

**WESTHAVEN VENTURES INC.**  
**(An Exploration Stage Company)**

**Financial Statements**  
**December 31, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF WESTHAVEN VENTURES INC.

We have audited the accompanying financial statements of Westhaven Ventures Inc., which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Westhaven Ventures Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

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

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
March 14, 2017

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**WESTHAVEN VENTURES INC.**  
**(An Exploration Stage Company)**  
**Statements of Financial Position**  
**December 31**  
**(Expressed in Canadian Dollars)**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 391,093	\$ 7,100
Accounts receivable	22,425	20,949
	413,518	28,049
<b>Reclamation Deposits</b>	59,000	24,000
<b>Equipment</b> (note 5)	2,267	3,084
<b>Mineral Properties</b> (note 6)	2,246,425	1,450,283
	\$ 2,721,210	\$ 1,505,416
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 8)	\$ 67,542	\$ 142,297
Loan payable (note 8)	469,829	361,367
	537,371	503,664
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 7)	4,301,816	2,732,832
<b>Reserves</b> (note 7)	179,599	218,473
<b>Deficit</b>	(2,297,576)	(1,949,553)
	2,183,839	1,001,752
	\$ 2,721,210	\$ 1,505,416

These financial statements are signed on behalf of the Board of Directors by:

"Grenville Thomas" (signed)

Director

"Shaun Pollard" (signed)

Director

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

**WESTHAVEN VENTURES INC.**  
**(An Exploration Stage Company)**  
**Statements of Loss and Comprehensive Loss**  
**Years Ended December 31**  
**(Expressed in Canadian Dollars)**

	<b>2016</b>	<b>2015</b>
<b>Expenses</b>		
Management fees (note 8)	\$ 100,000	\$ 100,000
Amortization of loan issuance cost (note 8)	65,750	14,250
Interest (note 8)	42,712	24,617
Professional fees	30,480	28,549
Rent (note 8)	25,419	24,936
Travel	25,057	5,446
Advertising and promotion	20,407	4,148
General and administrative (note 8)	19,353	7,010
Regulatory and filing fees	16,618	14,671
Insurance	5,012	6,294
Share-based payments (notes 7(e) and 8)	-	112,240
Amortization	817	1,128
	(351,625)	(343,289)
Impairment of mineral properties (note 6)	(54,783)	(659,008)
<b>Net Loss and Comprehensive Loss for Year</b>	<b>\$ (406,408)</b>	<b>\$ (1,002,297)</b>
<b>Basic and Diluted Loss Per Share</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>44,340,170</b>	<b>28,811,402</b>

**WESTHAVEN VENTURES INC.**  
**(An Exploration Stage Company)**  
**Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian Dollars)**

	Capital Stock		Reserves			Deficit	Total Shareholders' Equity
	Common Shares	Amount	Warrants	Options	Total Reserves		
<b>Balance, December 31, 2014</b>	27,081,679	\$ 2,224,069	\$ 67,628	\$ 164,216	\$ 231,844	\$ (1,076,499)	\$ 1,379,414
Flow-through units issued for cash (note 7(b))	3,617,000	217,020	-	-	-	-	217,020
Shares issued pursuant to property option agreement (note 7(b))	2,625,000	223,750	-	-	-	-	223,750
Share issued as bonus shares for loan (note 7(b))	1,230,769	80,000	-	-	-	-	80,000
Share-based payments (note 7(e))	-	-	-	112,240	112,240	-	112,240
Expiration of warrants (note 7(d))	-	-	(9,243)	-	(9,243)	9,243	-
Expiration of options (note 7(e))	-	-	-	(120,000)	(120,000)	120,000	-
Share issue costs	-	(12,007)	3,632	-	3,632	-	(8,375)
Net loss for year	-	-	-	-	-	(1,002,297)	(1,002,297)
<b>Balance, December 31, 2015</b>	34,554,448	2,732,832	62,017	156,456	218,473	(1,949,553)	1,001,752
Non-flow-through units issued for cash (note 7(b))	7,276,667	873,200	-	-	-	-	873,200
Flow-through units issued for cash (note 7(b))	9,183,331	682,000	-	-	-	-	682,000
Shares issued pursuant to property option agreement (note 7(b))	500,000	35,000	-	-	-	-	35,000
Exercise of warrants	798,333	60,427	-	-	-	-	60,427
Expiration of warrants (note 7(d))	-	-	(58,385)	-	(58,385)	58,385	-
Share issue costs	-	(81,643)	19,511	-	19,511	-	(62,132)
Net loss for year	-	-	-	-	-	(406,408)	(406,408)
<b>Balance, December 31, 2016</b>	52,312,779	\$ 4,301,816	\$ 23,143	\$ 156,456	\$ 179,599	\$ (2,297,576)	\$ 2,183,839

**WESTHAVEN VENTURES INC.**  
**(An Exploration Stage Company)**  
**Statements of Cash Flows**  
**Years Ended December 31**  
**(Expressed in Canadian Dollars)**

	<b>2016</b>	<b>2015</b>
<b>Operating Activities</b>		
Net loss for year	\$ (406,408)	\$ (1,002,297)
Items not involving cash		
Amortization	817	1,128
Amortization of loan issuance cost	65,750	14,250
Impairment of mineral properties	54,783	659,008
Interest	42,712	24,617
Share-based payments	-	112,240
	(242,346)	(191,054)
Changes in non-cash working capital		
Accounts receivable	(1,476)	155,202
Accounts payable and accrued liabilities	(80,761)	75,169
<b>Cash (Used in) Provided by Operating Activities</b>	<b>(324,583)</b>	<b>39,317</b>
<b>Financing Activities</b>		
Shares issued for cash, net of share issue costs	1,493,068	208,645
Exercise of warrants	60,427	-
Proceeds from loan	-	200,000
<b>Cash Provided by Financing Activities</b>	<b>1,553,495</b>	<b>408,645</b>
<b>Investing Activities</b>		
Expenditures on mineral properties	(809,919)	(457,036)
Expenditures on reclamation deposits	(35,000)	-
<b>Cash Used in Investing Activities</b>	<b>(844,919)</b>	<b>(457,036)</b>
<b>Inflow (Outflow) of Cash</b>	<b>383,993</b>	<b>(9,074)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>7,100</b>	<b>16,174</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 391,093</b>	<b>\$ 7,100</b>
<b>Supplemental Cash Flow Information</b>		
Accounts payable included in mineral properties	\$ 6,006	\$ 6,600
Shares issued for mineral properties	\$ 35,000	\$ 223,750
Shares issued as bonus shares for loan	\$ -	\$ 80,000

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

**WESTHAVEN VENTURES INC.**  
**(An Exploration Stage Company)**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Westhaven Ventures Inc. (the "Company") is an exploration stage company incorporated under the *Business Corporations Act* of British Columbia and commenced operations on May 5, 2010. The Company is engaged in the acquisition and exploration of mineral properties in Canada.

The head office and records office of the Company is located at 1056 - 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business.

The Company has sustained recurring losses and negative cash flows from operations. As at December 31, 2016, the Company had cash of \$391,093 (2015 - \$7,100); working capital deficiency of \$123,853 (2015 - \$475,615) and an accumulated deficit of \$2,297,576 (2015 - \$1,949,553). The Company has ongoing requirements for capital investment for its mineral property interests. The Company will need to raise substantial additional capital through equity financing to accomplish its business plan over the next several years. There can be no assurance as to the availability or terms upon which such financing might be available.

The business of mineral exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its liabilities and maintain its mineral interests. The recoverability of amounts shown for mineral property interests is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these mineral property interests, and establish future profitable production, or realize proceeds from the disposition of mineral interests. The carrying value of the Company's mineral property interests does not reflect current or future values.

These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**2. BASIS OF PRESENTATION**

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis, except for financial instruments carried at fair value. Also, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company's functional and presentation currency is the Canadian dollar.

The significant accounting policies set out in note 3 have been applied consistently to all years presented.

**WESTHAVEN VENTURES INC.**  
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**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**  
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**2. BASIS OF PRESENTATION (Continued)**

(b) Approval of the financial statements

The financial statements of the Company as at December 31, 2016 and 2015 and for the years then ended were approved and authorized for issue by the Board of Directors on March 14, 2017.

(c) New and future accounting pronouncements

At the date of authorization of these financial statements, the IASB and International Financial Reporting Interpretation Committee have issued the following new and revised standards and interpretations, which are not yet effective for the relevant reporting periods. The new and revised standards applicable to the Company are as follows:

**IFRS 9 *Financial Instruments***

Issued by IASB	July 2014
Effective for annual periods beginning on or after	January 1, 2018

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

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

• *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

• *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

• *Impairment of financial assets:*

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



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**2. BASIS OF PRESENTATION (Continued)**

(c) New and future accounting pronouncements (Continued)

**IFRS 9 *Financial Instruments* (Continued)**

• *Hedge accounting:*

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

**Clarification of Acceptable Methods of Depreciation and Amortization  
(Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*)**

Issued by IASB	May 2014
Effective for annual periods beginning on or after	January 1, 2016

Amends IAS 16 and IAS 38 to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

**IFRS 16 *Leases***

Issued by IASB	January 2016
Effective for annual periods beginning on or after	January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**WESTHAVEN VENTURES INC.**  
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**2. BASIS OF PRESENTATION** (Continued)

(c) New and future accounting pronouncements (Continued)

**IFRS 16 Leases** (Continued)

- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

**Classification and Measurement of Share-based Payment Transactions**  
(Amendments to IFRS 2 *Share-based Payment*)

Issued by IASB	November 2016
Effective for annual periods beginning on or after	January 1, 2018

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

**Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)**

Issued by IASB	January 2016
Effective for annual periods beginning on or after	January 1, 2017

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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**2. BASIS OF PRESENTATION (Continued)**

(c) New and future accounting pronouncements (Continued)

**Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12  
Income Taxes)**

Issued by IASB	January 2016
Effective for annual periods beginning on or after	January 1, 2017

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The Company has not early-adopted these standards, amendments and interpretations; however, the Company is currently assessing the impact of these standards or amendments on the financial statements of the Company.

(d) Use of judgments and estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty 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.

*Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

**WESTHAVEN VENTURES INC.**  
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**2. BASIS OF PRESENTATION (Continued)**

(d) Use of judgments and estimates (Continued)

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

*Critical accounting judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Recoverability of mineral properties

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indicators of impairments. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's minerals properties.

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economic assessments/studies, accessible facilities and existing permits.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year as they fall due involves judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

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**3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

*Fair value through profit or loss*

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; 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 or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss. Cash is included in this category of financial assets.

*Held-to-maturity*

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

*Available-for-sale*

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. The Company has no assets classified as AFS.

*Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method. The Company has no assets classified as loans and receivables.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(a) Financial instruments (Continued)

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories:

*Borrowings and other financial liabilities*

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of loss and comprehensive loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and loan payable.

*Fair value through profit or loss*

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities classified as FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities. The Company has no liabilities classified as FVTPL.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(b) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated using the declining-balance method applying the following annual rates:

Computer equipment and software	30%
Furniture and equipment	20%

(c) Mineral properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to a property, and directly attributable general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of mineral property.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property and equipment.

(d) Impairment of non-current assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(e) Provision for closure and reclamation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

(f) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(g) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.



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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(g) Share-based payments (Continued)

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock. For those unexercised options and share purchase warrants that expired, the recorded value is transferred to deficit.

(h) Earnings or loss per share

Earnings or loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(i) Flow-through shares

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds using the residual method and allocates the funds received as follows:

- Capital stock – the market value of the common shares;
- Warrant reserve – if warrants are being issued, up to the amount calculated using the Black-Scholes option pricing model; and
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature.

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets and the flow-through share premium is amortized to the statement of loss and comprehensive loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has incurred those expenditures at any time (before or after the end of the reporting period).

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(i) Flow-through shares (Continued)

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 and recorded to profit or loss.

(j) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market value of the common shares at the time the units are priced, and any excess is allocated to warrants.

(k) Mining exploration tax credits

The Company recognizes mining exploration tax credits in the period in which the related exploration expenses were incurred and collectability is reasonably assured. The mining exploration tax credits are capitalized to offset the cost of mineral properties.

**4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company's cash, accounts payable and accrued liabilities and loan payable have carrying values that approximate their fair values due to their short term to maturity.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk, in respect of cash, by ensuring that these financial assets are placed with a major Canadian financial institution with strong investment-grade ratings. Concentration of credit risk exists with respect to the Company's cash, as amounts are held with a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

	<b>2016</b>	<b>2015</b>
Cash – Canadian dollars	\$ 391,093	\$ 7,100

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**4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)**

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

At December 31, 2016, the Company had cash in the amount of \$391,093 (2015 - \$7,100), accounts payable and accrued liabilities of \$67,542 (2015 - \$142,297) and loan payable of \$469,829 (2015 - \$361,367). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2016.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, foreign currency risk and other price risk. The Company is not exposed to significant market risk.

**5. EQUIPMENT**

<b>Cost</b>	
As at December 31, 2014, 2015 and 2016	\$ 9,735
<b>Accumulated Amortization</b>	
As at December 31, 2014	\$ 5,523
Charge for the year	1,128
As at December 31, 2015	6,651
Charge for the year	817
As at December 31, 2016	\$ 7,468
<b>Carrying Value</b>	
As at December 31, 2015	\$ 3,084
As at December 31, 2016	\$ 2,267

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**6. MINERAL PROPERTIES**

Amounts capitalized as mineral property costs are as follows:

	<b>Shovelnose Gold Property</b>	<b>Prospect Valley Property</b>	<b>BEN Property</b>	<b>BEN South Property</b>	<b>Total</b>
Balance, December 31, 2014	\$ 791,993	\$ -	\$ 601,456	\$ 45,920	\$ 1,439,369
Deferred exploration costs					
Acquisition costs	171,500	133,162	31,250	1,068	336,980
Geological and assays	122,556	8,028	24,674	7,622	162,880
Drilling	154,472	-	-	-	154,472
Lab fees	13,789	-	1,628	173	15,590
Total additions during the year	462,317	141,190	57,552	8,863	669,922
Impairment of acquisition and exploration costs	-	-	(659,008)	-	(659,008)
Net change during the year	462,317	141,190	(601,456)	8,863	10,914
Balance, December 31, 2015	1,254,310	141,190	-	54,783	1,450,283
Deferred exploration costs					
Acquisition costs	1,094	75,675	-	-	76,769
Geological and assays	99,652	216,358	-	-	316,010
Drilling	211,495	164,743	-	-	376,238
Lab fees	39,421	42,487	-	-	81,908
Total additions during the year	351,662	499,263	-	-	850,925
Impairment of acquisition and exploration costs	-	-	-	(54,783)	(54,783)
Net change during the year	351,662	499,263	-	(54,783)	796,142
Balance, December 31, 2016	\$ 1,605,972	\$ 640,453	\$ -	\$ -	\$ 2,246,425

(a) Shovelnose Gold Property, British Columbia, Canada

In January 2011, the Company signed an option agreement (the "Shovelnose Agreement") with Strongbow Exploration Inc. ("Strongbow") whereby the Company can earn up to a 70% interest in the Shovelnose Gold Property, a mineral claim near Merritt, British Columbia, staked by Strongbow in 2005 and 2008. A director of the Company is also a director of Strongbow.

Under the terms of the Shovelnose Agreement, the Company would earn an initial 51% interest in the Shovelnose Gold Property by issuing a total of 300,000 common shares (issued) to Strongbow and incurring \$1,500,000 (\$750,000 incurred) in exploration expenditures on the property.

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**6. MINERAL PROPERTIES (Continued)**

(a) Shovelnose Gold Property, British Columbia, Canada (Continued)

On September 1, 2015 the Company entered into a new purchase agreement with Strongbow to acquire 100% of the Shovelnose Gold Property replacing the January 2011 agreement. Under the terms of the new agreement the Company acquired a 100% interest in the property by issuing 2,000,000 common shares (issued upon completion of the new agreement). In addition, Strongbow was granted a 2% net smelter returns royalty ("NSR") on the property. The Company will retain the right to reduce the NSR to 1% by paying Strongbow \$500,000 at any time prior to the commencement of commercial production.

(b) Prospect Valley Gold Property, British Columbia, Canada

On September 21, 2015 the Company entered into an option and purchase agreement with Berkwood Resources Ltd. ("Berkwood") to acquire a 70% interest the Prospect Valley Gold Property near Merritt. The Company paid \$20,000 to Berkwood upon signing as per the terms of the agreement. On October 22, 2015, the Company exercised the option by making a second and final payment of \$80,000 and issued 500,000 common shares at a price of \$0.065 per share. The common shares have a hold period of five years.

On February 16, 2016 the Company acquired the remaining 30% interest in the property for a cash payment of \$40,000 and the issue of 500,000 common shares at a price of \$0.07 per share. The common shares have a hold period of five years.

(c) BEN Property, British Columbia, Canada

On February 27, 2012, the Company signed an option agreement (the "BEN Agreement") with Bernard Kahlert to acquire a 100% interest in the BEN Property, subject to a 2% NSR. In February 2013, the terms of the agreement were amended to accommodate the late approval of exploration permits for the BEN Property.

To acquire the 100% interest, the Company was to make cash payments aggregating \$220,000 (\$10,000 paid) and issue 1,000,000 (200,000 issued) common shares by May 24, 2015.

In addition, the Company was to incur \$2,500,000 in exploration expenditures on the properties on or before May 24, 2016.

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**6. MINERAL PROPERTIES (Continued)**

(c) BEN Property, British Columbia, Canada (Continued)

The Company did not fulfill all of the terms of the BEN Agreement and on February 27, 2014 the BEN Agreement was amended. In accordance with the amended BEN Agreement, the Company was to make cash payments aggregating \$190,000 and issue 850,000 common shares as follows:

- (i) An initial payment of \$5,000 (paid) and 75,000 shares within five days of the amended approval date (issued);
- (ii) \$10,000 (paid) and 125,000 shares (issued) on or before March 1, 2015;
- (iii) \$20,000 and 150,000 shares on or before March 1, 2016;
- (iv) \$40,000 and 200,000 shares on or before March 1, 2017; and
- (v) \$115,000 and 300,000 shares on or before March 1, 2018.

In addition, the Company was to incur \$2,200,000 in exploration expenditures on the property as follows:

- (vi) \$200,000 on or before March 1, 2015 (incurred);
- (vii) \$300,000 on or before March 1, 2016;
- (viii) \$600,000 on or before March 1, 2017; and
- (ix) \$1,100,000 on or before March 1, 2018.

The Company had the option to purchase, at any time, one-half, or 1%, of the 2% NSR for the sum of \$2,000,000.

The terms of the amended BEN Agreement to be fulfilled by the Company by March 2016 were not met. Accordingly, the Company issued a termination letter to the optionor, and the property was written down to \$nil as at December 31, 2015. The recoverable amount of the property was derived from unobservable inputs and required management estimates; it is categorized in Level 3 of the fair value hierarchy.

(d) BEN South

In November 2014, the Company commenced exploration activities on the newly staked BEN South property approximately 20 kilometers south of the BEN property. During the year ended December 31, 2016 the Company made the decision to terminate further exploration activity at BEN South and permit the claims to expire. The property was written-down to \$nil. The recoverable amount of the property was derived from unobservable inputs and required management estimates; it is categorized in Level 3 of the fair value hierarchy.

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**6. MINERAL PROPERTIES (Continued)**

**Realization**

The Company's investment in and expenditures on the mineral property interests comprise a substantial portion of the Company's assets. Realization of the Company's investment in the assets is dependent on establishing legal ownership of the property interests, on the attainment of successful commercial production or from the proceeds of its disposal. The recoverability of the amounts shown for the mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interests, and future profitable production or proceeds from the disposition thereof.

**Title and environmental**

Although the Company has taken steps to verify the title to mineral properties in which it has or had a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

**7. CAPITAL STOCK**

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and outstanding

On February 16, 2016 the Company issued 500,000 common shares to Berkwood to acquire the remaining 30% of the Prospect Valley gold project. The fair value was recorded at a price of \$0.07 per share.

On February 29, 2016 the Company issued 6,000,000 flow-through share units at a price of \$0.05 per share for gross proceeds of \$300,000. Each flow-through share unit consists of one flow-through common share and one non-flow-through common share warrant. Each warrant will entitle the holder to purchase one common share at \$0.07 for 36 months from the closing date of the private placement. The total proceeds were allocated to capital stock as there was no residual value on the flow-through shares.

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**7. CAPITAL STOCK (Continued)**

(b) Issued and outstanding (Continued)

On May 16, 2016, the Company issued, under a private placement, 2,326,665 flow-through share units at a price of \$0.12 per share for gross proceeds of \$279,200. Each flow-through share unit consists of one flow-through common share and one non-flow-through common share warrant. Each warrant will entitle the holder to purchase one common share at \$0.16 for 36 months from the closing date of the private placement. The total proceeds were allocated to capital stock as there was no residual on this flow-through offering.

On May 27, 2016 the Company closed the final tranche of the private placement with the issue of 856,666 flow-through share units at a price of \$0.12 for gross proceeds of \$102,800. Each unit consists of one common share and one non-flow-through common share warrant. Each warrant will entitle the holder to purchase one common share at \$0.16 for 36 months from the closing date of the private placement. The total proceeds were allocated to capital stock as there was no residual on this flow-through offering.

On September 20, 2016 the Company issued, under a private placement, 3,860,000 non flow-through share units at a price of \$0.12 per share for gross proceeds of \$463,200. Each share unit consists of one common share and one common share warrant. Each warrant will entitle the holder to purchase one common share at \$0.16 for 24 months from the closing date of the private placement. The total proceeds were allocated to capital stock.

On September 28, 2016 the Company closed the final tranche of the private placement issued with the issue of 3,416,667 non flow-through share units at a price of \$0.12 per share for gross proceeds of \$410,000. Each share unit consists of one common share and one common share warrant. Each warrant will entitle the holder to purchase one common share at \$0.16 for 24 months from the closing date of the private placement. The total proceeds were allocated to capital stock.

During the year ended December 31, 2016 the Company issued 798,333 shares on the exercise of warrants for total proceeds of \$60,427.

During the year ended December 31, 2016, the Company issued 280,000 brokers warrants for the private placement completed on February 29, 2016. The fair value of the share purchase warrants was \$19,511 and was calculated using the Black-Scholes option pricing model. The assumptions used for the Black-Scholes option pricing model valuation of the warrants were: risk-free interest rate: 0.51%, expected life: 3 years, annualized volatility: 171%, dividend yield: 0%. The Company paid a total cash finder's fee of \$37,712 and also incurred other share issuance costs of \$24,420.



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**7. CAPITAL STOCK (Continued)**

(b) Issued and outstanding (Continued)

On February 12, 2015 the Company issued 125,000 common shares to Bernard Kahlert under the terms of a property option agreement. The fair value was \$0.17 per share.

On September 1, 2015 the Company issued 2,000,000 common shares to Strongbow as part of the agreement to acquire 100% of the Shovelnose Gold Property. The proceeds were recorded at the fair value of the shares on the date of issue of \$0.085 per share.

On October 16, 2015 the Company issued 500,000 common shares to Berkwood to exercise its option to acquire 70% of the Prospect Valley gold project. The fair value was \$0.065 per share.

On October 22, 2015 the Company issued 1,230,769 bonus shares to Anglo Celtic Exploration Ltd. ("Anglo") in connection with the amended loan agreement (note 8(b)). The proceeds were recorded at the fair value of the shares on the date of issue of \$0.065 per share.

On October 27, 2015 the Company issued 2,982,000 flow-through share units at a price of \$0.06 per share for gross proceeds of \$178,920. Each flow-through share unit consists of one flow-through common share and one non-flow-through common share warrant. Each warrant will entitle the holder to purchase one common share at \$0.08 for 36 months from the closing date of the private placement. The total proceeds were allocated to capital stock as there was no residual value on this flow-through offering.

On November 12, 2015 the Company closed the final tranche of a private placement of 635,000 flow-through share units at a price of \$0.06 for gross proceeds of \$38,100. Each unit consists of one common share and one non-transferable warrant. Each warrant will entitle the holder to purchase one common share at \$0.08 for 36 months from the closing date of the private placement. The total proceeds were allocated to capital stock as there was no residual value on this flow-through offering.

During the year ended December 31, 2015, the Company paid a total cash finder's fee of \$4,800 and issued 80,000 brokers warrants for the private placements completed on October 27, 2015 and November 12, 2015. The fair value of the share purchase warrants was \$3,632 and was calculated using the Black-Scholes option pricing model. The assumptions used for the Black-Scholes option pricing model valuation of the warrants were: risk-free interest rate: 0.49%, expected life: 3 years, annualized volatility: 143%, dividend yield: 0%. The Company also incurred other share issuance costs of \$3,575.

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**7. CAPITAL STOCK (Continued)**

(c) Escrow shares

As at December 31, 2016 and 2015, there were no shares held in escrow.

(d) Warrants

The following summarizes the Company's warrants as at December 31, 2016 and 2015 and changes during the years:

	2016		2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	8,151,615	\$ 0.13	6,303,170	\$ 0.16
Issued	16,739,998	\$ 0.13	3,697,000	\$ 0.08
Exercised	(798,333)	\$ 0.08	-	-
Expired	(4,454,615)	\$ 0.16	(1,848,555)	\$ 0.14
Outstanding and exercisable, end of year	19,638,665	\$ 0.12	8,151,615	\$ 0.13

For the year ended December 31, 2016, on expiry of 4,454,615 warrants (2015 - 1,848,555), \$58,385 (2015 - \$9,243) associated with the warrants in warrant reserve was written off directly to deficit.

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**7. CAPITAL STOCK (Continued)**

(d) Warrants (Continued)

As at December 31 2016, the Company had warrants outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)
October 27, 2018	\$0.08	2,593,667	1.82
November 12, 2018	\$0.08	649,000	1.86
February 29, 2019	\$0.07	5,936,000	2.16
May 17, 2019	\$0.16	2,326,665	2.37
May 28, 2019	\$0.16	856,666	2.40
September 20, 2018	\$0.16	3,860,000	1.72
September 28, 2018	\$0.16	3,416,667	1.74
		19,638,665	

As at December 31, 2015, the Company had warrants outstanding as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)
April 22, 2016	\$ 0.15	850,000	0.31
June 30, 2016	\$ 0.15	1,200,000	0.50
June 30, 2016	\$ 0.18	1,500,000	0.50
July 11, 2016	\$ 0.15	260,000	0.53
July 11, 2016	\$ 0.18	644,615	0.53
October 27, 2018	\$ 0.08	3,026,000	2.82
November 12, 2018	\$ 0.08	671,000	2.87
		8,151,615	

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**7. CAPITAL STOCK (Continued)**

(e) Stock options

The Company adopted a stock option plan (the "Plan") whereby the number of options granted to one person shall not exceed 10% of the outstanding shares at the time of granting the options. If employment with the Company is terminated, other than through death, options not exercised will expire within 90 days after the termination date.

There were no options granted during the year ended December 31, 2016.

On December 28, 2015, the Company granted 2,300,000 stock options at an exercise price of \$0.05 per share. The options vested December 28, 2015 and expire December 28, 2020. Share-based payment expense of \$112,240 was charged to the statement of loss and comprehensive loss.

The following summarizes the Company's stock options as at December 31, 2016 and 2015 and changes during the years:

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	2,840,000	\$ 0.07	2,040,000	\$ 0.12
Granted	-	-	2,300,000	\$ 0.05
Expired	-	-	(1,500,000)	\$0.10
Outstanding and exercisable, end of year	2,840,000	\$ 0.07	2,840,000	\$ 0.07

For the year ended December 31, 2015, on expiry of the 1,500,000 options, \$120,000 associated with the options in options reserve was written off directly to deficit.

A summary of all stock options outstanding as at December 31, 2016 and 2015 is as follows:

Expiry Date	Exercise Price	Outstanding	Weighted Average Remaining Contractual Life (Years)	
			2016	2015
December 4, 2017	\$ 0.20	175,000	0.92	1.93
April 15, 2019	\$ 0.15	365,000	2.28	3.29
December 28, 2020	\$ 0.05	2,300,000	3.98	5.00
		2,840,000	3.58	4.59

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**7. CAPITAL STOCK (Continued)**

(e) Stock options (Continued)

The fair value of options granted in 2015 of \$112,240 vested immediately and was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>2015</b>
Expected life (years)	5
Interest rate	0.64%
Volatility	201%
Dividend yield	0%
Fair value at grant date	0.05

Volatility has been calculated based on the historical volatility of the comparable companies in the same industry.

**8. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties in addition to those discussed elsewhere in the financial statements.

(a) Short-term employee benefits for key management compensation were paid to personal service corporations as follows:

	<b>2016</b>	<b>2015</b>
Anglo Celtic Exploration Ltd.	\$ 50,000	\$ 50,000
Gravitas Advisory Services	50,000	50,000
<b>Total key management compensation</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>

Share-based payment expense allocated to key management during the year ended December 31, 2016 was \$nil (2015 - \$97,600).

(i) Anglo Celtic Exploration Ltd.

Anglo is a company owned by Grenville Thomas, Chief Executive Officer of the Company, and Gareth Thomas, a director of the Company.

In addition to the above costs, the Company paid \$27,064 (2015 - \$28,008) of rent and office expenditures to Anglo. On December 31, 2016, a total of \$43,851 (2015 - \$69,347) due to Anglo is included in accounts payable and accrued liabilities.

(ii) Gravitas Advisory Services ("Gravitas")

Gravitas is a company owned by Shaun Pollard, Chief Financial Officer of the Company.

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**8. RELATED PARTY TRANSACTIONS (Continued)**

- (b) On November 19, 2014, the Company entered into an agreement with Anglo to provide an unsecured loan of \$200,000. The outstanding balance of the loan is to be repaid within 12 months. The Company may repay the loan at any time without any prepayment penalty. The loan will accrue interest at a rate of 10% per annum.

On October 14, 2015 the Company and Anglo amended the terms of the loan to increase the principal to \$400,000 and to extend the repayment date to November 19, 2016. The loan will accrue interest at a rate of 10% per annum. As further consideration, the Company agreed to pay Anglo a bonus of 20% of the value of loan principal through issuance of the Company's common shares. On October 22, 2015 the Company issued 1,230,769 shares in payment of the bonus recorded at the fair value of the shares of \$0.065. The balance of the outstanding loan at December 31, 2016 includes accrued interest of \$69,829 (2015 - \$27,117).

The aggregate finance fees (bonus shares) are recorded against the loan balance and were amortized to the statement of loss and comprehensive loss over the life of the loan, based on the original maturity date using the effective interest method. The debt discount was fully amortized as at December 31, 2016. The unamortized balance as at December 31, 2015 was \$65,750. The loan balance at year-end is comprised as follows:

Year	Principal at Beginning of the Year	Principal Additions	Accrued Interest Expense	Bonus Shares (Share Issuance Cost)	Amortization of Share Issuance Cost	Loan Balance at End of Year
<b>2015</b>	\$ 200,000	\$ 200,000	\$ 27,117	\$ (80,000)	\$ 14,250	\$ 361,367
<b>2016</b>	\$ 400,000	\$ -	\$ 69,829	\$ (80,000)	\$ 80,000	\$ 469,829

On January 26, 2017, the Company and Anglo agreed to extend the maturity date of the loan to June 30, 2017 on the same terms.

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**9. INCOME TAXES**

Income tax expense differs from the amounts that would be computed by applying the Canadian statutory income tax rate of 26% (2015 - 26%) to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	<b>2016</b>	<b>2015</b>
Net loss for the year	\$ (406,408)	\$ (1,002,297)
Statutory income tax rate	26%	26%
Income tax recovery at Canadian statutory rate	(105,666)	(260,597)
Temporary differences	9,289	33,023
Non-deductible amounts	351	55,043
Unused tax losses	96,026	172,531
Total income tax recovery	\$ -	\$ -

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of December 31 are as follows:

	<b>2016</b>	<b>2015</b>
Deferred income tax asset from non-capital losses	\$ -	\$ (8,958)
Deferred income tax liability from mineral properties	-	8,958
Total deferred income tax liability	\$ -	\$ -

	<b>2016</b>	<b>2015</b>
Tax loss carry-forwards	\$ 1,616,188	\$ 1,270,427
Share issuance costs	116,469	28,677
Resource properties	54,238	-
Non-refundable investment tax credits	50,323	50,323
Unrecognized deductible temporary differences	\$ 1,837,218	\$ 1,349,427

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**9. INCOME TAXES** (Continued)

The Company has available losses that may be carried forward to apply against future years' income for tax purposes. The approximate losses expire as follows:

<b>Available to</b>	<b>Amount</b>
2030	\$ 73,000
2031	181,000
2032	282,000
2033	206,000
2034	256,000
2035	232,000
2036	386,000
	<hr/>
	\$ 1,616,000

**10. CAPITAL MANAGEMENT**

The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

**11. COMMITMENTS**

On January 1, 2013, the Company entered into a rent-sharing agreement with a company controlled by common officers and directors for the rental of office premises, expiring December 31, 2016. Under the terms of the agreement, the Company is committed to minimum annual payments of \$27,583 for fiscal 2017.

As at December 31, 2016, flow-through funds of \$47,722 are to be incurred on or before December 31, 2017.



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**12. SEGMENTED REPORTING**

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

**13. EVENTS AFTER THE REPORTING PERIOD**

On January 12, 2017, 96,000 warrants were exercised for gross proceeds of \$6,720.