NORTHERN EMPIRE RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2017 and 2016
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

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

	Notes		September 30, 2017		March 31, 2017
ASSETS					
Current					
Cash		$	4,615,604	$	2,824,871
Receivables			74,940		19,128
Prepaid expenses	8		308,164		131,875
Inventory			62,702		-
Total current assets			5,061,410		2,975,874
Investments	4		172,350		261,300
Deferred acquisition costs	5		-		2,160,675
Exploration and evaluation assets	5		13,151,319		57,187
Reclamation bond	5		4,243,200		-
Building and equipment	6		3,137,707		-
Total assets		$	25,765,986	$	5,455,036
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	8	$	347,716	$	393,702
Convertible notes payable	10		-		4,394,404
Total current liabilities			347,716		4,788,106
Restoration, rehabilitation and environmental obligations	7		4,753,480		-
Total liabilities			5,101,196		4,788,106
Shareholders' equity					
Capital stock	9		44,495,948		20,778,436
Reserves	9		6,874,678		5,146,781
Accumulated other comprehensive loss			(555,300)		(466,350)
Deficit			(30,150,536)		(24,791,937)
Total shareholders’ equity			20,664,790		666,930
Total liabilities and shareholders’ equity		$	25,765,986	$	5,455,036

Nature and continuance of operations (Note 1)
Subsequent Events (Note 15)

Approved on behalf of the Board:

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

See accompanying notes to the condensed interim consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
EXPENSES					
Accretion expense		$ 238,497	$ (875)	$ 850,104	$ (1,386)
Conferences		58,512	-	61,406	-
Consulting and management fees	8	221,142	44,000	329,001	87,957
Depreciation	6	84,009	-	112,271	-
Exploration and evaluation expenditures	5,8	1,183,341	406,368	1,540,949	483,149
Office, rent, salary and miscellaneous	8	616,398	44,503	888,133	58,966
Professional fees	8	61,658	31,387	105,527	47,556
Property investigation costs		124,457	19,321	252,444	25,621
Share-based compensation	8,9	343,058	91,442	768,208	91,442
Shareholder communications and promotion		90,208	18,148	376,649	23,923
Transfer agent and filing fees		20,601	15,373	90,793	16,914
Travel and accommodation		44,096	5,294	98,618	7,279
		(3,085,977)	(674,961)	(5,474,103)	(841,421)
Foreign exchange gain (loss)		196,569	(226)	109,796	(691)
Interest income		5,708	607	5,708	607
Gain on sale of mineral property interests	5	-	430,852	-	430,852
Loss for the period		(2,883,700)	(243,728)	(5,358,599)	(410,653)
Unrealized loss on marketable securities	4	(22,150)	(27,150)	(88,950)	(29,650)
Loss and comprehensive loss for the period		$ (2,905,850)	$ (270,878)	$ (5,447,549)	$ (440,303)
Loss per common share					
-Basic and diluted		$ (0.07)	$ (0.02)	$ (0.29)	$ (0.04)
Weighted average number of common shares outstanding					
-Basic and diluted		38,840,626	10,646,523	18,037,707	9,227,441

See accompanying notes to the condensed interim consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30,

		2017		2016
CASH FLOW FROM OPERATING ACTIVITIES				
Loss for the period	$	(5,358,599)	$	(410,653)
Items not affecting cash:				
Accretion expense		850,104		(1,386)
Depreciation		112,271		-
Gain on sale of mineral property interests		-		(430,852)
Unrealized foreign exchange		(177,868)		-
Share-based compensation		768,208		91,442
		(3,805,884)		(751,449)
Change in non-cash working capital items:				
Receivables		(55,812)		939
Prepaid expenses		(176,289)		(8,424)
Inventory		8,111		-
Accounts payable and accrued liabilities		(45,986)		(98,673)
Net cash flows used in operating activities		(4,075,860)		(857,607)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of Sterling Property (Note 5)		(13,648,132)		-
Exploration and evaluation asset acquisition		(62,640)		-
Acquisition of building and equipment		(119,692)		-
Net cash flows used in investing activities		(13,830,464)		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from shares issued		19,557,724		1,357,995
Share issue costs paid		(79,952)		(58,586)
Proceeds from options exercised		147,250		-
Proceeds from warrants exercised		72,035		-
Net cash flows from financing activities		19,697,057		1,299,409
Increase in cash		1,790,733		441,802
Cash, beginning of period		2,824,871		149,701
Cash, end of period	$	4,615,604	$	591,503

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the condensed interim consolidated financial statements.

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

			Reserves				
	Number of Shares	Capital Stock	Equity Settled Share-based Payments Reserve	Warrant Reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
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	3,017,765	1,104,000	-	253,995	-	-	1,357,995
Share issue costs – cash	-	(58,856)	-	-	-	-	(58,586)
Share issue costs – warrants	-	(24,000)	-	24,000	-	-	-
Share-based compensation	-	-	91,442	-	-	-	91,442
Unrealized loss on investments	-	-	-	-	(29,950)	-	(29,650)
Loss and comprehensive loss	-	-	-	-	-	(410,653)	(410,653)
Balance, September 30, 2016	10,810,531	$ 20,644,471	$ 1,989,261	$ 2,405,652	$ (30,900)	$ (23,448,945)	$ 1,559,539
Balance, March 31, 2017	**11,027,199**	**$ 20,778,436**	**$ 2,131,286**	**$ 3,015,495**	**$ (466,350)**	**$ (24,791,937)**	**$ 666,930**
Shares issued pursuant to purchase agreement	1,666,666	1,250,000	-	-	-	-	1,250,000
Subscription receipts	26,076,649	19,557,724	-	-	-	-	19,557,724
Share-based compensation	-	-	768,208	-	-	-	768,208
Convertible debt	6,925,189	4,306,717	-	887,183	-	-	5,193,900
Options exercised	158,332	147,247	(61,749)	-	-	-	85,498
Warrants exercised	101,332	72,035	-	(11,685)	-	-	60,350
Unrealized loss on investments	-	-	-	-	(88,950)	-	(88,950)
Share Issuance Costs		(1,616,211)	-	145,940	-	-	(1,470,271)
Loss and comprehensive loss	-	-	-	-	-	(5,358,599)	(5,358,599)
Balance, September 30, 2017	**45,955,367**	**$ 44,495,948**	**$ 2,837,745**	**$ 4,036,933**	**$ (555,300)**	**$ (30,150,536)**	**$ 20,664,790**

See accompanying notes to the condensed interim 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 1020, 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 condensed interim 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 September 30, 2017, the Company had not achieved profitable operations and had an accumulated deficit. The Company estimates 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain disclosures in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2017.

These condensed interim 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.

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, 3) Bluestone Resources (Alaska) Inc., incorporated and located in Alaska, USA and Rockford Mining (US) Corp., incorporated and located in Nevada, 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 November 27, 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.

e) Recent accounting pronouncements

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 for financial statements with periods beginning 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 15 is effective for financial statements with periods beginning on or after January 1, 2018.

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. IFRS 16 is effective for financial statements with periods beginning on or after January 1, 2019.

The Company is currently assessing the impact of the standards will have on the financial statements upon adoption.

3. 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 and inputs used in the valuation of share-based payments.

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

Exploration and Evaluation Assets

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.

Acquisition of the Sterling Property

The Company acquired the Sterling property and related assets and liabilities through the payment of cash and issuance of shares. The Company determined the acquisition was an asset acquisition and fair value was based on the consideration provided. Based on a number of factors, the property was considered to be in the exploration stage except for the building and equipment acquired.

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.

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 5 – exploration and evaluation assets
Note 6 – building and equipment
Note 7 – restoration, rehabilitation and environmental obligations

4. INVESTMENTS

Management records the common shares of investments as available-for-sale financial assets. As at September 30, 2017, the Company owned 250,000 common shares of Sonoro Metals Corp. ("Sonoro") valued at $38,750 with an original value of $25,000 and 668,000 common shares of Montego Resources Inc. ("Montego") valued at $133,600 with an original value of $701,400.

		Montego	**Sonoro**	**Total**
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
Change in fair value		(100,200)	11,250	(88,950)
Balance, September 30, 2017	$	133,600	38,750	172,350

5. EXPLORATION AND EVALUATION ASSETS

Acquisition Costs

Details of acquisition costs incurred as at September 30, 2017 are as follows:

		Sterling Property		Richardson Property		Total
Balance – March 31, 2017	$	-	$	57,187	$	57,187
Additions		13,094,132		-		13,094,132
Balance – September 30, 2017	$	13,094,132	$	57,187	$	13,151,319

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

Sterling Property

During fiscal 2017, 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 property, located in Nye County, NV;
b) 4% net smelter royalty ("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

On May 31, 2017, the Company paid or accrued $13,648,130 (US$10,100,000) and issued 1,666,666 common shares of the Company valued at $1,250,000 and is obligated to issue additional common shares to SGMC 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 1,666,666 additional common shares. A 2% NSR will be granted to SGMC of which a 1% NSR can be purchased for US$7,500,000. A total of $2,160,675 in deferred acquisition costs incurred to March 31, 2017 were applied to the acquisition.

The Company can elect to use specific technology developed by SGMC in effort to recover mineral from heap leach pads on the Sterling 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. The Company has not assigned any value to the election.

The acquisition was allocated as follows:

Inventory	70,813
Reclamation bonds	4,456,318
Building and equipment	3,130,286
Exploration and evaluation assets	13,031,492
Future site reclamation provision	(5,093,858)
	15,595,051

Consideration was as follows:

Cash payments	13,648,132
Common shares issued	1,250,000
Other	696,919
	15,595,051

The Company has posted a bond with the Bureau of Land Management in relation to the Sterling property valued at $4,243,200 (March 31, 2017 - $nil).

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).

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

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.

Kiyuk Lake Property, Nunvaut

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, UNAUDITED)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

Exploration and evaluation expenditures

Details of exploration expenditures incurred for the six months ended September 30, 2017 as follows:

	Sterling Property	Richardson Property	Hilltop Gold Property	Total
Exploration and evaluation costs:				
Camp and general	318,607	-	-	318,607
Claim fees	274,693	8,010	-	282,703
Courier, freight and shipping	6,064	-	-	6,064
Drilling	302,916	-	-	302,916
Field equipment and supplies	194,275	-	-	194,275
Fuel	2,196	-	-	2,196
Geological consulting and other labour	279,723	2,400	3,600	285,723
Geophysics	61,812	-	-	61,812
Leaching Expenses	24,920	-	-	24,920
Site Expenses	20,399	-	-	20,399
Royalty payments	-	41,334	-	41,334
Exploration and evaluation costs	1,485,605	51,744	3,600	1,540,949

Details of exploration expenditures incurred for the six months ended September 30, 2016 as follows:

	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	Hilltop Property	Manson Creek	Total
Exploration and evaluation costs:						
Assays	$ 1,131	$ -	$ 66,485	$ -	$ -	$ 67,616
Camp and general	8,795	522	16,699	-	-	26,016
Courier, freight and shipping	-	-	1,454	-	-	1,454
Field equipment and supplies	-	-	54,183	-	-	54,183
Foreign currency (gain) loss	-	-	4,417	-	-	4,417
Fuel	-	-	3,319	-	-	3,319
Geological consulting and other labour	8,625	263	267,568	-	3,070	279,526
Helicopter charter	-	-	19,976	-	-	19,976
Maps, orthophotos and reports	100	-	-	-	-	100
Office	(5,869)	-	4,436	-	-	(1,433)
Permits, claims and licenses	60	-	-	-	-	60
Property taxes	-	-	3,530	-	-	3,530
Royalty payments	-	-	9,924	-	-	9,924
Travel, meals and accommodation	-	-	14,461	-	-	14,461
Net exploration and evaluation costs	$ 12,842	$ 785	$ 466,452	$ -	$ 3,070	$ 483,149

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

6. BUILDING AND EQUIPMENT

On May 31, 2017, the Company acquired buildings and equipment as part of the Sterling property (Note 5).

Mine infrastructure and buildings are depreciated at 5% per annum on a declining balance basis.
Furniture and fixed and mobile equipment are depreciated at 20% per annum on a declining balance basis.

	Mine infrastructure	Buildings	Furniture and fixtures	Mobile Equipment	Total
Cost					
Additions	$ 1,587,778	$332,476	$89,388	$1,240,336	$ 3,249,978
As at September 30, 2017	$ 1,587,778	$332,476	$89,388	$1,240,336	$ 3,249,978

	Mine infrastructure	Buildings	Furniture and fixtures	Mobile Equipment	Total
Depreciation					
Additions	$ 24,946	$ 5,200	$ 5,618	$ 76,507	$ 112,271
As at September 30, 2017	$ 24,946	$ 5,200	$ 5,618	$ 76,507	$ 112,271

Net book value

	Mine infrastructure	Buildings	Furniture and fixtures	Mobile Equipment	Total
As at March 31, 2017	$ -	$ -	$ -	$ -	$ -
As at September 30, 2017	$1,562,832	$327,276	$83,770	$1,163,829	$ 3,137,707

7. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS

As at September 30, 2017, the Company's restoration, rehabilitation and environmental obligations are related to the dismantling and removal of the mine and equipment at the Company's Sterling property (Note 5 and 6). The obligation was calculated using an inflation rate of 2% and a discount rate of approximately 3.34% with the assumption that the obligation would be settled in the years 2018 through 2023.

Significant closure activities include land rehabilitation, water treatment, demolition of facilities, monitoring and other costs. The amounts and timing of closure items will vary depending on the number of factors including exploration success and alternative mining plans.

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

Balance – on acquisition on May 31, 2017 (Note 5 and 6)	$	5,093,858
Accretion expense		50,608
Foreign exchange		(390,986)
Balance – September 30, 2017	$	4,753,480

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

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:

	September 30, 2017	September 30, 2016
Consulting and management fees	$ 116,100	$ 65,957
Exploration and evaluation expenditures	-	4,000
Office, rent, salary and miscellaneous	301,250	34,000
Share-based payments	557,045	73,028
Professional fees	-	21,000
	$ 974,395	$ 197,985

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

	September 30, 2017	March 31, 2017
Key management personnel	$ 97	$ 74,459

As at September 30, 2017, included in prepaids is $nil (2016: $12,000) as rent deposit to companies controlled or partially controlled by a director.

9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital Stock

Fiscal 2018 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 May 31, 2017, the Company issued 1,666,666 common shares valued at $1,250,000 to acquire the Sterling Property (Note 5).

On July 21, 2017, the Company issued 6,925,189 units upon the conversion of notes payable (Note 10). Each unit comprises one common share and one-half share purchase warrant, with each whole warrant exercisable at a price of $1.00, until March 29, 2019. The warrants were assigned a fair value of $887,183.

On July 21, 2017, the Company issued 26,076,649 common shares upon the qualification of previously issued subscription receipts. In connection with the transaction, the Company issued 700,178 broker warrants valued at $145,940, exercisable at a price of $1.00 for a period of two years from the date of grant.

During the six month period ended September 30, 2017, the Company issued 158,332 shares for $147,248 on the exercise of warrants and issued 101,332 shares for $72,035 on the exercise of share options.

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

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

Share purchase warrants

The following is a summary of the warrant transactions for the six months ended September 30, 2017.

March 31, 2017	Issued	Exercised	Expired	September 30, 2017	Exercise Price	Expiry Date
1,787,500	-	(98,332)	-	1,689,168	$0.60	December 11, 2017
388,334	-	(3,000)	-	385,334	$0.45	February 17, 2019
1,608,747	-	-	-	1,608,747	$0.75	January 5, 2018
2,894,950	-	-	-	2,894,950	$0.99	March 29, 2019
-	700,178	-	-	700,178	$1.00	May 30, 2019
-	3,462,594	-	-	3,462,594	$1.00	March 29, 2019
6,679,531	4,162,772	(101,332)	-	10,740,971	$0.88	
$0.80	1.00	$0.60	-	0.88	$0.88	Weighted Average Price

As at September 30, 2017, warrants outstanding totaled 10,740,971 exercisable with a weighted average price of $0.88.

On May 30, 2017, the Company granted 700,178 broker warrants were granted with a fair value of $145,940 based on the Black-Scholes option pricing model.

The following weighted average assumptions were used for the Black-Scholes pricing model valuation of warrants granted:

	2018	2017
Risk-free interest rate	*0.70%*	-
Expected life of options	2.00	-
Expected annualized volatility	105.13%	-
Expected dividend rate	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 options transactions for the six months ended September 30, 2017.

March 31, 2017	Issued	Exercised	Forfeited	September 30, 2017	Exercise Price	Expiry Date
941,666	-	(158,332)	-	783,334	$0.54	July 10, 2019
-	2,650,000	-	-	2,650,000	$0.79	June 12, 2020
941,666	2,650,000	(158,332)	-	3,433,334	$0.73	
$0.54	$0.79	$0.54	-	$0.73		Weighted Average Price

1,133,335 stock options outstanding as at September 30, 2017 are exercisable with a weighted average exercise price of $0.69.

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

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

On June 12, 2017, the Company granted 2,650,000 stock options with a value of $1,234,425 or $0.47 per option to its directors, officers and consultants at an exercise price of $0.79 per share until June 12, 2020. The options vest 25% on grant, 25% six months after grant, 25% 12 months after grant, and 25% 24 months after grant. During the six months ended September 30, 2017, a total of $689,515 was recorded as share-based compensation.

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 the period ended June 30, 2017, a total of $78,693 was recorded as share-based compensation.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted:

	2018	2017
Risk-free interest rate	*0.88%*	*0.47%*
Expected life of options	3.00	1.84
Expected annualized volatility	120.83%	123.70%
Expected dividend rate	0%	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 were 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 $1.00 per share until March 29, 2019.

On July 21, 2017 the convertible note of $5,193,900 were converted into common shares at 0.75 cents per share resulting in 6,925,189 common shares being issued.

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.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the six months ended September 30, 2017 were as follows:

a) Issued common shares valued at $1,250,000 for acquisition of Sterling Property.
b) Unrealized loss on investments of $88,950 allocated to AOCI.
c) Re-allocated $2,160,675 from deferred acquisition upon the closing of the Sterling Property acquisition.
d) Re-allocated $61,749 from reserves to share capital on exercise of stock options
e) Re-allocated $11,685 from reserves to share capital on exercise of warrants.
f) Granted brokers warrants valued at $145,940, recorded as share issue costs.
g) Reallocated notes payable valued at $5,193,900 upon conversion to common shares.
h) Allocated a fair value of $887,183 to warrants associated with the conversion of convertible notes payable.

Significant non-cash investing and financing transactions for the six months ended September 30, 2016 were as follows:

a) Granted broker warrants valued at $24,000, recorded as share issue costs.
b) Allocated a fair value of $253,995 to warrants associated with a non-brokered private placement.
c) Unrealized loss on investments of $29,650 allocated to AOCI.

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

12. 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 the six months ended September 30, 2017 and the year ended March 31, 2017 are as follows:

As at September 30, 2017		Canada		United States		Mexico		Total
Assets								
Exploration and evaluation assets	$	-	$	13,151,319	$	-		13,151,319
Building and equipment		-		3,137,707		-		3,137,707
Other assets		4,801,768		4,671,253		3,939		9,476,960
Total	$	4,801,768	$	20,960,279		3,939		25,765,986

As at March 31, 2017		Canada		United States		Mexico		Total
Assets								
Exploration and evaluation assets	$	-	$	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

13. 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. Subsequent to September 30, 2017, the Company completed a financing (Note 15).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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. 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.

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2017 the Company:

a) Granted 75,000 stock options, exercisable at a price of $0.83 for a period of three years.

b) Filed a short-form prospectus qualifying 16,666,667 common shares of the Company at a price of $0.90 per share, for gross proceeds of $15,000,000. The Company closed the financing and issued 16,666,667 common shares.

c) Issued 1,388,532 common shares on the exercise of warrants for gross proceeds of $868,650.

d) Issued 657,577 common shares to SGMC to maintain its percentage ownership interest in the Company (note 5)