NORTHERN EMPIRE RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2017 and 2016
(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Northern Empire Resources Corp.

We have audited the accompanying consolidated financial statements of Northern Empire Resources Corp., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016 and the consolidated 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 Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Northern Empire Resources Corp. as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

July 31, 2017

NORTHERN EMPIRE RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT MARCH 31

	Notes		2017		2016
ASSETS					
Current					
Cash		$	2,824,871	$	149,701
Receivables			19,128		8,362
Prepaid expenses	8		131,875		50,241
Total current assets			2,975,874		208,304
Investments	5		261,300		25,000
Deferred acquisition costs	14		2,160,675		-
Mineral property interests	6		57,187		968,248
Total assets		$	5,455,036	$	1,201,552
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	8	$	393,702	$	197,157
Convertible notes payable	10		4,394,404		-
Total current liabilities			4,788,106		197,157
Restoration, rehabilitation and environmental obligations	7		-		395,404
Total liabilities			4,788,106		592,561
Shareholders' equity					
Capital stock	9		20,778,436		19,623,057
Reserves	9		5,146,781		4,025,476
Accumulated other comprehensive loss			(466,350)		(1,250)
Deficit			(24,791,937)		(23,038,292)
Total shareholders’ equity			666,930		608,991
Total liabilities and shareholders’ equity		$	5,455,036	$	1,201,552

Nature and continuance of operations (Note 1)
Commitments and contingencies (Notes 6 and 14)
Subsequent Events (Note 16)

Approved on behalf of the Board:

“Darryl Cardey”, Director   “ Michael G. Allen”, Director

See accompanying notes to the consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED MARCH 31

	Notes	2017	2016
EXPENSES			
Consulting and management fees	8	$ 171,952	$ 181,000
Exploration and evaluation expenditures	6	745,377	616,924
Interest accretion	10	19,822	-
Foreign exchange loss		2,510	2,542
Management fee income	6	-	(26,165)
Office, rent, salary and miscellaneous	8	192,241	63,915
Professional fees	8	145,033	86,387
Property investigation costs		274,032	6,969
Share-based compensation	9	233,467	-
Shareholder communications and promotion		57,292	18,913
Transfer agent and filing fees		59,460	23,707
Travel and accommodation		35,555	6,932
Operating loss		(1,936,741)	(981,124)
Accretion on restoration obligation	7	(1,037)	(4,061)
Gain on sale of mineral properties	6	430,852	-
Interest income		1,171	2,601
Change in estimate of restoration, rehabilitation and environmental obligations	7	2,423	225,465
Gain on reversal of accounts payable		-	75,654
Write-off of mineral property interests	6	(250,313)	(58,829)
		183,096	240,830
Loss for the year		(1,753,645)	(740,294)
Unrealized loss on marketable securities	5	(465,100)	-
Comprehensive loss for the year		$ (2,218,745)	$ (740,294)
Basic and diluted net loss per common share		$ (0.17)	$ (0.11)
Weighted average number of common shares outstanding – basic and diluted		10,051,841	6,715,871

See accompanying notes to the consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED MARCH 31

		2017		2016
CASH FLOW FROM OPERATING ACTIVITIES				
Loss for the year	$	(1,753,645)	$	(740,294)
Items not affecting cash:				
Accretion expense		1,037		4,061
Gain on sale of mineral property interests		(430,852)		-
Share-based compensation		233,467		-
Write-off of mineral property interests		250,313		58,829
Gain on reversal of accounts payable		-		(75,654)
Interested accreted		19,822		
Change in estimate of restoration, rehabilitation and environmental obligations		(2,423)		(225,465)
		(1,682,281)		(978,523)
Change in non-cash working capital items:				
Receivables		(10,766)		36,408
Prepaid expenses		(81,634)		(28,815)
Accounts payable and accrued liabilities		30,477		66,260
Net cash flows used in operating activities		(1,744,204)		(904,670)
CASH FLOWS FROM INVESTING ACTIVITIES				
Deferred acquisition costs		(1,988,425)		-
Mineral property interests, net		-		(36,829)
Net cash flows from investing activities		(1,998,425)		(36,829)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from private placements		1,357,995		360,000
Proceeds from convertible debt financing		5,193,900		-
Proceeds from warrants exercised		97,500		-
Share issue costs		(231,596)		(4,050)
Net cash flows from financing activities		6,417,799		355,950
Change in cash		2,675,170		(585,549)
Cash, beginning of year		149,701		735,250
Cash, end of year	$	2,824,871	$	149,701

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' 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	**6,492,766**	**$ 19,347,107**	**$ 1,897,819**	**$ 2,025,657**	**$ -**	**$ (22,297,998)**	**$ 972,585**
Shares issued pursuant to El Reventon Silver project acquisition	66,667	15,000	-	-	-	-	15,000
Shares issued pursuant to Manson Creek property acquisition	33,333	7,000	-	-	-	-	7,000
Shares issued pursuant to private placement	1,200,000	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	-				(1,250)		(1,250)
Loss and comprehensive loss	-	-	-	-	-	(740,294))	(740,294)
Balance, March 31, 2016	**7,792,766**	**$ 19,623,057**	**$ 1,897,819**	**$ 2,127,657**	**$ (1,250)**	**$ (23,038,292)**	**$ 608,991**
Shares issued pursuant to private placement	3,017,766	1,357,995	-	-	-	-	1,357,995
Fair value of warrants issued pursuant to private placement	-	(253,995)	-	253,995	-	-	-
Fair value of warrants issued pursuant to convertible debt				646,308	-	-	646,308
Share issue costs – cash	-	(58,586)	-	-	-	-	(58,586)
Share issue costs – warrants	-	(24,000)	-	24,000	-	-	-
Share-based compensation	-	-	233,467	-	-	-	233,467
Warrants exercised	216,667	133,965	-	(36,465)			97,500
Unrealized loss on investments	-	-	-	-	(465,100)	-	(465,100)
Loss and comprehensive loss	-	-	-	-	-	(1,753,645)	(1,753,645)
Balance, March 31, 2017	**11,027,199**	**$ 20,778,436**	**$ 2,131,286**	**$ 3,015,495**	**$ (466,350)**	**$ (24,791,937)**	**$ (666,930)**

See accompanying notes to the consolidated 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.

On May 31, 2017, the Company consolidated its share capital on a 3:1 basis. All share and per share amounts have been restated to reflect the share consolidation.

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 consolidated 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 March 31, 2017, the Company had not achieved profitable operations and had an accumulated deficit. The Company estimates that with its subsequent financings (Note 16) it has sufficient working capital to continue operations for the upcoming year. 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 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated 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.

The accounting policies set out in Note 3 have been applied consistently by the Company during the years presented.

b) 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 subsidiaries 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)

c) Approval of the Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 31, 2017.

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

a) Cash

Cash consists of amounts held in banks and demand deposits.

b) Financial instruments

The Company has classified its financial instruments as follows:

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial instruments (Continued)

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

Financial assets and financial liabilities classified at fair value through profit or loss are acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are recognized at fair value based on market prices, with any resulting gains and losses reflected in profit or loss for the period in which they arise. The Company has not designated any financial assets or financial liabilities at fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has designated its investments as financial assets available-for-sale.

Other Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit or loss are expensed as incurred.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets at fair value through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument’s original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any prolonged cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Mineral property interests

i) Exploration and Evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs such as aircraft charters, assaying, camp and general expenditures, drilling, fuel costs, geological consulting, geophysics, helicopter charters, salaries and benefits and travel, meal and accommodation expenses.

Management reviews the carrying value of capitalized exploration costs at least annually. The review is based on the Company's intentions for development of the undeveloped property.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, costs associated with the project net of any impairment provisions are written off.

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated and an impairment test is performed, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

Mineral property interests are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

iii) Impairment

The carrying value of all categories of mineral property are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, 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.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Mineral property interests (Continued)

iii) Impairment (Continued)

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in profit or loss. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risk uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

d) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense.

e) Restoration, rehabilitation and environmental obligations

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

f) Share-based payments

From time to time, the Company grants stock options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the stock options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Capital Stock

i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as capital stock in the amount for which the option, warrant or share enabled the holder to purchase a common share in the Company.

ii) Capital stock issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.

iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of common share purchase warrants is determined using the Black-Scholes option pricing model.

iv) The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) capital stock. When the resource property expenditures are incurred, the Company derecognizes the liability and recognizes a deferred tax recovery.

All costs related to issuances of capital stock are charged against the proceeds received from the related capital stock.

h) Property and equipment

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

The Company amortizes the cost less estimated residual values on a straight-line method over the estimated useful life of the asset.

An asset is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Income taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Loss per share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Diluted and basic loss per share are the same because the effects of potential issuances of common shares under stock options and warrants would be anti-dilutive.

k) Comprehensive income or loss

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

l) 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: mineral property interests; provision for environmental rehabilitation; inputs used in the valuation of share-based payments; and provision for deferred income tax.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) 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 restoration, 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 of 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.

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 – mineral property interests
Note 7 – restoration, rehabilitation and environmental obligations

m) Recent accounting pronouncements

Recent Accounting Pronouncements not yet applied:

(EXPRESSED IN CANADIAN DOLLARS)

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Recent accounting pronouncements (Continued)

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.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers,* and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

IFRS 16 Leases ("IFRS 16") is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. IFRS 16 eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

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 equity comprised of issued capital stock, reserves 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

Management records the common shares of investments as available-for-sale financial assets. As at March 31, 2017, the Company owned 250,000 common shares of Sonoro Metals Corp. ("Sonoro") valued at $27,500 with an original value of $25,000 and 668,000 common shares of Montego Resources Inc. ("Montego") valued at $233,800 with an original value of $701,400.

		Montego	Sonoro	Total
Balance, March 31, 2015	$	-	-	-
Acquired		-	25,000	25,000
Change in fair value		-	-	-
Balance, March 31, 2016		-	25,000	25,000
Acquired		701,400	-	701,400
Change in fair value		(467,600)	2,500	(465,100)
Balance, March 31, 2017	$	233,800	27,500	261,300

(EXPRESSED IN CANADIAN DOLLARS)

6. MINERAL PROPERTY INTERESTS

Mineral Properties Acquisition Costs

Details of the cumulative acquisition expenditures incurred as at March 31, 2017 and 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 received – shares		-		-		(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 mineral property		(660,748)		-		-		-		-		(660,748)
Write-off		-		(250,313)		-		-		-		(250,313)
Balance – March 31, 2017	$	-	$	-	$	57,187	$	-	$	-	$	57,187

Kiyuk Lake Property, Nunavut

On August 23, 2016, the Company entered into a purchase and sale agreement with Montego Resources Inc. (“Montego”) whereby Montego purchased the right, title and interest in the Kiyuk Property. In consideration for the interest in the property, Montego issued 668,000 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	$	701,400
Assumption 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.

During fiscal 2017, the Company decided to abandon the project, resulting in a write-off of $250,313.

Richardson Property, Alaska

On October 30, 2014, the Company entered into a property acquisition agreement with Northern Empire Minerals Inc. ("NEM"), a company related by way of a common director, to purchase a 100% interest in the Richardson Property located in Alaska subject to a 3% NSR. The Company issued 1,000,000 common shares (valued at $75,000) and was required to make advanced royalty payments of US$4,000 per month commencing November 2016 (payments current).

On March 24, 2016, the Company acquired NEM from Chilcotin Capital Corp. ("Chilcotin") in consideration for granting all of the Placer Rights back to Chilcotin and assuming liabilities of NEM 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 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.

6. MINERAL PROPERTY INTERESTS (Continued)

El Reventon Silver Project, Mexico

On January 29, 2016, the Company 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 individuals to acquire 100% interest in the Manson Creek Property located in British Columbia, Canada. To earn 100% interest in the Property, the Company would pay $225,000 and issue 500,000 common shares as per the following schedule:

The Company issued 100,000 common shares which had a fair value of $7,000.

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 year ended March 31, 2017 as follows:

	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	Hilltop Gold Property	Manson Creek	Total
Exploration and evaluation costs:						
Assays	$ 1,131	$ -	$ 91,709	$ 308	$ -	$ 93,148
Camp and general	8,795	523	167,992	41,542	-	218,822
Courier, freight, transportation and shipping	-	-	1,454	-	-	1,454
Field equipment and supplies	-	-	58,445	-	-	58,445
Foreign currency translation	-	-	4,619	292	-	4,911
Geological consulting and other labour	9,281	263	321,333	2,100	3,070	336,047
Helicopter charter	-	-	19,976	-	-	19,976
Maps, orthophotos and reports	100	-	-	-	-	100
Office	(5,323)	-	4,727	-	-	(596)
Permits and licenses	614	-	-	-	-	614
Property taxes	-	-	3,530	-	-	3,530
Royalty payments	-	-	46,169	-	-	46,169
Travel, meals and accommodation	-	-	16,047	-	-	16,047
Exploration and evaluation costs	14,598	786	736,001	44,212	3,070	798,667
Recoveries received		-	-	(41,512)	(11,778)	(53,290)
Net exploration and evaluation costs	$ 14,598	$ 786	$ 736,001	$ 2,700	$ (8,708)	$ 745,377

(EXPRESSED IN CANADIAN DOLLARS)

6. Exploration and evaluation expenditures (Continued)

Details of exploration expenditures incurred for the year ended March 31, 2016 as follows:

	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	Hilltop Property	El Reventon Silver Property	Manson Creek	Total
Exploration and evaluation costs:							
Assays	$ 2,715	$ -	$ 16,566	$ 63,395	$ -	$ 8,437	$ 91,113
Camp and general	3,013	-	132,398	84,128	29,654	-	249,193
Courier, freight, transportation and shipping	-	-	342	1,545	-	819	2,706
Field equipment and supplies	14,412	-	6,508	32,392	3,035	2,026	58,373
Foreign currency (gain) loss	-	-	(2,126)	1,178	25	-	(923)
Fuel	-	-	947	3,159	1,251	652	6,009
Geological consulting and other labour	13,984	-	99,485	156,828	24,039	12,375	306,711
Helicopter charter	21,105	-	1,956	1,956	-	-	25,017
Legal	-	-	6,269	-	7,686	-	13,955
Maps, orthophotos and reports	-	-	1,025	329	-	-	1,354
Office	4,039	-	2,438	4,999	9,569	-	21,045
Permits, claims and licenses	-	-	-	3,699	-	-	3,699
Property taxes	-	-	81,198	-	-	-	81,198
Royalty payments	-	50,000	20,010	-	-	-	70,010
Soil sampling	-	-	-	-	1,312	11,294	12,606
Travel, meals and accommodation	2,686	-	15,685	16,672	6,436	3,659	45,138
Exploration and evaluation costs	61,954	50,000	382,701	370,280	83,007	39,262	987,204
Recoveries received	-	-	-	(370,280)	-	-	(370,280)
Net exploration and evaluation costs	$ 61,954	$ 50,000	$ 382,701	$ -	$ 83,007	$ 39,262	$ 616,924

(EXPRESSED IN CANADIAN DOLLARS)

7. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS

As at March 31, 2017, the Company's restoration, rehabilitation and environmental obligations are estimated to be $Nil (March 31, 2016: $395,404) and they related 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 would 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 derecognized (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
Derecognition (Note 6)		(394,018)
Balance – March 31, 2017	$	-

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:

	2017	2016
Consulting and management fees	$ 138,457	$ 109,000
Exploration and evaluation expenditures	-	4,000
Office, rent, salary and miscellaneous	161,482	29,500
Share-based payments	192,587	-
Professional fees	44,625	42,000
	$ 537,151	$ 184,500

The accounts payable and accrued liabilities of the Company include the following amounts due to related parties:

	2017	2016
Key management personnel	$ 74,459	$ 22,788

As at March 31, 2017, included in prepaids is $5,910 (2016: $18,000) as rent deposit to companies controlled or partially controlled by a directors.

9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital Stock

Fiscal 2017 share transactions

On May 31, 2017, the Company consolidated its share capital on a 3:1 basis. All share and per share amounts have been restated to reflect the share consolidation.

On July 5, 2016, the Company closed a non-brokered private placement of 3,017,766 units for gross proceeds of $1,357,995. Each unit was priced at $0.45 each and consisted of one common share and one half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at $0.75 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 and issued 99,865 finders' fee warrants valued at $24,000. Each warrant entitles the holder to purchase one common share at $0.75 per share until January 5, 2018.

On January 31, 2017, the Company issued 216,667 shares for $97,500 on the exercise of warrants.

Fiscal 2016 share transactions

On May 22, 2015, the Company issued 66,667 common shares, valued at $15,000, for the acquisition of the El Reventon Silver Project.

On July 8, 2015, the Company issued 33,333 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 1,200,000 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 $0.45 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 5,000 finder's fee warrants related to the private placement. Each warrant entitles the holder to purchase one additional common share at a price of $0.45 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.

(EXPRESSED IN CANADIAN DOLLARS)

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

Share purchase warrants

The following is a summary of the warrant transactions for the years ended March 31, 2017 and 2016:

March 31, 2016	Issued	Exercised	Expired	March 31, 2017	Exercise Price	Expiry Date
131,500	-	-	(131,500)	-	$0.60	December 11, 2016
1,787,500	-	-	-	1,787,500	$0.60	December 11, 2017
605,000	-	(216,667)	-	388,333	$0.45	February 17, 2019
-	1,608,748	-	-	1,608,748	$0.75	January 5, 2018
-	2,894,950	-	-	2,894,950	$0.99	March 29, 2019
2,524,000	4,503,698	(216,667)	(131,500)	6,679,531	$0.80	
$0.56	$0.90	$0.45	$0.60	$0.80	$0.80	Weighted Average Price

March 31, 2015	Issued	Exercised	Expired	March 31, 2016	Exercise Price	Expiry Date
131,500	-	-	-	131,500	$0.60	December 11, 2016
1,787,500	-	-	-	1,787,500	$0.60	December 11, 2017
-	605,000	-	-	605,000	$0.45	February 17, 2019
1,919,000	605,000	-	-	2,524,000	$0.56	
$0.60	$0.45	-	-	$0.56	$0.56	Weighted Average Price

3,784,581 warrants outstanding as at March 31, 2017 are exercisable with a weighted average price of $0.65.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants granted during the years ended March 31, 2017 and 2016

	2017	2016
Risk-free interest rate	0.64%	0.47%
Expected life of options	1.81 years	3.00 years
Expected annualized volatility	114.48%	158.31%
Expected dividend rate	0%	0%

(EXPRESSED IN CANADIAN DOLLARS)

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

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 options transactions for the years ended March 31, 2017 and 2016:

March 31, 2016	Issued	Expired	Forfeited	March 31, 2017	Exercise Price	Expiry Date
21,667	-	-	(21,667)	-	$30.00	July 25, 2016
-	941,667	-	-	941,667	$0.54	July 10, 2019
21,667	941,667	-	(21,667)	941,667	$0.54	
$30.00	$0.54	-	$30.00	$0.54	$0.54	Weighted Average Price

March 31, 2015	Issued	Expired	Forfeited	March 31, 2016	Exercise Price	Expiry Date
22,500	-	(22,500)	-	-	$15.00	March 4, 2016
21,667	-	-	-	21,667	$30.00	July 25, 2016
44,167	-	(22,500)	-	21,667	$30.00	
$22.36	-	$15.00	-	$30.00	$30.00	Weighted Average Price

33,333 stock options outstanding as at March 31, 2017 are exercisable with a weighted average exercise price of $0.54.

On July 10, 2016, the Company granted 941,667 stock options with a value of $360,261 or $0.38 per option to its directors, officers and consultants at an exercise price of $0.54 per share until July 10, 2019. 333,333 of the stock options vest as follows: 10% on July 10, 2016, 15% on January 10, 2017, and 25% every six months after. 608,333 of the stock options vests as follows: 25% every six months starting January 10, 2017. During fiscal 2017, a total of $233,467 (2016 - $Nil) was recorded as share-based compensation.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted during the year ended March 31, 2017:

Risk-free interest rate	*0.47%*
Expected life of options	1.84
Expected annualized volatility	123.70%
Expected dividend rate	0%

10. CONVERTIBLE NOTES PAYABLE

During the year ended March 31, 2017, the Company issued convertible notes payable for proceeds of $5,193,900. The notes are convertible into units consisting of one common share and one half common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of $0.99 per share for two years following issuance. Depending on certain events, the notes may be converted into a variable number of units and are convertible at the earlier of July 30, 2017 or the completion of a short-form prospectus (Note 16).

(EXPRESSED IN CANADIAN DOLLARS)

10. CONVERTIBLE NOTES PAYABLE (Continued)

In connection with the above, the Company paid finder's fees of $173,010 and issued 2,894,950 agent warrants valued at $646,308, exercisable at $0.99 per warrant until March 29, 2019.

A summary of the convertible note transaction is as follows:

Notes payable issued	$5,193,900
Less: issue costs	(819,318)
Add: accretion of issue costs	19,822
	$4,394,404

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the year ended March 31, 2017 were as follows:

a) Issued finder's warrants on private placement valued at $24,000.
b) Issued finder's warrants on convertible note payable valued at $646,308.
c) Fair value of warrants allocated on private placement of $253,995.
d) Reallocated $36,465 from reserves to capital stock on exercise of warrants
e) Incurred $162,250 in legal fees recorded as deferred acquisition costs which are included in accounts payable at March 31, 2017.

Significant non-cash investing and financing transactions for the year ended March 31, 2016 were as follows:

f) Issued 300,000 common shares at a fair value of $22,000 for mineral property acquisitions.
g) 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.
h) Fair value of warrants allocated from share capital on private placement of $101,000.
i) Issued warrants valued at $1,000 as finders' fees on a private placement.

12. INCOME TAXES

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

	2017 $	**2016 $**
Loss for the year	(1,753,645)	(740,294)
Expected income tax (recovery)	(456,000)	(192,000)
Change in statutory, foreign tax, foreign exchange rates and other	(217,000)	(47,000)
Permanent difference	61,000	-
Share issue cost	(60,000)	(1,000)
Adjustment to prior years provision versus statutory and other	-	(7,000)
Impact of sale of Kiyuk property	2,453,000	-
Change in unrecognized deductible temporary differences	(1,781,000)	246,000
Total income tax expense (recovery)	-	-

(EXPRESSED IN CANADIAN DOLLARS)

12. INCOME TAXES (Continued)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2017 $	2016 $
Deferred Tax Assets:		
Mineral property interests	2,332,000	4,294,000
Property and equipment	337,000	337,000
Canadian eligible capital (CEC)	50,000	50,000
Share issue costs	54,000	26,000
Marketable securities	61,000	-
Restoration, rehabilitation and environmental obligation	-	103,000
Non-capital losses available for future period	1,367,000	1,171,000
	4,201,000	5,981,000
Unrecognized deferred tax assets	(4,201,000)	(5,981,000)
Net deferred tax assets	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017 $	Expiry Date Range	2016 $	Expiry Date Range
Temporary Differences:				
Mineral property interests	5,056,000	No expiry date	14,489	No expiry date
Investment tax credit	1,069,000	2018 to 2037	1,069,000	2017 to 2037
Property and equipment	1,297,000	No expiry date	1,297,000	No expiry date
Canadian eligible capital (CEC)	190,000	No expiry date	190,000	No expiry date
Share issue costs	209,000	2018 to 2021	99,000	2017 to 2020
Investments	466,000	No expiry date	1,000	No expiry date
Restoration, rehabilitation and environmental obligation	-	No expiry date	395,000	No expiry date
Non-capital losses available for future period	5,256,000	2018 to 2037	4,501,000	2017 to 2036
Canada	5,239,000	2018 to 2037	4,499,000	2017 to 2036
Mexico	17,000	2018 to 2037	2,000	2017 to 2036

(EXPRESSED IN CANADIAN DOLLARS)

13. 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 for years ended March 31, 2017 and 2016 are as follows:

As at March 31, 2017	Canada	United States	Mexico	Total
Assets				
Mineral property interests	$ -	$ 57,187	$ -	$ 57,187
Other assets	3,233,609	2,160,675	3,565	5,397,849
Total	$ 3,233,609	$ 2,217,862	$ 3,565	$ 5,455,036

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

14. COMMITMENTS AND CONTINGENCIES

The Company entered into an agreement with Sterling Gold Mining Corp. ("SGMC"), a wholly owned subsidiary of Imperial Metals Corp. to acquire certain assets located in Nevada ("NV") and California ("CA"), USA as follows:

a) a 100% interest in the Sterling Mine property, located in Nye Counting, NV;
b) 4% NSR on the Hoodoo Canyon property in NV;
c) 3% NSR up to a limit of US$1,250,000 on the Tenabo property in NV
d) 10% net profits royalty interest on the Blue Moon property in CA

To purchase the above, the Company is required to pay US$10,100,000 (US$1,500,000 paid or CAD$1,998,440) and issue 5,000,000 common shares of the Company. Thereafter the Company is obligated to issue additional common shares to SMGC to maintain its percentage ownership in the Company until the earlier of January 1, 2019 or the completion of construction financing, to a maximum of 5,000,000 additional common shares. A 2% NSR will be granted to SMGC of which a 1% NSR can be purchased for US$7,500,000.

The Company can elect to use specific technology developed by SMGC in effort to recover mineral from heap leach pads on the Sterling Mine property. If elected, the Company will be required to pay SGMC; (a) full reimbursement of technology costs incurred, (b) 50% of net operating profits generated on existing pads, and (c) 10% of revenues generated on new pads.

Subsequent to March 31, 2017, the Company completed the above transaction (Note 16).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

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 investments 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.

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.

16. SUBSEQUENT EVENTS

Subsequent to March 31, 2017 the Company:

a) Completed a 3 to 1 consolidation of all issued and outstanding shares

b) Issued 26,076,698 (pre-consolidated equivalent of 78,230,095) subscription receipts through a brokered private placement at a price of $0.75 (pre-consolidated price of $0.25) per subscription receipt for proceeds of $19,557,524. Each subscription was converted into a common share. As finder's fees, the Company issued 341,400 (pre-consolidated equivalent of 1,024,201) compensation warrants exercisable at $1.00 (pre-consolidated price of $0.33) per common share until May 30, 2019 and paid $1,050,271.

c) Paid US$10,100,000 and issued 1,666,667 (pre-consolidated equivalent of 5,000,000) common shares to acquire the Sterling Mine property (Note 14)

d) Granted 2,650,000 stock options entitling the holder to purchase common shares at $0.79 per common share until June 12, 2020.

e) Issued 75,999 common shares on the exercise of 49,999 (pre-consolidated number of 149,997) options and 26,000 (pre-consolidated number of 78,000) warrants

f) Completed a short-form prospectus filing resulting in the conversion of convertible notes payable into 6,925,128 units (Note 10).