NORTHERN EMPIRE RESOURCES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2016 and 2015
(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED - PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

NORTHERN EMPIRE RESOURCES CORP.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

		December 31, 2016		March 31, 2016
ASSETS				
Current				
Cash	$	187,972	$	149,701
Receivables		4,904		8,362
Prepaid expenses (Note 8)		38,407		50,241
Investments (Note 5)		294,700		25,000
Total current assets		525,983		233,304
Mineral property interests (Note 6)		307,500		968,248
Total assets	$	833,483	$	1,201,552
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 8)	$	112,509	$	197,157
Restoration, rehabilitation and environmental obligations (Note 7)		-		395,404
Total liabilities		112,509		592,561
Shareholders' equity				
Capital stock (Note 9)		20,644,471		19,623,057
Reserves (Note 9)		4,482,397		4,025,476
Accumulated other comprehensive loss		(432,950)		(1,250)
Deficit		(23,972,944)		(23,038,292)
Total shareholders' equity		720,974		608,991
Total liabilities and shareholders' equity	$	833,483	$	1,201,552

Nature and continuance of operations (Note 1)
Commitments and contingencies (Notes 6 and 12)
Subsequent events (Note 14)

Approved on behalf of the Board:

"Darryl Cardey", Director   "Michael G. Allen", Director

See accompanying notes to the unaudited condensed consolidated interim financial statements.

NORTHERN EMPIRE RESOURCES CORP.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31

	Note		Three months ended December 31, 2016		Three months ended December 31, 2015		Nine months ended December 31, 2016		Nine months ended December 31, 2015
EXPENSES									
Consulting and management fees	8	$	28,500	$	50,500	$	116,457	$	142,000
Exploration and evaluation expenditures	6		232,950		142,172		716,099		401,966
Office, rent, salary and miscellaneous	8		73,146		15,472		132,112		47,414
Professional fees	8		15,871		20,733		63,427		52,795
Property investigation costs			64,537		3,750		90,158		3,750
Share-based compensation	8		87,484		-		178,926		
Shareholder communications and promotion			20,015		2,490		43,938		14,764
Transfer agent and filing fees			1,611		1,910		18,525		16,800
Travel and accommodation					477		7,279		2,502
Loss before other items			(524,114)		(237,504)		(1,366,921)		(681,991)
OTHER ITEMS									
Accretion expense					1,296		1,386		3,744
Foreign exchange gain (loss)			(359)		(245)		(1,050)		(950)
Gain on sale of mineral properties	6				-		430,852		
Interest income			475		299		1,082		2,601
Management fee income	6				4,579				26,165
Write-off of mineral property interests	6				(25,000)				(25,000)
Net loss for the period			(523,998)		(256,575)		(934,651)		(675,431)
Unrealized loss on marketable securities	5		(402,050)		-		(431,700)		(12,500)
Comprehensive loss for the period		$	(926,048)	$	(256,575)	$	(1,366,351)	$	(687,931)
Loss per share – basic and diluted		$	[illegible]	$	[illegible]	$	[illegible]	$	[illegible]
Weighted average number of common shares outstanding			32,431,596		19,778,299		29,271,172		19,704,481

See accompanying notes to the unaudited condensed consolidated interim financial statements.

NORTHERN EMPIRE RESOURCES CORP.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE NINE MONTH PERIODS ENDED DECEMBER 31

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the period	$ (934,652)	$ (675,431)
Items not affecting cash:		
Accretion expense	(1,386)	(3,744)
Gain on sale of mineral property interests	(430,852)	-
Share-based compensation	178,926	-
Write-off of mineral property interests	-	25,000
	(1,187,964)	(654,175)
Change in non-cash working capital items:		
Receivables	3,458	28,718
Prepaid expenses	11,834	(22,623)
Accounts payable and accrued liabilities	(88,466)	(31,230)
Net cash flows from operating activities	(1,261,138)	(679,310)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property acquisition costs	-	(30,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	1,357,995	-
Share issue costs	(58,586)	-
Share subscriptions received	-	50,000
Net cash flows from financing activities	1,299,409	50,000
Increase (decrease) in cash	38,271	(659,542)
Cash, beginning of period	149,701	735,250
Cash, end of period	$ 187,972	$ 75,708

Supplemental disclosure with respect to cash flows (Note 10)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

NORTHERN EMPIRE RESOURCES CORP.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

			Reserves				
	Number of Shares	Capital Stock	Equity settled share-based payments reserve	Warrant reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, March 31, 2015	19,478,299	$ 19,347,107	$ 1,897,819	$ 2,025,657	$ -	$ (22,297,998)	$ 972,585
Shares issued pursuant to El Reventon Silver project acquisition	200,000	15,000	-	-	-	-	15,000
Shares issued pursuant to Manson Creek property acquisition	100,000	7,000	-	-	-	-	7,000
Unrealized loss on investments	-	-	-	-	(12,500)	-	(12,500)
Loss and comprehensive loss	-	-	-	-	-	(675,431)	(675,431)
Balance, December 31, 2015	19,778,299	19,369,107	1,897,819	2,025,657	(12,500)	(22,973,429)	306,654
Shares issued pursuant to private placement	3,600,000	360,000	-	-	-	-	360,000
Fair value of warrants issued pursuant to private placement	-	(101,000)	-	101,000	-	-	-
Share issue costs – cash	-	(4,050)	-	-	-	-	(4,050)
Share issue costs – warrants	-	(1,000)	-	1,000	-	-	-
Unrealized loss on investments	-	-	-	-	11,250	-	11,250
Loss and comprehensive loss	-	-	-	-	-	(64,863)	(64,863)
Balance, March 31, 2016	23,378,299	19,623,057	1,897,819	2,127,657	(1,250)	(23,038,292)	608,991
Shares issued pursuant to private placement	9,053,297	1,357,995	-	-	-	-	1,357,995
Fair value of warrants issued pursuant to private placement	-	(253,995)	-	253,995	-	-	-
Share issue costs – cash	-	(58,586)	-	-	-	-	(58,586)
Share issue costs – warrants	-	(24,000)	-	24,000	-	-	-
Share-based compensation	-	-	178,926	-	-	-	178,926
Unrealized loss on investments	-	-	-	-	(431,700)	-	(431,700)
Loss and comprehensive loss	-	-	-	-		(934,652)	(934,652)
Balance, December 31, 2016	32,431,596	$ 20,644,471	$ 2,076,745	$ 2,405,652	$ (432,950)	$ (23,972,944)	$ 720,974

See accompanying notes to the unaudited condensed consolidated interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Empire Resources Corp. (the "Company" or "Northern Empire") was incorporated on September 10, 2010 under the Canada Business Corporations Act. The Company's principal business is the acquisition and exploration of properties for the mining of precious and base metals. The Company's head office is located at 800 West Pender Street, Suite 1430, Vancouver, British Columbia, V6C 2V6.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At December 31, 2016, the Company had not achieved profitable operations, had an accumulated deficit and a positive working capital. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations. Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes.

These consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale and financial assets at fair value through profit or loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

b) Approval of the Financial Statements

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on February 28, 2017.

c) Basis of Consolidation

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern its financial and operating policies. All intercompany transactions and balances with the Company's subsidiary have been eliminated. These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries: 1) Northern Empire de Mexico, S.A. de C.V., incorporated and located in Mexico; 2) Northern Empire Minerals Inc. ("NEM"), incorporated and located in Canada; and 3) Bluestone Resources (Alaska) Inc., incorporated and located in Alaska, USA.

2. BASIS OF PRESENTATION (Continued)

d) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements do not include all of the significant accounting policies required by IFRS for complete financial statements for year-end reporting purposes. These financial statements should be read together with the audited financial statements for the year ended March 31, 2016 which in Note 3 detail all significant accounting policies adopted by the Company.

The Company's accounting policies have been applied consistently to all periods presented in these unaudited condensed interim financial statements.

Critical accounting 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 and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, 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 further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: impairment of mineral property; provision for environmental rehabilitation; inputs used in the valuation of share-based payments; and provision for deferred income tax, including the effects of flow-through shares.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting judgments and estimates (Continued)

Significant estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

Mineral property interests

The Company capitalizes mining property acquisition costs. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

Provision for Environmental Rehabilitation

The Company assesses its provision for rrestoration, rehabilitation and environmental obligations on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning and restoration provisions requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. In addition, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future decommissioning and restoration provision. The actual future expenditures may differ from the amounts currently provided.

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value stock options and of common share purchase warrants issued. The model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants. The assumptions and models used for estimating fair value of stock options and common share purchase warrants are disclosed in Note 9.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is included in the following notes:

Note 1 – going concern assessment
Note 2 – functional currency
Note 6 – impairment of mineral property interests
Note 7 – restoration, rehabilitation and environmental obligations

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements

Recent Accounting Pronouncements adopted:

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations ("IFRS 11") has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. IFRS 11 is effective on or after January 1, 2016. There is no effect on these financial statements.

IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization ("IFRS 16 and IAS 38") have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets. IFRS 16 and IAS 38 are effective on or after January 1, 2016. There is no effect on these financial statements.

Recent Accounting Pronouncements not yet applied:

IFRS 9 Financial Instruments ("IFRS 9") partially replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39.The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018.

4. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued capital stock and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

5. INVESTMENTS

As at December 31, 2016, the Company owned 250,000 common shares of Sonoro as part of the Definitive Agreement (Note 6) for the Hilltop Gold Project and 6,680,000 common shares of Montego Resources Inc. as part of the sale of the Kiyuk Property (Note 6). Management has determined it appropriate to record these common shares as available-for-sale financial assets. The initial investment was recorded at cost. The Company revalues the investments at each reporting period. Any changes in the fair value of the investments is recorded in other comprehensive income ("OCI") until the investments are sold or impaired for an extended period, at which point any gains and losses recorded to date will be recognized through profit or loss.

The initial Sonoro common shares had a fair value of $26,250 which decreased to $25,000 as at March 31, 2016. The fair value of the common shares increased to $27,500 as at December 31, 2016 therefore $2,500 was recorded as an unrealized gain on investments during the nine months ended December 31, 2016.

The initial Montego common shares had a fair value of $701,400 which decreased to $267,200 as at December 31, 2016, therefore $434,200 was recorded as an unrealized loss on investments during the nine months ended December 31, 2016.

(EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTY INTERESTS

Mineral Properties Acquisition Costs

Details of the cumulative acquisition expenditures incurred as at December 31 and March 31, 2016 are as follows:

	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	El Reventon Property	Manson Creek Property	Total
Balance – March 31, 2015	$ 660,748	$ 250,313	$ 83,437	$ -	$ -	$ 994,498
Acquisition - cash	-	-	-	10,000	15,000	25,000
Acquisition - shares	-	-	-	15,000	7,000	22,000
Staking costs	-	-	-	-	11,829	11,829
Property option payment	-	-	(26,250)	-	-	(26,250)
Write-off	-	-	-	(25,000)	(33,829)	(58,829)
Balance – March 31, 2016	660,748	250,313	57,187	-	-	968,248
Sale of Kiyuk Lake	(660,748)	-	-	-	-	(660,748)
Balance –December 31, 2016	$ -	$ 250,313	$ 57,187	$ -	$ -	$ 307,500

Kiyuk Lake Property, Nunvaut

On October 26, 2010, the Company entered into an agreement with its then parent, Evolving, to acquire 100% of Evolving's interest in the Option Agreement dated August 1, 2009, on the Kiyuk Property near Nueltin Lake in Nunavut. The Company completed all the option payments and issuance of shares under the agreement and therefore held 100% of the interest on the Kiyuk Property. Evolving retains a 2% NSR on the property which can be reduced by the payment of US$2,000,000 for each 1% reduction in the NSR.

On August 23, 2016, the Company entered into a purchase and sale agreement with Montego Resources Inc. ("Montego") whereby Montego will purchase the right, title and interest in the Kiyuk Property. As part of the agreement, Montego would assume all obligations under the agreement with Evolving. In consideration for the interest in the Property, Montego issued 6,680,000 of its common shares, equal to 19.9% of its issued and outstanding shares. The shares were valued at $701,400 based on the market value of the Montego shares at the date the common shares were received. The following is the calculation of the gain on the sale of the Property:

Fair value of Montego shares received (Note 5)	$	701,400
Write-off of restoration, rehabilitation and environmental obligations (Note 7)		394,018
Write-off of carrying value of cumulative acquisition costs		(660,748)
Legal costs associated with the sale		(3,818)
Gain on sale of Kiyuk Lake Property	$	430,852

(EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTY INTERESTS (Continued)

Eric Lake and Noomut River Properties, Nunavut

On October 30, 2014, the Company entered into an agreement to acquire 100% interest in two gold mineral exploration properties located in Nunavut, the Eric Lake and Noomut River properties.

Under the terms of Agreement, the Company is required to issue 3,000,000 common shares (issued at a value of $225,000) and grant or pay:

For the Eric Lake Property:
- Grant a 2% NSR on future mineral production;
- Grant a 2% gross overriding royalty (“GOR”) on future diamond production; and
- Pay $50,000 each year as advance royalty payments commencing September 1, 2015 (paid).

For the Noomut River Property:
- Grant a 2% NSR on future mineral production;
- Grant a 2% gross overriding royalty (“GOR”) on future diamond production; and
- Pay $25,000 each year as advance royalty payments for three years ending in 2015.

The Company issued 337,500 common shares valued at $25,313 as finder’s fee shares in connection with the acquisitions.

<u>Thunderstruck Agreement - Eric Lake Property</u>

The Eric Lake Property was subject to the Thunderstruck Option Agreement, dated January 27, 2014, whereby Thunderstruck Resources Ltd. (“Thunderstruck”) had an option to earn an undivided 60% interest in the Eric Lake Property by paying $100,000 to the Company, issuing 600,000 common shares to the Company, incurring expenditures of $6,000,000 on the property and paying all advance royalty payments. On January 19, 2015 the agreement was terminated.

<u>Twford Agreement - Noomut River Property</u>

The Noomut River Property is subject to the Twyford Option Agreement, dated January 24, 2012 and amended on April 9, 2013, whereby Twyford Ventures Inc. (“Twyford”) has an option to earn an undivided 60% interest in the Noomut River Property. In order to acquire a 60% interest in the Noomut River Property, Twyford shall incur the following exploration expenditures:

On or before December 16, 2015*	$	100,000
On or before December 16, 2016		100,000
On or before December 16, 2017		1,500,000
Total	$	1,700,000

* No exploration work was conducted on the property as of December 16, 2015. The Company is currently determining the most appropriate actions to take with respect to the Twyford Option Agreement and the property.

Twyford may accelerate the payments and thereby exercise the option early.

If Twyford terminates the option agreement, then the Company assumes the Twyford’s obligations under the agreement.

(EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTY INTERESTS (Continued)

Richardson Property, Alaska

On October 30, 2014, the Company entered into a property acquisition agreement with Northern Empire Minerals Inc., a company related by way of a common director, to purchase 100% beneficial right, interest and title to the Richardson Property located in Alaska. Under the terms of agreement, the Company will complete the following:

- Issue 1,000,000 common shares (issued at a value of $75,000);
- Grant a 3% NSR; and
- Make advanced royalty payments of US$4,000 per month commencing November 2016.

The Company issued 112,500 common shares valued at $8,437 as finder's fee shares in connection with the property acquisition.

On May 15, 2015, the Company entered into an agreement with Chilcotin Capital Corp. ("Chilcotin") whereby the Company will acquire the 100% undivided interest and title to the Richardson Property through acquisition of all the issued and outstanding shares of NEM, which was 100% owned by Chilcotin in consideration for granting all of the Placer Rights back to Chilcotin and assuming the liabilities of NEM. The issued and outstanding shares of NEM were acquired on March 24, 2016 in consideration of liabilities assumed of $81,198 recorded as exploration and evaluation expenditures.

Hilltop Gold Project, Alaska

On June 12, 2015, the Company signed a Definitive Agreement with Sonoro Metals Corp. ("Sonoro") to which Sonoro has been granted the option to acquire 60% interest in the Hilltop Gold Project in Alaska. The Hilltop Gold Project is contiguous with the Richardson Property and consists of claims acquired from the Richardson Property and claims that were staked by the Company.

To exercise the option and earn 60% interest in the Hilltop Gold Project, Sonoro must pay $3,000,000 to the Company to be spent on exploration activities and issue 1,000,000 common shares of Sonoro as per the following schedule:

		Cash payments	Issuance of common shares
Within 60 days of the execution of the LOI	$	250,000*	250,000*
By December 31, 2017		500,000	250,000
By December 31, 2018		750,000	250,000
By December 31, 2019		1,500,000	250,000
Total	$	3,000,000	1,000,000

*Completed. The 250,000 common shares of Sonoro received by the Company had a fair value of $26,250 recorded as a recovery to reduce the carrying value of the Richardson Property.

During the term of the option, the Company will be the operator of the project. During the year ended March 31, 2016, the Company earned $26,165 of management fee which is based on 10% of the total exploration and evaluation expenditures on the property.

A joint venture will be formed upon Sonoro having exercised the option, which will have the right to buyout one-third of the NSR (1% NSR) for US $1,000,000.

(EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTY INTERESTS (Continued)

El Reventon Silver Project, Mexico

On December 19, 2014, and amended January 31, 2015, the Company entered into an assignment agreement with Northair Silver Corp. ("Northair") to acquire 100% interest in three mineral claims in the Mexican State of Durango, referred to as the El Reventon Silver Project. In consideration of the assignment, the Company has agreed to pay Northair the sum of $10,000 (paid), issue 200,000 common shares valued at $15,000 (issued) of the Company and grant Northair a 1% NSR (granted). The Company will be entitled at any time to buy-back the full NSR by paying Northair $1,000,000.

On January 29, 2016, the Company has applied to drop its concession of the three mineral claims making up the El Reventon Silver Project. Therefore, total acquisition costs of $25,000 relating to the property were written off as at March 31, 2016.

Manson Creek Property

On June 23, 2015, the Company entered into a Letter Agreement with an individual to acquire 100% interest in the Manson Creek Property. To earn 100% interest in the Property, the Company was to pay $225,000 and issue 500,000 common shares as per the following schedule:

		Cash payments	Issuance of common shares
July 8, 2015	$	15,000*	100,000*
July 8, 2016		25,000	100,000
July 8, 2017		35,000	100,000
July 8, 2018		50,000	100,000
July 8, 2019		100,000	100,000
Total	$	225,000	500,000

*Completed. The 100,000 common shares had a fair value of $7,000.

The Property is subject to a 2% NSR, of which 1% can be purchased for $1,000,000 within the first 5 years and $2,000,000 thereafter. After the cash and shares have been paid out, an advance royalty payment in aggregate of $25,000 is due annually, on or before the 5th anniversary of signing the Agreement.

During the year ended March 31, 2016, the Company spent $11,829 on staking costs. On June 20, 2016, the Company terminated its Letter Agreement and therefore total acquisition costs of $33,829 were written off.

(EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTY INTERESTS (Continued)

Exploration and evaluation expenditures

Details of exploration expenditures incurred for the nine months ended December 31, 2016 as follows:

	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	Hilltop Property	Manson Creek	Total
Exploration and evaluation						
Assays	$ 1,131	$ -	$ 91,709	$ 308	$ -	$ 93,148
Camp and general	8,795	522	167,992	41,512	-	218,821
Courier, freight and shipping	-	-	1,454	-	-	1,454
Field equipment and supplies	-	-	54,183	-	-	54,183
Foreign currency (gain) loss	-	-	4,617	292	-	4,909
Fuel	-	-	3,319	-	-	3,319
Geological consulting and other labour	9,281	263	305,420	-	3,070	318,034
Helicopter charter	-	-	19,976	-	-	19,976
Maps, orthophotos and reports	100	-	-	-	-	100
Office	(5,322)	-	4,726	-	-	(596)
Permits, claims and licenses	614	-	-	-	-	614
Property taxes	-	-	3,530	-	-	3,530
Royalty payments	-	-	25,658	-	-	25,658
Travel, meals and accommodation	-	-	14,461	-	-	14,461
Exploration and evaluation costs	14,599	785	697,045	42,112	3,070	757,611
Recoveries received	-	-	-	(41,512)	-	(41,512)
Net exploration and evaluation costs	$ 14,599	$ 785	$ 697,045	$ 600	$ 3,070	$ 716,099

(EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTY INTERESTS (Continued)

Exploration and evaluation expenditures (Continued)

Details of exploration expenditures incurred for the nine months ended December 31, 2015 as follows:

	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	Hilltop Property	Reventon Silver Property	Ma	Total
Exploration and evaluation costs:							
Assays	$ 1,959	$ -	$ 16,566	$ 65,866	$ -	$ 8,437	$ 92,828
Camp and general	3,013	-	127,698	85,171	23,300	-	239,182
Courier, freight, transportation and shipping	-	-	342	1,545	-	819	2,706
Field equipment and supplies	804	-	6,508	32,392	3,070	2,026	44,800
Foreign currency (gain) loss	-	-	(1,062)	1,177	-	-	115
Fuel	-	-	947	3,159	1,266	652	6,024
Geological consulting and other labour	12,784	-	62,105	156,784	22,901	9,875	264,449
Helicopter charter	21,105	-	1,956	1,956	-	-	25,017
Legal	-	-	6,269	-	7,381	-	13,650
Maps, orthophotos and reports	-	-	1,025	329	-	-	1,354
Office	2,328	-	2,152	4,999	8,896	-	18,375
Permits, claims and licenses	-	-	-	3,699	-	-	3,699
Royalty payments	-	-	14,888	-	-	-	14,888
Soil sampling	-	-	-	-	-	11,294	11,294
Travel, meals and accommodation	2,686	-	12,587	16,672	6,472	3,659	42,076
Exploration and evaluation costs	44,679	-	251,981	373,749	73,286	36,762	780,457
Recoveries received	-	-	-	(378,491)	-	-	(378,491)
Net exploration and evaluation costs (recovery)	$ 44,679	$ -	$ 251,981	$ (4,742)	$ 73,286	$ 36,762	$ 401,966

(EXPRESSED IN CANADIAN DOLLARS)

7. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS

As at December 31, 2016, the Company's restoration, rehabilitation and environmental obligations are estimated to be $Nil (March 31, 2016: $395,404) and they relate to the dismantling and removal of its exploration camp and equipment at the Company's Kiyuk Lake property. The obligation was calculated using an inflation rate of 2% and a discount rate of approximately 0.57% with the assumption that the obligation will be settled in mid-2018. The estimated cost of dismantling and removal of the camp and equipment on the Kiyuk Lake property decreased by $225,465 due to a revision of the demobilization plan during the year ended March 31, 2016. The Kiyuk Lake property was sold on August 23, 2016 and therefore the liabilities were written off (Note 6).

Summary of transactions impacting the restoration, rehabilitation and environmental obligations is as follows:

Balance - March 31, 2015	$ 616,808
Change in estimated cost	(225,465)
Accretion expense	4,061
Balance – March 31, 2016	395,404
Change in estimated cost	(2,423)
Accretion expense	1,037
Write-off	(394,018)
Balance – December 31, 2016	$ -

The Company's estimate of its ultimate restoration, rehabilitation and environmental obligations could change due to possible changes in laws and regulations, changes in cost estimates and discount rates.

8. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

Compensation of Key Management Personnel

Key management personnel consist of current and former directors and senior management including the former President and Chief Executive Officer. Key management personnel compensation includes:

	2016	2015
Consulting and management fees	$ 83,957	$ 118,000
Exploration and evaluation expenditures	10,707	4,000
Office, rent, salary and miscellaneous	46,000	22,500
Professional fees	31,500	31,500
Share-based compensation	147,822	-
	$ 319,986	$ 159,500

The accounts payable and accrued liabilities of the Company include the following amounts due to related parties as at December 31, 2016 and March 31, 2016:

	December 31, 2016	March 31, 2016
Key management personnel	$ 56,751	$ 22,788

As at December 31, 2016, the Company paid $Nil (March 31, 2016: $18,000) as a rent deposit to a company partially controlled by a director, which was included in prepaid expenses.

(EXPRESSED IN CANADIAN DOLLARS)

9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital Stock

Nine Months Ended December 31, 2016:

On July 5, 2016, the Company closed a non-brokered private placement of 9,053,297 units for gross proceeds of $1,357,995. Each unit was priced at $0.15 each and consists of one common share and one half share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.25 per share until January 5, 2018. Gross proceeds from this financing were allocated $1,104,000 to capital stock and $253,995 to warrant reserves based on their relative fair values.

The Company paid $58,586 of share issue costs related to the private placement which was offset against capital stock and issued 299,595 finders' fee warrants. Each warrant entitles the holder to purchase one common share at $0.25 per share until January 5, 2018. The fair value of warrants was $24,000 based on Black-Scholes option pricing model and was recorded to warrant reserves and offset against capital stock.

Year Ended March 31, 2016:

On May 22, 2015, the Company issued 200,000 common shares, valued at $15,000, for the acquisition of the El Reventon Silver Project.

On July 8, 2015, the Company issued 100,000 common shares, valued at $7,000 for the acquisition of the Manson Creek Property.

On February 17, 2016, the Company completed a non-brokered private placement of 3,600,000 units at $0.10 per unit for gross proceeds of $360,000. Each unit consisted of one common share and one-half warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.15 per share until February 17, 2019. Gross proceeds from this financing were allocated $259,000 to capital stock and $101,000 to warrant reserves based on their relative fair values.

The Company paid $4,050 of share issue costs related to the private placement which was offset against capital stock. The Company issued 15,000 finder's fee warrants related to the private placement. Each warrant entitles the holder to purchase one additional common share at a price of $0.15 per share until February 17, 2019. The fair value of warrants was $1,000 based on Black-Scholes option pricing model and was recorded to warrant reserves and offset against capital stock.

Share purchase warrants

The following is a summary of the warrant transactions for the nine months ended December 31, 2016 and the year ended March 31, 2016:

March 31, 2015	Issued	March 31, 2016	Issued	Expired	December 31, 2016	Exercise Price	Expiry Date
394,500	-	394,500	-	(394,500)	-	$0.20	December 11, 2016
5,362,500	-	5,362,500	-	-	5,362,500	$0.20	December 11, 2017
-	1,815,000	1,815,000	-	-	1,815,000*	$0.15	February 17, 2019
-	-	-	4,826,242	-	4,826,242	$0.25	January 5, 2018
5,757,000	1,815,000	7,572,000	4,826,242	(394,500)	12,003,742	$0.21	

*650,000 of the warrants were exercised subsequent to December 31, 2017.

(EXPRESSED IN CANADIAN DOLLARS)

9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share purchase warrants (Continued)

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants granted during the nine months ended December 31, 2016 and the year ended March 31, 2016:

	Nine months ended December 31, 2016	Year ended March 31, 2016
Risk-free interest rate	0.49%	0.47%
Expected life of options	1.50 years	3.00 years
Expected annualized volatility	120.97%	158.31%
Expected dividend rate	0%	0%

Stock options

The Company may grant stock options pursuant to a stock option plan which was established in accordance with the policies of the TSX Venture Exchange. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants and advisors. The options can be granted for a maximum of ten years. Vesting is determined by the Board of Directors.

The following is a summary of the stock options transactions for the nine months ended December 31, 2016 and the year ended March 31, 2016:

March 31, 2016	Issued	Expired Unexercised	Forfeited	December 31, 2016	Exercise Price	Expiry Date
65,000	-	(65,000)	-	-	$ 10.00	July 25, 2016
-	2,825,000	-	-	2,825,000	$ 0.18	July 10, 2019
65,000	2,825,000	(65,000)	-	2,825,000	$ 0.18	

March 31, 2015	Issued	Expired Unexercised	Forfeited	March 31, 2016	Exercise Price	Expiry Date
67,500	-	(67,500)	-	-	$ 5.00	March 4, 2016
65,000	-		-	65,000	$10.00	July 25, 2016
132,500	-	(67,500)	-	65,000	$ 10.00	

100,000 stock options outstanding as at December 31, 2016 are exercisable.

On July 10, 2016, the Company granted 2,825,000 stock options to its directors, officers and consultants at an exercise price of $0.18 per share until July 10, 2019. 1,000,000 of the stock options vest as follows: 10% on July 10, 2016, 15% on January 10, 2017, and 25% every six months after. 1,825,000 of the stock options vests as follows: 25% every six months starting January 10, 2017.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted during the nine months ended December 31, 2016:

Risk-free interest rate	0.47%
Expected life of options	1-3 years
Expected annualized volatility	119.28 – 147.86%
Expected dividend rate	0%

(EXPRESSED IN CANADIAN DOLLARS)

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions for the nine months ended December 31, 2016.

Significant non-cash transactions for the nine months ended December 31, 2015 consisted of:

a) Issued 300,000 common shares at a fair value of $22,000 for mineral property acquisitions.
b) Received 250,000 common shares of Sonoro at a fair value of $26,250 which was recorded as a reduction to the carrying value of mineral property interests.

11. SEGMENTED INFORMATION

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada, United States and Mexico.

The Company's geographic information as at December 31, 2016 and March 31, 2016 are as follows:

As at December 31, 2016	Canada	United States	Mexico	Total
Assets				
Mineral property interests	$ 250,313	$ 57,187	$ -	$ 307,500
Other assets	522,622	-	3,361	525,983
Total	$ 772,935	$ 57,187	$ 3,361	$ 833,483

As at March 31, 2016	Canada	United States	Mexico	Total
Assets				
Mineral property interests	$ 911,061	$ 57,187	$ -	$ 968,248
Other assets	224,877	-	8,427	233,304
Total	$ 1,135,938	$ 57,187	$ 8,427	$ 1,201,552

12. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

13. FINANCIAL INSTRUMENTS

a) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

13. FINANCIAL INSTRUMENTS (Continued)

a) Fair Values (Continued)

The fair value of cash, receivables, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity. The Company's available-for-sale financial assets are measured at fair value with changes recorded in other comprehensive income. Cash and investments are measured using level one of the fair value hierarchy.

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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year. The Company is subject to liquidity risk.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. Cash is held with a major Canadian financial institution and the receivables are due from Government entities. Management is of the view that all amounts are fully collectible.

d) Interest Rate Risk

The Company is nominally exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rates.

e) Political Risk

The Company has a subsidiary in Mexico. This operation is potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

f) Foreign Currency Fluctuation Risk

The Company has vendors in Canada, the United States, and Mexico; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions. The Company's exposure to foreign currency fluctuations is minimal.

14. SUBSEQUENT EVENTS

On January 31, 2017, 650,000 warrants were exercised for proceeds of $97,500.

On February 14, 2017, the Company entered into a Letter of Intent with Sterling Gold Mining Corporation, a wholly owned subsidiary of Imperial Metals Corporation to acquire a 100% interest in the Sterling property, located in Nye County, Nevada, and certain royalty rights for claims located in Nevada and California.