181,000	206,131
Unrealized loss on short-term investment	-	(994)
Unrealized gain on foreign exchange	-	(5,123)
Deferred taxes not recognized/utilization of previously unrecognized deferred taxes	(393,000)	855,797
Other reconciling items	811,000	(842,512)
	<b>-</b>	<b>-</b>

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**GPM METALS INC.****Notes to Consolidated Financial Statements  
Years Ended December 31, 2017 and 2016  
(Expressed in Canadian Dollars)**

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**14. Income taxes (continued)***(b) Deferred tax balances*

The tax effects of temporary differences that give rise to deferred tax assets and deferred assets and deferred income tax liabilities at December 31, 2017 and 2016 are as follows:

	Year Ended as at December 31	
	2017	2016
<b>Future tax assets:</b>		
Non-capital tax losses carry-forward – Canada	\$ 1,610,000	\$ 2,386,817
Non-capital tax losses carry-forward – Barbados	228,000	191,694
Non-capital tax losses carry-forward – Guyana	-	1,120,492
Non-capital tax losses carry-forward – Australia	414,000	1,145,750
Non-capital tax losses carry-forward – Peru	362,000	185,789
Resource expenditure pools	1,564,000	654,291
Fixed Assets	8,000	7,637
Unrealized loss on short-term investment	130,000	129,188
Cost of issue of shares	22,000	7,732
Valuation allowance	(4,338,000)	(5,829,390)
<b>Total future tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The Company has not recognized deferred tax assets because at present it is not probable they will be realized.

*(c) Non-capital losses not recognized for financial statement purposes*

The Company has accumulated non-capital losses for income tax purposes which can be carried forward to be applied against future taxable income. The right to use these losses expires as follows:

Canada	Year	Tax loss
	2034	317,000
	2035	5,340,000
	2037	420,000
		<b>\$ 6,077,000</b>
<b>Barbados</b>	<b>Year</b>	<b>Tax Loss</b>
	2018	\$ 3,000
	2019	8,000
	2020	12,000
	2021	161,000
	2022	267,000
	2023	305,000
		<b>\$ 756,000</b>

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**GPM METALS INC.****Notes to Consolidated Financial Statements****Years Ended December 31, 2017 and 2016****(Expressed in Canadian Dollars)**

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(c) *Non-capital losses not recognized for financial statement purposes (continued)*

<b>Australia</b>	<b>Year</b>	<b>Tax Loss</b>
	Indefinite	<b>\$ 1,382,000</b>

<b>Peru</b>	<b>Year</b>	<b>Tax Loss</b>
	Indefinite	<b>\$ 1,229,000</b>

**15. Subsequent event**

On February 23, 2018 the Company announced it had closed its previously announced non-brokered private placement pursuant to which it has issued an aggregate of 10,000,000 Units at a price of \$0.05 per Unit to raise aggregate gross proceeds of \$500,000. Each Unit consists of one common share of the Company and one share purchase warrant with each such Warrant exercisable to acquire one additional share at an exercise price of \$0.10 for a period of 24 months.