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**CONSOLIDATED FINANCIAL STATEMENTS OF  
PROBE METALS INC.  
FOR THE YEAR ENDED DECEMBER 31, 2016  
AND PERIOD FROM JANUARY 16, 2015  
TO DECEMBER 31, 2015  
(EXPRESSED IN CANADIAN DOLLARS)**

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## Independent Auditors' Report

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To the Shareholders of Probe Metals Inc.:

We have audited the accompanying financial statements of Probe Metals Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the year ended December 31, 2016 and for the period from January 16, 2015 to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

We believe that the audit evidence we have obtained 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 Probe Metals Inc. as at December 31, 2016 and 2015 and its financial performance and cash flows for the year ended December 31, 2016 and for the period from January 16, 2015 to December 31, 2015, in accordance with International Financial Reporting Standards.

*MNP LLP*

April 5, 2017  
Toronto, Ontario

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**  
LLP

**Probe Metals Inc.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

As at December 31,	2016	2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 26,408,679	\$ 18,291,230
Trade accounts receivable and other receivables (note 6)	578,303	58,759
Marketable securities (note 7)	3,208,651	-
Prepaid expenses	86,320	8,300
<b>Total current assets</b>	<b>30,281,953</b>	<b>18,358,289</b>
<b>Non-current assets</b>		
Property and equipment (note 8)	485,650	122,663
<b>Total assets</b>	<b>\$ 30,767,603</b>	<b>\$ 18,480,952</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (notes 9 and 16)	\$ 919,776	\$ 372,026
<b>Total liabilities</b>	<b>919,776</b>	<b>372,026</b>
<b>Equity</b>		
Share capital (note 10)	64,842,934	19,646,406
Warrants (note 11)	5,063,146	-
Contributed surplus (note 12)	3,667,307	583,348
Accumulated deficit	(43,725,560)	(2,120,828)
<b>Total equity</b>	<b>29,847,827</b>	<b>18,108,926</b>
<b>Total liabilities and equity</b>	<b>\$ 30,767,603</b>	<b>\$ 18,480,952</b>

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

Nature of operations (note 1)  
 Commitments (note 17)  
 Subsequent events (note 20)

**Approved on behalf of the Board:**

"David Palmer", Director

"Gordon McCreary", Director

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**Probe Metals Inc.****Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)**

	Year ended December 31, 2016	Period from January 16, 2015 to December 31, 2015
<b>Operating expenses</b>		
Exploration and evaluation expenditures (note 14)	\$ 38,163,443	\$ 335,770
General and administrative expenses (note 15)	4,873,665	1,918,854
<b>Operating loss before interest income, gain on marketable securities, and property option revenue</b>	<b>(43,037,108)</b>	<b>(2,254,624)</b>
Interest income	150,885	133,796
Gain on marketable securities (note 7)	812,882	-
Property option revenue (note 14(v)(9))	468,609	-
<b>Loss and comprehensive loss for the period</b>	<b>\$(41,604,732)</b>	<b>\$ (2,120,828)</b>
<b>Basic and diluted loss per share (note 13)</b>	<b>\$ (0.69)</b>	<b>\$ (0.07)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>60,600,472</b>	<b>29,110,590</b>

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

**Probe Metals Inc.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	Year ended December 31, 2016	Period from January 16, 2015 to December 31, 2015
<b>Operating activities:</b>		
Net loss for the period	\$(41,604,732)	\$ (2,120,828)
Adjustments for:		
Share-based payments (note 12(ii)(iii)(iv))	2,055,805	531,045
Depreciation (note 8)	18,990	112
Accrued interest receivable	18,570	11,648
Mineral property expense for acquisition of Adventure (note 5)	32,927,269	-
Shares issued for mineral properties (note 14(iii)(iv)(v)(1)(5))	1,363,500	-
Shares received for mineral properties (note 14(v)(9))	(375,000)	-
Gain on marketable securities (note 7)	(812,882)	-
Changes in non-cash working capital items:		
Trade accounts receivable and other receivables	(18,736)	(70,407)
Prepaid expenses	(31,638)	(8,300)
Amounts payable and other liabilities	270,894	372,026
<b>Net cash used in operating activities</b>	<b>(6,187,960)</b>	<b>(1,284,704)</b>
<b>Investing activities:</b>		
Purchase of property and equipment	(381,977)	(122,775)
Purchase of marketable securities	(1,500,000)	-
Proceeds from sale of marketable securities	32,016	-
Cash acquired from completion of Transaction (note 5)	507,363	-
Transaction costs (note 5)	(1,065,414)	-
<b>Net cash used in investing activities</b>	<b>(2,408,012)</b>	<b>(122,775)</b>
<b>Financing activities:</b>		
Cash acquired from completion of Arrangement	-	19,000,000
Proceeds from private placements (note 10(b)(ii)(iii))	17,549,799	-
Share issue costs	(1,054,880)	-
Exercise of warrants	50,018	196,686
Exercise of stock options	168,484	502,023
<b>Net cash provided by financing activities</b>	<b>16,713,421</b>	<b>19,698,709</b>
<b>Net change in cash</b>	<b>8,117,449</b>	<b>18,291,230</b>
<b>Cash, beginning of period</b>	<b>18,291,230</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 26,408,679</b>	<b>\$ 18,291,230</b>

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

## Probe Metals Inc.

### Consolidated Statements of Changes in Shareholders' Equity (Expressed in Canadian Dollars)

#### Equity attributable to shareholders

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total
Share issued on incorporation, January 16, 2015	\$ 1	\$ -	\$ -	\$ -	\$ 1
Shares issued pursuant to completion of Arrangement (note 10(b)(i))	17,689,000	-	-	-	17,689,000
Warrants issued pursuant to completion of Arrangement (note 11(i))	-	258,000	-	-	258,000
Stock options issued pursuant to completion of Arrangement (note 12(ii))	-	-	1,053,000	-	1,053,000
Share cancelled	(1)	-	-	-	(1)
Exercise of warrants	454,686	(258,000)	-	-	196,686
Exercise of stock options	1,502,720	-	(1,000,697)	-	502,023
Share-based payments (note 12(ii))	-	-	531,045	-	531,045
Loss and comprehensive loss	-	-	-	(2,120,828)	(2,120,828)
<b>Balance, December 31, 2015</b>	<b>19,646,406</b>	<b>-</b>	<b>583,348</b>	<b>(2,120,828)</b>	<b>18,108,926</b>
Shares issued pursuant to completion of the Transaction (note 5)	31,269,907	-	-	-	31,269,907
Warrants issued pursuant to completion of the Transaction (note 5)	-	534,000	-	-	534,000
Stock options issued pursuant to completion of the Transaction (note 5)	-	-	1,407,000	-	1,407,000
Private placements (note 10(b)(ii)(iii))	17,549,799	-	-	-	17,549,799
Warrants (note 10(b)(iii))	(4,598,000)	4,598,000	-	-	571,762
Shares issue costs	(1,054,880)	-	-	-	(1,054,880)
Exercise of warrants	118,872	(68,854)	-	-	50,018
Exercise of stock options	547,330	-	(378,846)	-	168,484
Shares issued for mineral properties (note 14(iii)(iv)(v)(1)(5))	1,363,500	-	-	-	1,363,500
Share-based payments (note 12(ii)(iii)(iv))	-	-	2,055,805	-	2,055,805
Loss and comprehensive loss	-	-	-	(41,604,732)	(41,604,732)
<b>Balance, December 31, 2016</b>	<b>\$ 64,842,934</b>	<b>\$ 5,063,146</b>	<b>\$ 3,667,307</b>	<b>\$(43,725,560)</b>	<b>\$ 30,419,589</b>

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

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# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### 1. Nature of Operations

Probe Metals Inc. (the "Company" or "Probe Metals") was incorporated pursuant to the *Business Corporations Act* (Ontario) under the name "2450260 Ontario Inc." on January 16, 2015. Articles of amendment were subsequently filed on February 3, 2015 to change the name of the Company to "Probe Metals Inc.". The Company's head office is located at 56 Temperance Street, Suite 1000, Toronto, Ontario, Canada, M5H 3V5. The Company's common shares started trading on the TSX Venture Exchange ("TSXV") on March 17, 2015 under the trading ticker symbol "PRB". The Company, a Canadian precious metal exploration company, was formed following the acquisition of Probe Mines Limited ("Probe") by Goldcorp Inc. ("Goldcorp") pursuant to the arrangement announced on January 19, 2015 (the "Arrangement"). With a strong treasury, the Company is focused on executing a business model namely the acquisition and growth of quality projects through effective exploration and development.

On March 13, 2015, Goldcorp and Probe completed the Arrangement. Pursuant to the Arrangement, Goldcorp acquired all of the issued and outstanding common shares of Probe not already held, directly or indirectly, by Goldcorp and Probe became a wholly-owned subsidiary of Goldcorp. Pursuant to the Arrangement, Probe shareholders received for each Probe common share: 0.1755 common shares in Goldcorp and \$0.001 in cash, and 0.3333 common shares in the Company. Pursuant to the Arrangement, Probe option holders received for each Probe option: 0.1755 options in Goldcorp, and 0.3333 options in the Company. Pursuant to the Arrangement, Probe warrant holders received for each Probe warrant: 0.1755 warrants in Goldcorp, and 0.3333 warrants in the Company. Pursuant to the Arrangement, Probe transferred to the Company a 100% interest in Probe's Black Creek Property, located in the James Bay Lowlands area of north-western Ontario, 100% interest in Probe's Tamarack-McFauld's Lake Property, located in the James Bay Lowlands area of northern Ontario, 100% interest in Probe's Victory Property, located in the James Bay Lowlands area of northern Ontario, \$15 million in cash, a contingent \$4 million receivable related to the previous sale of the Goldex mine and trade payables incurred in the normal course of operations of the Company. After completion of the Arrangement, Probe's existing shareholders owned 100% of the Company shares outstanding, proportionate to their ownership of Probe's common shares at the time the Arrangement was completed.

On March 13, 2015, the financial year of the Company was changed from April 30 to December 31.

On June 10, 2016, Probe Metals completed the plan of arrangement with Adventure Gold Inc. ("Adventure") pursuant to which Probe Metals acquired all of the outstanding shares of Adventure (the "Transaction"). Adventure became a private company following the transaction.

Pursuant to the Transaction, Adventure became a wholly-owned subsidiary of Probe Metals. Probe Metals acquired each outstanding common share of Adventure for 0.39 Probe Metals common share and issued an aggregate of 31,585,765 common shares to the former shareholders of Adventure. Pursuant to the completion of the Transaction, Adventure option holders received for each Adventure option: 0.39 options in Probe Metals. Pursuant to the completion of the Transaction, Adventure warrant holders received for each Adventure warrant: 0.39 warrants in Probe Metals. Pursuant to the completion of the Transaction, the Company acquired an additional portfolio of projects in Quebec and Ontario. The acquired portfolio consisted of fifteen (15) properties, the Pascalis, Senore, Beaufor North, Lapaska, Bonnefond North and Megiscane-Tavenir properties, collectively forming the Val-d'Or East Project, Detour East and North properties, forming part of the Detour Project, the Casagasic, KLM, Bell-Vezza, Sinclair-Bruneau, Florence and Céré-113 properties, comprising the Casa-Cameron Project and the Granada Extension Project, and three (3) Option and/or Joint Venture ("JV") properties, the Meunier-144 JV (50/50 JV with Tahoe Resources), the Dubuisson JV with Agnico Eagle Mines Limited ("Agnico") (46.5% Probe Metals/53.5% Agnico) and the Detour Quebec Option with SOQUEM Inc. ("SOQUEM") (SOQUEM earning 50% interest).

Effective July 21, 2016, Probe Metals completed an internal reorganization with its wholly-owned subsidiary, Adventure, pursuant to which Probe Metals amalgamated with Adventure under the *Business Corporations Act* (Ontario) to continue as Probe Metals Inc. The internal reorganization did not affect the existing common shares of Probe Metals held by shareholders.

On July 27, 2016 the Company sold its Vezza North, Vezza Extension and Bachelor Extension properties, which were formerly part of the Casa-Cameron Project, to GFK Resources Inc. ("GFK") (note 14(v)(9)).

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# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies

#### Statement of Compliance

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

The consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and have been prepared on a historical cost basis.

The consolidated financial statements were authorized for issue by the Board of Directors on April 5, 2017.

#### Financial Instruments

The Company's financial instruments consist of the following:

<b>Financial assets:</b>	<b>Classification:</b>
Cash	Loans and receivables
Trade accounts receivable and other receivables	Loans and receivables
Marketable securities	Fair value through profit or loss

  

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

Fair value through profit or loss:

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; or (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of loss and comprehensive loss.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest and any transaction 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 instrument to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.



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# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies (Continued)

#### Financial Instruments (continued)

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).

Marketable securities are classified as Level 1.

#### Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates:

<b>Detail</b>	<b>Percentage</b>	<b>Method</b>
Computer equipment	30%	Declining balance
Field equipment	30%	Declining balance
Site building	10%	Declining balance
Artwork	-	-

Artwork is not amortized since it does not have determinable useful life.

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

#### 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 expenditures are 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.

Exploration and evaluation expenditures are capitalized if the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

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# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies (Continued)

#### 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 to present value.

#### Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a premium on flow-through shares to the consolidated of loss and comprehensive loss.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

#### Share-based Payment Transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. 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.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Share-based payments incorporates an expected forfeiture rate of nil.

#### 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 are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon 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 asset, 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, amount or timing of the underlying cash flows needed to settle the obligation.

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## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies (Continued)

### Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous periods.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

### Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The treasury stock method is used to arrive at the diluted loss per share, which 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.

### Business Combinations

Business combinations are accounted for using the acquisition method of accounting, whereby identifiable assets acquired and liabilities assumed are recorded at fair value as of the date of acquisition with the excess of the purchase price over such fair value recorded as goodwill. If a transaction does not meet the definition of a business combination as per IFRS standards, the transaction is recorded as an acquisition of an asset.

### Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated 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.

### 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:

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## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies (Continued)

### Significant Accounting Judgments and Estimates (continued)

Critical accounting estimates (continued)

- The recoverability of trade accounts receivable and other receivables which are included in the consolidated statements of financial position.
- Assets' carrying values and impairment charges: In the determination of carrying values and impairment charges, management looks at the higher of: recoverable amount; fair value less costs to sell in the case of assets; and significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- Restoration, rehabilitation and environmental obligations: Management determined there were no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed in the current year that would trigger recognition of the provision in accordance with IAS 37, "Provision".
- Management determines the fair value of warrants and stock options using the Black-Scholes option pricing model.

Critical accounting judgments

- Income taxes and recovery of deferred tax assets: The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.
- Restoration, rehabilitation and environmental obligations: Management determined there were no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed in the current and prior years and would trigger recognition of the provision in accordance with IAS 37, "Provision".

### Recent Accounting Pronouncement

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). 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 requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of this pronouncement.

IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases. The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of assessing the impact of this pronouncement.

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## **Probe Metals Inc.**

### **Notes to Consolidated Financial Statements**

**December 31, 2016 and 2015**

**(Expressed in Canadian Dollars)**

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### **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.

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's ability to continue to carry out its planned exploration activities is uncertain and dependent upon securing additional financing.

The Company considers its capital to be equity which at December 31, 2016, totaled \$29,847,827.

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. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than the flow-through contractual obligations (refer to note 17(ii)) and Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company is compliant with Policy 2.5.

### **4. Financial Risk Management**

#### **Financial risk**

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

Risk management is carried out by the Company's management team with guidance from the Audit Committee and 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. Amounts receivable consists mainly of receivable from SOQUEM and accrued interest receivable. Amounts receivable are in good standing as of December 31, 2016. Management believes that the credit risk with respect to these amounts receivable is minimal.

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had cash of \$26,408,679, to settle current liabilities of \$919,776. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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## **Probe Metals Inc.**

### **Notes to Consolidated Financial Statements**

**December 31, 2016 and 2015**

**(Expressed in Canadian Dollars)**

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#### **4. Financial Risk Management (Continued)**

##### **Financial risk (continued)**

###### (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 quoted prices.

###### (a) Interest rate risk

The Company has \$26,408,679 cash balances and no interest-bearing debt and was not exposed to interest rate risk. The Company's current policy is to invest excess cash in high yield savings accounts and guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. As a result, the Company's exposure to interest rate risk is minimal.

###### (b) Foreign currency risk

The Company does not have any significant assets in currency other than the functional currency of the Company, nor has significant foreign currency denominated liabilities, therefore any changes in foreign exchange rates will not give rise to significant changes to the net loss.

###### (c) Price risk

The Company is exposed to price risk with respect to equity prices and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market. Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities.

##### **Sensitivity analysis**

The Company's marketable securities are denominated in Canadian dollars and are subject to fair value fluctuations. As at December 31, 2016, if the fair value of the Company's marketable securities had increased/decreased by 10% with all other variables held constant, profit and loss for the year ended December 31, 2016, would have been approximately \$320,000 lower/higher. Similarly, as at December 31, 2016, the Company's reported shareholders' equity would have been approximately \$320,000 higher/lower as a result of a 10% increase/decrease in marketable securities.

#### **5. Acquisition of Adventure**

In accordance with IFRS 3 - Business Combinations, the Transaction does not meet the definition of a business combination as Adventure has not yet commenced principal operations and is in the exploration stage. Consequently, the transaction has been recorded as an acquisition of an asset. Probe Metals acquired each outstanding Adventure common shares in exchange for 0.39 of a Probe Metals share. The Board of Directors of each company has unanimously approved the Transaction.

As a result of the Transaction at the closing, Probe Metals issued 31,585,765 common shares valued at \$0.99 per share, as consideration of \$31,269,907. Consideration for the Transaction also included the fair value of Adventure's replacement warrants and stock options of \$534,000 and \$1,407,000 respectively, based on the Black-Scholes option pricing model.

# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

### 5. Acquisition of Adventure (Continued)

#### Purchase Price Consideration

31,585,765 common shares of Probe Metals <sup>(1)</sup>	\$ 31,269,907
783,151 warrants of Probe Metals <sup>(2)</sup>	534,000
1,519,050 stock options of Probe Metals <sup>(3)</sup>	1,407,000
Transaction related costs	1,065,414
<b>Total</b>	<b>\$ 34,276,321</b>

#### Net Assets Acquired (Fair Value)

Cash	\$ 507,363
Trade accounts receivable and other receivables	519,378
Marketable securities	552,785
Prepaid expenses	46,382
Mining properties (note 14(v))	32,927,269
Amounts payable and other liabilities	(276,856)
<b>Total net assets</b>	<b>\$ 34,276,321</b>

(1) For the purpose of determining the fair value of the purchase price consideration, the 31,585,765 common shares of Probe Metals were valued at \$0.99.

(2) The fair value of Probe Metals warrants was estimated using the Black-Scholes option pricing model with the following assumptions: share price of \$0.99; exercise price of \$0.51 to \$1.15; expected dividend yield of 0%; risk-free interest rate of 0.50%; volatility of 135% to 137% and an expected life of 0.90 to 1.45 years.

(3) The fair value of Probe Metals stock options was estimated using the Black-Scholes option pricing model with the following assumptions: share price of \$0.99; exercise price of \$0.26 to \$1.36; expected dividend yield of 0%; risk-free interest rate of 0.56% to 0.87%; volatility of 125% to 131% and an expected life of 4.5 to 8.78 years.

### 6. Trade Accounts Receivable and Other Receivables

As at December 31,	2016	2015
Sales tax receivable - (Canada)	\$ 388,378	\$ 47,111
Accounts receivable	34,936	-
Accrued interest receivable	18,570	11,648
Mining tax receivable	74,869	-
Tax credit related to resources receivable	61,550	-
	<b>\$ 578,303</b>	<b>\$ 58,759</b>

### 7. Marketable Securities

December 31, 2016	Number of shares	Cost	Unrealized (loss)/income	Fair market value
Agnico	5,000	\$ 324,850	\$ (42,900)	\$ 281,950
GFK	5,000,000	555,000	(105,000)	450,000
QMX Gold Corporation ("QMX")	15,000,000	1,500,000	975,000	2,475,000
RT Minerals Corp. ("RTM")	21,250	4,676	(2,975)	1,701
		<b>\$ 2,384,526</b>	<b>\$ 824,125</b>	<b>\$ 3,208,651</b>

## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

#### 7. Marketable Securities (Continued)

During the year ended December 31, 2016, the Company sold 786,500 shares (2015 - nil shares) of a public company for gross proceeds of \$32,016 (2015 - \$nil) and recorded realized loss on marketable securities of \$11,243 (2015 - \$nil) in the consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2016, the Company recorded an unrealized gain on marketable securities of \$824,125 (2015 - \$nil) in the consolidated statements of loss and comprehensive loss.

#### 8. Property and Equipment

Cost	Artwork	Computer equipment	Field equipment	Site building	Total
Balance, January 16, 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	121,776	999	-	-	122,775
Balance, December 31, 2015	121,776	999	-	-	122,775
Additions	-	22,346	72,044	287,587	381,977
Balance, December 31, 2016	\$ 121,776	\$ 23,345	\$ 72,044	\$ 287,587	\$ 504,752

Accumulated depreciation	Artwork	Computer equipment	Field equipment	Site building	Total
Balance, January 16, 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation during the period	-	112	-	-	112
Balance, December 31, 2015	-	112	-	-	112
Depreciation during the year	-	1,704	6,502	10,784	18,990
Balance, December 31, 2016	\$ -	\$ 1,816	\$ 6,502	\$ 10,784	\$ 19,102

Carrying value	Artwork	Computer equipment	Field equipment	Site building	Total
Balance, December 31, 2015	\$ 121,776	\$ 887	\$ -	\$ -	\$ 122,663
Balance, December 31, 2016	\$ 121,776	\$ 21,529	\$ 65,542	\$ 276,803	\$ 485,650

#### 9. Amounts Payable and Other Liabilities

As at December 31,	2016	2015
Amounts payables	\$ 233,797	\$ 74,051
Accrued liabilities	685,979	297,975
	\$ 919,776	\$ 372,026



## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

#### 10. Share Capital

a) Authorized share capital

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

b) Common shares issued

As at December 31, 2016 the issued share capital amounted to \$64,842,934. Changes in issued share capital are as follows:

	Number of common shares	Amount
Share issued on incorporation, January 16, 2015	1	\$ 1
Shares issued pursuant to completion of Arrangement (i)	31,368,363	17,689,000
Share cancelled	(1)	(1)
Exercise of warrants	936,508	454,686
Exercise of stock options	2,609,334	1,502,720
<b>Balance, December 31, 2015</b>	<b>34,914,205</b>	<b>19,646,406</b>
Shares issued pursuant to completion of the Transaction (note 5)	31,585,765	31,269,907
Private placements (ii)(iii)	17,600,000	17,549,799
Warrants (iii)	-	(4,598,000)
Share issue costs	-	(1,054,880)
Shares issued for mineral properties (note 14(iii)(iv)(v)(1)(5))	1,200,000	1,363,500
Exercise of warrants	97,500	118,872
Exercise of stock options	458,936	547,330
<b>Balance, December 31, 2016</b>	<b>85,856,406</b>	<b>\$ 64,842,934</b>

(i) On March 13, 2015, pursuant to the Arrangement, the Company's shareholders received 31,368,363 common shares of the Company. Refer to note 1.

(ii) On June 10, 2016, the Company completed a private placement financing (the "Offering") which raised gross proceeds of \$2,904,000. The Offering consisted of the sale of 4,400,000 common shares at a price of \$0.66 per common share. Goldcorp purchased all 4,400,000 common shares. The Company also granted Goldcorp the right to maintain its pro rata ownership percentage during future financings and the right to participate in any future equity financings to the extent required to allow Goldcorp to increase its equity ownership interest in the Company to a maximum of 19.9% of the issued and outstanding common shares. Such right shall extinguish if Goldcorp ceases to beneficially own at least 7.5% of the issued and outstanding common shares of Probe Metals.

(iii) On August 17, 2016, Probe Metals completed a brokered private placement of 13,200,000 units of the Company for aggregate gross proceeds of \$14,645,799 (the "Financing"), which included the exercise, in full, of the agents' option to purchase additional units. The Financing consisted of the sale of 3,829,069 flow-through units of the Company (the "FT Units") at an average price of \$1.50 per FT Unit and 9,370,931 non-FT Units (the "HD Units" and together with the FT Units, the "Units") at a price of \$0.95 per HD Unit. Each Unit consisted of one common share in the capital stock of the Company and one-half (½) of one common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder thereof to purchase one additional common share of the Company at a price of \$1.75 per share for a period of 18 months from the closing date of the Financing. The securities comprising the FT Units are "flow-through shares" as defined in subsection 66(15) of the Income Tax Act (Canada).

## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

#### 10. Share Capital (continued)

b) Common shares issued (continued)

(iii) (continued) The fair value of the 6,600,000 Warrants was calculated to be \$4,598,000 using the Black-Scholes option pricing model with the following assumptions: share price of \$1.34; dividend yield of 0%; expected volatility of 130.28%; risk-free interest rate of 0.56% and an expected average life of 18 months.

A cash commission equal to 6% of the gross proceeds of Units placed by the agents pursuant to the Financing was paid to the agents (\$774,241). Other share issue costs amounted to \$262,576.

The FT Units issued in the Financing were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$nil.

#### 11. Warrants

	Number of warrants	Grant date fair value
Warrants issued pursuant to completion of Arrangement (i)	936,508	\$ 258,000
Exercise of warrants	(936,508)	(258,000)
<b>Balance, December 31, 2015</b>	-	-
Warrants issued pursuant to completion of the Transaction (note 5)	783,151	534,000
Issued (note 10(b)(iii))	6,600,000	4,598,000
Exercised	(97,500)	(68,854)
<b>Balance, December 31, 2016</b>	<b>7,285,651</b>	<b>\$ 5,063,146</b>

(i) On March 13, 2015, pursuant to the Arrangement, the Company's warrant holders received 936,508 warrants of the Company. The fair value of these warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$0.425; exercise price of \$0.21; expected dividend yield of 0%; risk-free interest rate of 0.54%; volatility of 273% and an expected life of 0.21 years. The fair value assigned to these warrants was \$258,000.

The following table reflects the warrants issued and outstanding as of December 31, 2016:

Expiry date	Exercise price (\$)	Warrants outstanding	Valuation (\$)
May 4, 2017	1.15	100,620	52,000
November 23, 2017	0.51	585,031	413,146
February 17, 2018	1.75	6,600,000	4,598,000
		<b>7,285,651</b>	<b>5,063,146</b>

## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

#### 12. Stock Options

	Number of stock options	Weighted average exercise price
Stock options issued pursuant to completion of Arrangement (i)	2,745,712	\$ 0.19
Exercise of stock options	(2,609,334)	0.19
Stock options granted (ii)	2,400,000	0.36
<b>Balance, December 31, 2015</b>	<b>2,536,378</b>	<b>0.35</b>
Stock options issued pursuant to completion of the Transaction (note 5)	1,519,050	0.56
Stock options granted (iii)(iv)	3,080,000	1.51
Exercise of stock options	(458,936)	0.37
<b>Balance, December 31, 2016</b>	<b>6,676,492</b>	<b>\$ 0.93</b>

(i) On March 13, 2015, pursuant to the Arrangement, the Company's stockholders received 2,745,712 stock options of the Company. The stock options vested immediately. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$0.425; exercise price of \$0.04 to \$0.28; expected dividend yield of 0%; risk-free interest rate of 0.54% to 0.68%; volatility of 156% to 286% and an expected life of 0.8 to 4.77 years. The fair value assigned to these options was \$1,053,000.

(ii) On April 27, 2015, 2,400,000 stock options were granted to employees, consultants, officers and directors of the Company at an exercise price of \$0.36 per share, expiring April 27, 2020. Vesting of the stock options is as follows: one-third immediately, one-third after one year and one-third after two years. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$0.42; expected dividend yield of 0%; risk-free interest rate of 0.87%; volatility of 159% and an expected life of 5 years. The fair value assigned to these options was \$789,000. For year ended December 31, 2016, the impact on the consolidated statement of loss and comprehensive loss was \$216,164 (period from January 16, 2015 to December 31, 2015 - \$531,045).

(iii) On September 1, 2016, 2,980,000 stock options were granted to employees, consultants, officers and directors of the Company at an exercise price of \$1.50 per share, expiring September 1, 2021. Vesting of the stock options is as follows: one-third immediately, one-third after one year and one-third after two years. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$1.40; expected dividend yield of 0%; risk-free interest rate of 0.64%; volatility of 130% and an expected life of 5 years. The fair value assigned to these options was \$3,553,000. For the year ended December 31, 2016, the impact on the consolidated statement of loss and comprehensive loss was \$1,773,255 (period from January 16, 2015 to December 31, 2015 - \$nil).

## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

#### 12. Stock Options (Continued)

(iv) On September 9, 2016, 100,000 stock options were granted to First Nations at an exercise price of \$1.76 per share, expiring September 9, 2021. Refer to note 14(iv). Vesting of the stock options is as follows: one-fourth on the TSXV approval of the Memorandum of Understanding ("MOU"), one-fourth after six months, twelve months and eighteen months of the anniversary of the MOU. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$1.90; expected dividend yield of 0%; risk-free interest rate of 0.71%; volatility of 130% and an expected life of 5 years. The fair value assigned to these options was \$164,000. For the year ended December 31, 2016, the impact on the consolidated statement of loss and comprehensive loss was \$66,386 (period from January 16, 2015 to December 31, 2015 - \$nil).

The following table reflects the actual stock options issued and outstanding as of December 31, 2016:

Expiry date	Exercise price (\$)	Options outstanding	Weighted average remaining contractual life (years)	Options exercisable	Valuation (\$)
December 5, 2017	0.19	8,333	0.93	8,333	3,381
May 31, 2018	0.15	8,749	1.41	8,749	3,473
May 16, 2019	0.26	19,999	2.37	19,999	7,920
December 18, 2019	0.28	17,777	2.96	17,777	7,021
April 27, 2020	0.36	2,383,334	3.32	1,583,334	783,521
December 8, 2020	1.36	175,500	3.94	175,500	141,000
September 1, 2021	1.50	2,980,000	4.67	1,986,667	3,553,000
September 9, 2021	1.76	100,000	4.69	25,000	164,000
February 26, 2023	0.75	282,750	6.16	282,750	255,727
February 14, 2024	0.49	319,800	7.13	319,800	300,948
March 19, 2025	0.26	380,250	8.22	380,250	366,466
		<b>6,676,492</b>	<b>4.53</b>	<b>4,808,159</b>	<b>5,586,457</b>

#### 13. Net Loss Per Share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of \$41,604,732 (period from January 16, 2015 to December 31, 2015 - \$2,120,828) and the weighted average number of common shares outstanding of 60,600,472 (period from January 16, 2015 to December 31, 2015 - 29,110,590). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

### 14. Exploration and Evaluation Expenditures

	Year ended December 31, 2016	Period from January 16, 2015 to December 31, 2015
<b>Transaction properties</b> (note 5)		
Val-d'Or East Project (v)	\$25,618,796	\$ -
Detour Project (v)	8,917,722	-
Casa-Cameron Project (v)	642,653	-
Granada Extension Project (v)	960,386	-
Option and/or JV properties (v)	42,980	-
	<b>\$36,182,537</b>	<b>\$ -</b>
<b>Arrangement properties</b> (note 1)		
Black Creek Property	\$ 3,344	\$ 41,961
Tamarack-McFauld's Lake Property	70,526	28,852
Victory Property	-	7,801
	<b>\$ 73,870</b>	<b>\$ 78,614</b>
<b>Acquired properties</b>		
West Porcupine Property (i)(ii)(iii)(iv)	\$ 1,842,684	\$ -
<b>Other</b>		
Project Generation	\$ 64,352	\$ 257,156
<b>Exploration and evaluation expenditures</b>	<b>\$38,163,443</b>	<b>\$ 335,770</b>

(i) On February 25, 2016, the Company announced that it had acquired 100% of the West Porcupine Property held by White Metal Resources Corp. ("White Metal"). The West Porcupine Property represents a land package of approximately 30 square kilometres and is located between Goldcorp's Borden Gold project and the town of Timmins, Ontario.

Under the terms of the agreement, White Metal received a cash payment of \$120,000 in exchange for 100% ownership of the West Porcupine Property. White Metal will maintain a 1% net smelter return royalty ("NSR") over the West Porcupine Property, which can be purchased by the Company, at any time, for \$1 million.

(ii) On February 29, 2016, the Company announced that it had acquired a 100% undivided interest in the Ross Property comprising 15 mining claims. The 17 square kilometre property represents the northern extension to the newly acquired West Porcupine Property.

Under the term of the agreement, the vendors received a cash payment of \$60,000 in exchange for 100% ownership of the property. The vendors will maintain a 2% NSR, which can be purchased by the Company, at any time, for \$3 million.

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## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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#### 14. Exploration and Evaluation Expenditures (Continued)

(iii) On May 13, 2016, Probe Metals announced that the Company has completed the acquisition of the Ivanhoe property in Ontario, Canada. Under the terms of the agreement, Probe Metals made an aggregate payment of \$234,000 and issued 350,000 common shares valued at \$301,000 of Probe Metals in consideration for 100% interest in the property and option interest. The property represents a land package of approximately 130 square kilometres and is located proximal to, and along the same geological trend as, the Company's West Porcupine Property.

(iv) On September 26, 2016, the Company announced that it entered into a MOU with Mattagami and Flying Post First Nations in relation to the Company's West Porcupine Project near Foleyet, Ontario. Under the terms of the MOU, the Company issued 50,000 common shares valued at \$85,500 and 50,000 options to each of the two First Nations communities (see note 12(iv)).

(v) On June 10, 2016, the Company completed the Transaction with Adventure. Pursuant to the completion of the Transaction, the Company acquired an additional portfolio of projects in Quebec and Ontario. The acquired portfolio consisted of fifteen (15) properties, the Pascalis, Senore, Beaufor West, Beaufor North, Lapaska and Megiscane-Tavenir properties, collectively forming the Val-d'Or East Project, Detour East and North properties, forming part of the Detour Project, the Casagasic, KLM, Bell-Vezza, Sinclair-Bruneau, Florence and Céré-113 properties, comprising the Casa-Cameron Project and the Granada Extension Project, and three (3) Option and/or JV properties, the Meunier-144 JV (50/50 JV with Tahoe Resources), the Dubuisson JV with Agnico (46.5% Probe Metals/53.5% Agnico) and the Detour Quebec Option with SOQUEM (SOQUEM earning 50% interest).

The purchase price allocation of the property portfolio is as follows:

<b>Property Portfolio Acquired (Fair Value)</b>	(note 5)
Val-d'Or East Project	\$ 22,442,577
Detour Project	8,940,033
Casa-Cameron Project	541,293
Granada Extension Project	960,386
Option and/or JV properties	42,980
<b>Total</b>	<b>\$ 32,927,269</b>

Details regarding each is project is outlined below:

#### 1) Val-d'Or East / Beaufor North, Val-d'Or East / Beaufor West, Val-d'Or East / Lapaska and Dubuisson:

On February 26, 2007, Adventure signed an agreement with Q.E.X. Resources Inc. whereby Adventure acquired a 100% interest in four properties: Beaufor West, Beaufor North, Lapaska and Dubuisson, situated in the north-western part of Québec. Beaufor North is not subject to any royalty NSR. Beaufor West is subject to a 1.5% NSR, shared equally between Albert Audet and Geotest Corporation Ltd., and affecting also all claims acquired through staking within two miles of the property. Lapaska is subject to a 5% NSR on one claim payable to Bernard Charlebois. Dubuisson is subject to a royalty of \$25 per ounce on the first 30,000 ounces of gold extracted from the property and thereafter subject to a 2% NSR royalty, of which half (1%) may be purchased by paying \$500,000 within two (2) years after commercial production, with a right of first refusal of ninety (90) days on the second half.

On July 1, 2010, Adventure entered into an option agreement with Agnico, whereby Agnico acquired a 51% interest in the Dubuisson property. Also, under the terms of the agreement, Agnico acquired an additional 2.711% interest in the Dubuisson property by spending \$774,600 in exploration work.

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## **Probe Metals Inc.**

### **Notes to Consolidated Financial Statements**

**December 31, 2016 and 2015**

**(Expressed in Canadian Dollars)**

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#### **14. Exploration and Evaluation Expenditures (Continued)**

(v) (continued)

##### **1) Val-d'Or East / Beaufor North, Val-d'Or East / Beaufor West, Val-d'Or East / Lapaska and Dubuisson (continued):**

On July 21, 2016, the Company announced that it completed the agreement with Vaaldiam Mining Inc. ("Vaaldiam"), wholly-owned subsidiary of Orion Resources Partners LP, to buy back a 20% proceeds of production royalty (the "Royalty") covering certain mineral claims at the Company's Val d'Or East Project and the current mineral resources contained within the project's boundaries. Under the terms of the agreement, Probe Metals issued 500,000 common shares valued at \$545,000 in consideration for the Royalty. The transaction has received all necessary approvals, including the approval of the TSXV.

On September 14, 2016, the Company announced that it acquired from Richmond Mines Inc. ("Richmont") a 100% interest in six mining claims contiguous to the Company's Val d'Or East Project, Quebec. The claims are located immediately west of the Company's New Beliveau deposit. In consideration of the six claims, the Company transferred four isolated mining claims, comprising its Beaufor West property, to Richmont. The claims are located wholly within Richmont's Beaufor Project and were considered non-core to the Val-d'Or East project. In accordance with the Company's accounting policy to expense exploration and evaluation expenditures the transaction was determined to have a value of \$nil.

##### **2) Val-d'Or East / Pascalis-Colombière:**

On March 17, 2008, Adventure acquired a 100% interest in Pascalis-Colombière gold property located northeast of Val-d'Or, Québec. The property is subject to a 2% NSR of which half (1%) may be purchased at any time by Adventure for \$1 million. The property is also subject to a 1% gross sale royalty on five mining claims and a 20% net proceeds of production royalty on 28 other mining claims, payable to Alain Garneau and Vaaldiam, respectively.

On September 11, 2012, Adventure acquired a 100% interest in 43 claims located in the Pascalis-Colombière property. The property is subject to a 2% NSR. Adventure shall have the right to purchase 1% of the NSR at any time by paying \$1,000,000. In February 2013, Adventure acquired 100% interest in the property by fulfilling its obligations.

On October 3, 2012, Adventure acquired a 100% interest in 8 additional claims from two independent prospectors. The property is subject to a 2% NSR Adventure shall have the right to purchase 1% of the NSR at any time by paying \$1,000,000.

##### **3) Val-d'Or East / Senore:**

On July 8, 2008 and amended on June 30, 2011, Adventure entered into an option agreement with Peter Bambic (the "Optionor") in order to acquire a 100% interest in the Senore property, located 22 kilometers northeast of Val-d'Or.

In January 2012, Adventure acquired 100% interest in the property by fulfilling its obligations.

The Optionor retains a 3% NSR on two mining claims and 2% NSR on the balance of the property. Adventure has the right to buy back at any time 50% of the NSR for, \$2,000,000 and \$1,000,000, respectively.

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## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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#### 14. Exploration and Evaluation Expenditures (Continued)

(v) (continued)

##### 4) Timmins West / Meunier-144:

On July 8, 2008, and as amended on June 1, 2009, and May 5, 2010, Adventure entered into an option agreement with a group of prospectors (the "Optionors") in order to acquire a 100% interest in the Meunier 144 gold property located 19 kilometers west of Timmins, Ontario.

The property is also subject to a 2.5% NSR of which a 1% NSR may be purchased at any time by Adventure for \$2,000,000. Also, under the terms of the agreement, Adventure is subject to a payment of \$2,000,000 in the case where a pre-feasibility study conducted on the property could indicate the potential for commercial production of at least 1 million ounces of gold.

On May 5, 2010, Adventure entered into an option agreement with RTM and Lake Shore Gold Corp. ("LSG") whereby RTM can acquire up to 50% of Adventure's right, title and interest in the Meunier 144 property. On June 30, 2011, RTM acquired 25% interest in the property by fulfilling its obligations.

On April 5, 2012, RTM earned an additional 25% interest in the property by fulfilling its obligations.

As part of the agreement, following the exercise of the second option by RTM and for a period of up to 10 years (until May 5, 2020), LSG may acquire from Adventure and RTM a 10% interest in the property by carrying out a Preliminary Resource Assessment on any NI 43-101 resources identified by RTM or Adventure on the property and by reimbursing RTM and/or Adventure for any costs associated with the initial NI 43-101 report.

##### 5) Val-d'Or East / Cadillac Break East Property:

On November 28, 2016, the Company entered into an option agreement with Alexandria Minerals Corporation ("Alexandria"), whereby the Company may earn up to a 70% interest in the Cadillac Break East Property, located 25km east-southeast of Val d'Or, Quebec. The property is comprised of 232 mining claims totaling approximately 72 square kilometres.

Consideration payable is summarized as follows:

- The Company may earn a 60% interest in the property by spending an aggregate of \$5,000,000 on exploration expenditures over 4 years;
- The Company issued 300,000 common shares (issued on December 6, 2016 and valued at \$432,000);
- Upon completion of the earn-in requirement, a JV will be formed with the Company' holding a 60% joint venture interest and Alexandria owning a 40% JV interest;
- The Company may earn an additional 10% (total of 70%) interest in the property by completing a pre-feasibility study, incurring an additional \$2,000,000 in exploration expenditure and issuing 200,000 common shares to Alexandria on completion of the 70% earn-in requirement;
- Thereafter, each party will be required to contribute to any further programs pro rata according to its JV interest. Should a JV party fail to make any of its required program contributions, its interest will be diluted accordingly. If a party's JV interest is diluted below 10%, its JV interest will be converted to a 2% NSR.



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# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### 14. Exploration and Evaluation Expenditures (Continued)

(v) (continued)

#### 6) Val-d'Or East / Bonnfond North:

On November 30, 2016, the Company entered into an asset purchase agreement to acquire a 100 interest in the Bonnfond North Property from QMX and its JV partner in exchange for an aggregate cash payment of \$500,000 and a 1% NSR payable in lieu of any right to receive the royalty otherwise issuable pursuant to an historical JV agreement. Bonnfond North is comprise of 37 mining claims.

#### 7) Val-d'Or East / Others:

Val-d'Or East / Others consist of the following mining claims located in the Abitibi region that Adventure acquired by staking and map-designation in 2008, 2010, 2011 and 2015: Megiscane-Tavernier.

#### 8) Detour Quebec:

Detour Quebec consists of the following mining claims located in the Abitibi region that Adventure acquired by property option agreement and by staking and map-designation in 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015: Casgrain, Casgrain Extension, Fenelon, Gaudet, Manthet, Martigny, Massicotte and Sicotte.

On February 22, 2012, Adventure acquired a 100% interest in 45 claims located in the Massicotte property from Globex Mining Enterprises Inc. ("Globex"). The claims are subject to a 2.5% Gross Metal Royalty ("GMR"). Adventure shall have the right to purchase 1.5% of the GMR at any time by paying \$1,500,000. In addition, Adventure agreed to transfer 100% of its right on the Realore property (11 claims) located 50 kilometres east of Val-d'Or. Adventure will retain 2% GMR on the Realore claims and Globex shall have the right to purchase 1.0% of the GMR at any time by paying \$500,000. In addition, Adventure acquired a 100% interest in 21 additional claims located in the Massicotte property from independent prospectors.

On April 18, 2012 and amended on July 14, 2014, Adventure entered into an option agreement with a group of prospectors (the "Prospectors") in order to acquire a 100% interest in 353 claims which 72 claims located in the Casgrain property, 262 claims located in Gaudet property and 19 claims located in the Martigny property. The 353 claims are subject to a 1.5% NSR shared equally between two prospectors. Adventure shall have the right to purchase a 1% of the NSR at any time by paying a total of \$1,000,000 to two Prospectors.

On October 6, 2015, Adventure entered into an option agreement with SOQUEM, whereby SOQUEM can acquire a 50% interest in its central and western Detour Quebec gold properties, currently wholly-owned by Adventure, by making exploration work of \$4,000,000 over a period of four years, which \$1,000,000 of exploration work must be incurred during the first year. The properties under option by SOQUEM total 531 claims covering an area of 286 square kilometres. Adventure will be the operator during the option period and will receive an operator's fee up to 10% of exploration expenditures funded by SOQUEM. A joint venture will be created once the option has been exercised.

To earn its 50% interest, SOQUEM must incurred exploration expenses in the following timelines:

	<b>Exploration expenses</b>
On or before October 6, 2016	\$ 1,000,000
On or before October 6, 2017	1,000,000
On or before October 6, 2018	1,000,000
On or before October 6, 2019	1,000,000
	<b>\$ 4,000,000</b>

# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

### 14. Exploration and Evaluation Expenditures (Continued)

(v) (continued)

#### 9) Casa Cameron:

On August 12, 2009, Adventure acquired from five independent prospectors (the "Vendors"), a 100% interest in the Bruneau Gold Property, located 45 kilometers southeast of Matagami, Québec. An area of interest in this property is subject to a 2% NSR in favour of the Vendors, of which 1% can be bought back by Adventure at any time by paying the Vendors \$500,000.

On April 27, 2012, Adventure acquired a 100% interest in 41 claims located in the Florence property from Ressources Cartier Inc. These claims are subject to a 1% NSR. Adventure shall have the right to purchase the 1.0% NSR at any time by paying \$250,000.

Other Casa Cameron properties consist of the following mining claims that Adventure acquired by staking and map-designation in 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015, located in the north-western part of Québec, in the Abitibi region: Bachelor, Bell-Vezza, Casagasic, Cere, Florence, KLM, Vezza Extension and Vezza North.

In February 2011, Adventure entered into an option agreement with Société d'exploration minière Vior Inc. ("Vior"), whereby Vior acquired an exclusive option of 100% interest of Bourniol property in 12 claims located in the district of Abitibi, by paying \$7,500 in cash payment and a 2% NSR. Vior retains the right, at any time to purchase 1 of the 2 percentage points of the royalty by paying Adventure the sum of \$1,000,000.

On December 12, 2013 and amended on April 28, 2015, Adventure has entered into an option agreement with GFK. Under the terms of the agreement, GFK has acquired an exclusive option to earn between 51% ("First Option") and 100% ("Second Option") interest in 446 claims covering an area of 22,189 hectares or 222 km<sup>2</sup> known as Adventure's Casa Cameron properties for exploration expenditures, common shares and payments totalling up to \$12,500,000. Adventure will act as operator for the First Option and will receive an operator's fee equal to 10% of exploration expenditures funded by GFK.

To earn its 51% interest as per the First Option, GFK must make cash payments, issue common shares and incurred exploration expenses in the following timelines:

	Cash payments	Shares	Exploration expenses
On December 12, 2013	\$ 250,000 <sup>(1)</sup>	2,000,000 <sup>(2)</sup>	\$ -
On April 28, 2015	50,000 <sup>(3)</sup>	-	-
On or before February 28, 2017	-	-	2,000,000
On or before April 29, 2017 <sup>(4)</sup>	1,200,000	-	-
On or before February 29, 2020	-	-	3,000,000
	<b>\$ 1,500,000</b>	<b>2,000,000</b>	<b>\$ 5,000,000</b>

(1) This cash payment was received on the date noted in the agreement.

(2) These common shares were issued on February 4, 2014 at a price of \$0.25 per share.

(3) This cash payment was received on May 6, 2015.

(4) \$1,200,000 in cash or, at the election of GFK, in common shares of GFK at a price per share equal the greater of the volume weighted average closing price of the common shares of GFK calculated over a period of thirty (30) days before the date a payment is to be made ("VWAP") or the last closing price of the common shares of GFK on the TSXV before the date of the news release announcing the issuance such common shares less the applicable discount as permitted by the policies of the TSXV, subject to a minimum cash payment to Adventure of \$200,000.

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**Probe Metals Inc.****Notes to Consolidated Financial Statements****December 31, 2016 and 2015****(Expressed in Canadian Dollars)**

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**14. Exploration and Evaluation Expenditures (Continued)**

(v) (continued)

**9) Casa Cameron (continued):**

To earn an additional 49% interest as per the Second Option, GFK must make cash payments and/or issue common shares in the following timeline:

	<b>Cash payments</b>
On the delivering date (on or before April 29, 2020) of the Second Option notice to Adventure	\$ 5,500,000 <sup>(1)</sup>
	<b>\$ 5,500,000</b>

<sup>(1)</sup> \$5,500,000 in cash or, at the election of GFK, in common shares of GFK at a price per share equal the greater of (i) the VWAP or (ii) the last closing price of the common shares of GFK on the TSXV before the date of the news release announcing the issuance such common shares less the applicable discount as permitted by the policies of the TSXV, subject to a minimum cash payment to Adventure of \$500,000. GFK will grant to Adventure a production royalty on the properties and, as the case may be, any additional properties, equal to 2% NSR, provided that half of the production royalty (1% NSR) can be bought back at any time by GFK, at its sole discretion, for an amount of \$1,000,000.

On July 27, 2016, the Company announced that it completed the agreement to sell three blocks of mining claims forming part of the Casa Cameron Property, being the Vezza Extension Property, the Vezza North Property and the Bachelor Extension Property (each a "Property" and together, the "Properties") to GFK.

Pursuant to the agreement, in consideration for the Properties, GFK issued to Probe Metals 3,000,000 common shares ("GFK Shares") valued at \$375,000. Upon closing, GFK granted to Probe Metals a 2% NSR over the Properties, of which 1% can be purchased by GFK, at any time, for \$1,000,000. Additionally, Probe Metals and GFK terminated the option agreement dated December 11, 2013, pursuant to which GFK had the right to earn a 100% interest in the Casa-Cameron Project. In consideration for termination of the option agreement, GFK paid Probe Metals an amount of \$275,000 (\$175,000 in July 2016 and \$100,000 in November 2016) to keep the mining claims in the Casa-Cameron Project in good standing for 2016 and 2017. The cash received by GFK was offset by the balance due from GFK to the Company for a total of \$181,391.

**10) Granada Extension:**

On September 21, 2010 and amended on October 8, 2010, Adventure signed an option agreement with two individuals (the "Individuals") in order to acquire a 100% interest in three of the eleven claims acquired by Adventure. The Granada Extension property covering approximately 200 hectares, is located along the Cadillac Larder Lake Gold Break, in the Rouyn-Noranda mining camp, Québec.

In August 2014, Adventure acquired 100% interest in the property by fulfilling its obligations:

	<b>Cash payments</b>	<b>Shares</b>	<b>Warrants</b>
On October 5, 2010	\$ 10,000 <sup>(1)</sup>	-	-
On October 27, 2010	-	150,000 <sup>(2)</sup>	150,000 <sup>(3)</sup>
On or before August 31, 2011	10,000 <sup>(1)</sup>	-	-
On or before August 31, 2012	10,000 <sup>(1)</sup>	-	-
On or before August 31, 2013	10,000 <sup>(1)</sup>	-	-
On or before August 31, 2014	10,000 <sup>(1)</sup>	-	-
	<b>\$ 50,000</b>	<b>150,000</b>	<b>150,000</b>

## Probe Metals Inc.

### Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

#### 14. Exploration and Evaluation Expenditures (Continued)

(v) (continued)

##### 10) Granada Extension (continued):

The Individuals retains a 1.5% NSR on three mining claims. Adventure has the right to buy back at any time a 0.5% of the NSR for \$500,000.

#### 15. General and Administrative Expenses

	Year ended December 31, 2016	Period from January 16, 2015 to December 31, 2015
Share-based payments (notes 12(ii)(iii)(iv) and 16)	\$ 2,055,805	\$ 531,045
Salaries and benefits (note 16)	1,500,104	697,494
Professional fees (note 16)	503,012	253,707
Travel and promotion costs	278,371	176,985
Administrative costs	187,218	76,995
Occupancy costs	128,411	93,533
Director fees (note 16)	120,743	71,547
Shareholder information	82,307	17,436
Depreciation	18,990	112
Income tax recovery	(1,296)	-
	<b>\$ 4,873,665</b>	<b>\$ 1,918,854</b>

#### 16. Related Party Balances and Transactions

Related parties include the Board of Directors and management, close family and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The below noted transactions are approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

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

	Notes	Year ended December 31, 2016	Period from January 16, 2015 to December 31, 2015
Peterson McVicar LLP ("Peterson")	(i)	\$ 249,898	\$ 5,912
Marrelli Support Services Inc. ("Marrelli Support")	(ii)	\$ 52,180	\$ 36,400
DSA Corporate Services Inc. ("DSA")	(ii)	\$ 23,515	\$ 10,939

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# Probe Metals Inc.

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

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### 16. Related Party Balances and Transactions (Continued)

(a) The Company entered into the following transactions with related parties (continued):

(i) Dennis H. Peterson, a director of the Company, controls Peterson which provided legal services to the Company. The amounts charged by Peterson are based on what Peterson usually charges its clients. The Company expects to continue to use Peterson for an indefinite period. As at December 31, 2016, Peterson was owed \$17,581 (December 31, 2015 - \$2,556) and this amount was included in amounts payable and other liabilities.

(ii) During the year ended December 31, 2016, the Company paid professional fees of \$52,180 (period from January 16, 2015 to December 31, 2015 - \$36,400) to Marrelli Support, an organization of which Carmelo Marrelli is president. Mr. Marrelli is the Chief Financial Officer of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. As at December 31, 2016, Marrelli Support was owed \$10,260 (December 31, 2015 - \$8,260) and this amount was included in amounts payable and other liabilities.

During the year ended December 31, 2016, the Company paid professional fees of \$23,515 (period from January 16, 2015 to December 31, 2015 - \$10,939) to DSA, an organization of which Mr. Marrelli controls. Mr. Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2016, DSA was owed \$2,104 (December 31, 2015 - \$1,140) and this amount was included in amounts payable and other liabilities.

(iii) On March 13, 2015, pursuant to the Arrangement, the Company's related parties received 1,724,834 stock options of the Company with a fair value of \$665,122.

(iv) On June 10, 2016, pursuant to the Transaction, the Company's related parties received 341,250 stock options of the Company with a fair value of \$317,978.

(v) Refer to note 10(b)(iii).

The above noted transactions are in the normal course of business and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(b) Remuneration of directors and key management personnel, other than consulting fees, of the Company was as follows:

	Year ended December 31, 2016	Period from January 16, 2015 to December 31, 2015
Salaries and benefits	\$ 1,588,129	\$ 546,250
Share-based payments	\$ 1,632,652	\$ 503,386

The directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services. As at December 31, 2016, officers and directors were owed \$470,456 (December 31, 2015 - \$269,332) and this amount was included in amounts payable and other liabilities.

# Probe Metals Inc.

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 17. Commitments

(i) As of December 31, 2016, the Company is committed, under the terms of a rental agreement for office premises to future rental payments aggregating \$141,937. The current rental agreement expires on October 31, 2018.

(ii) Pursuant to the terms of flow-through share agreement, the Company is in the process of complying with its flow-through contractual obligations to subscribers with respect to the Income Tax Act (Canada) requirements for the look-back rule. The look-back rule requires the Company to incur qualifying exploration expenditures in Canada ("CEE") within 12 months from the effective date of renunciation. As of December 31, 2016, the Company is committed to incurring approximately \$3.6 million in Canadian Exploration Expenditures (as such term is defined in the Income Tax Act (Canada)) by December 31, 2017, arising from the flow-through offerings.

### 18. Segmented Information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

### 19. Income Taxes

#### (a) Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.8% (2015 - 26.5%) to the effective tax rates is as follows:

	Year ended December 31, 2016	Period from January 16, 2015 to December 31, 2015
Net loss before income taxes	<b>\$(41,604,732)</b>	\$ (2,120,828)
Expected income tax recovery at statutory rates	<b>(11,150,068)</b>	(562,019)
Share-based compensation	<b>550,956</b>	-
Share issue costs	<b>(282,708)</b>	-
Unrealized gain on marketable securities	<b>(110,433)</b>	-
Effect of flow-through shares	<b>571,762</b>	-
Permanent differences	<b>(4,974)</b>	140,855
Acquisition of Adventure	<b>5,874,105</b>	-
Unrecognized deferred tax benefits	<b>4,551,360</b>	421,164
Deferred tax recovery	<b>\$ -</b>	\$ -

The statutory tax rate has changed as a result of the change in provincial allocation of future revenues.

#### (b) Deferred tax

The following table summarizes the components of deferred tax:

	2016	2015
<b>Deferred tax assets</b>		
Non-capital losses	<b>\$ 110,433</b>	\$ -
<b>Deferred tax liabilities</b>		
Marketable securities	<b>(110,433)</b>	-
	<b>\$ -</b>	\$ -

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## Probe Metals Inc.

### Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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#### 19. Income Taxes (Continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

(c) Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom:

	2016	2015
<b>Deferred tax assets</b>		
Non-capital losses	\$ 9,078,133	\$ 1,253,416
Exploration and evaluation expenditures and related tax credits	7,887,334	335,770
Share issuance costs	915,859	-
Property and equipment	31,342	113
Other	64,239	-
	<b>\$ 17,976,907</b>	<b>\$ 1,589,299</b>

(d) Tax loss carry-forwards

Non-capital losses will expire between 2025 and 2036. Share issuance costs will be fully amortized by 2020. The deduction related to \$4,574,112 of exploration expenditures is limited to the income from the re-source properties related to the Adventure acquisition and the proceeds of disposition of those properties. The remaining deductible temporary differences may be carried forward indefinitely.

#### 20. Subsequent Events

(i) On January 17, 2017, the Company announced that it entered into a binding option agreement with Richmond, whereby Probe Metals may earn a 60% interest in the Monique Property, located 25 km east-southeast of Val-d'Or, Quebec. The Monique Property is comprised of 22 mining claims and will be part of the Company's Val-d'Or East Project.

The Company also announced that it has acquired a 100% undivided interest in the Boudrias Property comprising 12 mining claims staked by Mr. Dean Boudrias, a Val-d'Or prospector. The Boudrias Property represents the northern extension of the Monique Property and the eastern extension of the Bonnefond North Property, recently acquire from QMX.

(ii) On February 14, 2017, 9,750 stock options with an exercise price of \$0.49 and expiry date of February 14, 2024 were exercised for cash proceeds of \$4,778.

(iii) On February 21, 2017, 260,032 warrants with an exercise price of \$0.513 and expiry date of November 23, 2017 were exercised for cash proceeds of \$133,396.

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## Probe Metals Inc.

### Notes to Consolidated Financial Statements

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#### 20. Subsequent Events (Continued)

(iv) On February 28, 2017, the Company completed a bought deal private placement of flow-through shares (the "Offering") of 886,151 Ontario flow-through common shares of the Company (the "Ontario FT Shares") at a price of \$1.68 per Ontario FT Share and 5,838,849 Quebec flow-through common shares of the Company (the "Quebec FT Shares") at a price of \$2.05 per Quebec FT Share for aggregate gross proceeds of \$13,458,374 (the "FT Offering"), collectively the flow through common shares (the "Flow-Through Common Shares").

The Offering was completed through a syndicate of underwriters led by Cormark Securities Inc., and included Macquarie Capital Markets Canada Ltd. and Industrial Alliance Securities (collectively, the "Underwriters"). In consideration for their services, the underwriters will receive a cash commission equal to 6 per cent of the gross proceeds of the Offering.

The Company also announced that Goldcorp exercised its participation right to maintain its pro-rata interest in the Company. In connection with the Offering, Goldcorp purchased 975,000 common shares from subscribers to the Offering. Goldcorp now owns 12,868,646 common shares and 657,900 common share purchase warrants of Probe, which represents 13.9% of Probe's issued and outstanding common shares on a non-diluted basis and 14.5% on a partially diluted basis.

The proceeds from the Offering will be used to fund "Canadian exploration expenses" (within the meaning of the Tax Act) related to Probe's projects in Ontario and Québec, will qualify for inclusion in both the exploration base relating to certain Québec exploration expenses and the exploration base relating to certain Québec surface mining exploration expenses, as such terms are defined in the Taxation Act (Québec), and will be used for general working capital purposes.

(v) On March 9, 2017, 50,310 warrants with an exercise price of \$1.154 and expiry date of May 4, 2017 were exercised for cash proceeds of \$58,058.

(vi) On March 14, 2017, 39,000 stock options with an exercise price of \$0.75 and expiry date of February 26, 2023 were exercised for cash proceeds of \$29,250, 29,250 stock options with an exercise price of \$0.49 and expiry date of February 14, 2024 were exercised for cash proceeds of \$14,333 and 58,500 stock options with an exercise price of \$0.26 and expiry date of March 19, 2025 were exercised for cash proceeds of \$15,210.

(vii) On March 15, 2017, 39,000 stock options with an exercise price of \$0.75 and expiry date of February 26, 2023 were exercised for cash proceeds of \$29,250, 39,000 stock options with an exercise price of \$0.49 and expiry date of February 14, 2024 were exercised for cash proceeds of \$19,110 and 78,000 stock options with an exercise price of \$0.26 and expiry date of March 19, 2025 were exercised for cash proceeds of \$20,280.