ELY GOLD & MINERALS INC.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2016 AND 2015

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ELY GOLD & MINERALS INC.

We have audited the accompanying consolidated financial statements of Ely Gold & Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity (deficiency) 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, the consolidated financial statements present fairly, in all material respects, the financial position of Ely Gold & Minerals Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 1, 2017

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ELY GOLD & MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current			
Cash and cash equivalents		$ 4,366,614	$ 4,998,718
Marketable securities	6	859,346	81,159
Receivables	7	50,490	26,387
Prepaid expenses	13	48,244	108,868
		5,324,694	5,215,132
Non-Current			
Reclamation bond		60,662	60,662
Exploration and evaluation assets	9	1,999,909	1,009,244
		$ 7,385,265	$ 6,285,038
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10 & 13	$ 403,021	$ 38,009
		403,021	38,009
Non-Current			
Note payable	11	555,002	-
		958,023	38,009
EQUITY			
Share capital	12	26,882,761	25,229,869
Share-based payment reserve	12	1,092,326	897,362
Deficit		(21,547,845)	(19,880,202)
		6,427,242	6,247,029
		$ 7,385,265	$ 6,285,038

Approved and authorized by the Board:

"Ronald Husband" Director — Ronald Husband

"Stephen Kenwood" Director — Stephen Kenwood

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

ELY GOLD & MINERALS INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

For the year ended December 31,	Notes		2016		2015
EXPENSES					
Consulting fees	13	$	781,503	$	1,005,802
Insurance			26,344		17,593
Office and administration			134,330		47,853
Professional fees			193,228		160,458
Rent			12,000		13,600
Share-based payments	12 & 13		201,955		29,994
Transfer agent and filing fees			22,454		23,201
Travel and promotion			64,159		32,014
			(1,435,973)		(1,330,515)
OTHER INCOME (EXPENSE)					
Interest expense	11 & 13		(17,683)		(113,990)
Interest income			72		2,023
Option income	9c		49,680		-
Change in value of deferred compensation	13		-		(245,956)
Change in fair value of marketable securities	6		(307,688)		(46,224)
Loss on disposal of marketable securities	6		-		(1,790)
Gain on disposal of exploration and evaluation asset	9c		185,376		-
Gain on settlement of deferred compensation	13		-		558,090
Gain on disposition of MH-LLC interest	8		-		7,411,682
(Loss) gain on foreign exchange			(218,707)		203,092
			(308,950)		7,766,927
Income/(Loss) and comprehensive income/(loss) for the year		$	(1,744,923)	$	6,436,412
Basic and diluted income/(loss) per share		$	(0.03)	$	0.09
Weighted average number of common shares outstanding			67,246,527		74,795,678

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

ELY GOLD & MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the year ended December 31,	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income/(Loss) for the year	$ (1,744,923)	$ 6,436,412
Items not affecting cash:		
Interest expense	17,683	113,990
Change in value of deferred compensation	-	245,956
Change in fair value of marketable securities	307,688	46,224
Loss on disposal of marketable securities	-	1,790
Gain on disposal of exploration and evaluation asset	(185,376)	-
Gain on settlement of deferred compensation	-	(558,090)
Gain on disposition of MH-LLC interest	-	(7,411,682)
Share-based payments	201,955	29,994
Unrealized foreign exchange	(132,997)	1,707
Changes in non-cash working capital items:		
Receivables	(24,103)	(21,141)
Prepaid expenses	(3,796)	(83,847)
Accounts payable and accrued liabilities	290,201	(16,001)
Deferred compensation	-	(1,434,579)
Net cash used in operating activities	(1,273,668)	(2,649,267)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures, net of recoveries	(1,064,603)	(361,273)
Reclamation bond	-	(40,360)
Proceeds received from properties under option	58,580	-
Proceeds on disposal of marketable securities	-	59,738
Proceeds on disposition of MH-LLC interest, net of transaction costs	-	7,411,682
Proceeds on disposal of exploration and evaluation asset	191,625	-
Net cash (used in) provided by investing activities	(814,398)	7,069,787
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash, net of issuance costs	1,455,962	-
Net cash provided by financing activities	1,455,962	-
Change in cash and cash equivalents for the year	(632,104)	4,420,520
Cash and cash equivalents, beginning of year	4,998,718	578,198
Cash and cash equivalents, end of year	$ 4,366,614	$ 4,998,718
Cash and cash equivalents consists of:		
Cash	$ 4,341,614	$ 4,973,718
Term deposit	25,000	25,000
	$ 4,366,614	$ 4,998,718

Supplemental disclosure with respect to cash flows (Note 14)

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

ELY GOLD & MINERALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Note	Number of shares		Share capital		Share-based payment reserve		Deficit		Total
Balance, December 31, 2014		80,312,749	$	25,229,869	$	2,710,071	$	(28,159,317)	$	(219,377)
Shares returned to treasury	8	(15,732,274)		-		-		-		-
Expired options		-		-		(564,475)		564,475		-
Expired warrants		-		-		(1,278,228)		1,278,228		-
Share-based payments		-		-		29,994		-		29,994
Net income for the year		-		-		-		6,436,412		6,436,412
Balance, December 31, 2015		64,580,475	$	25,229,869	$	897,362	$	(19,880,202)	$	6,247,029
Private placement, net of issuance costs		10,000,000		1,355,462		-		-		1,355,462
Share-based payments		-		-		201,955		-		201,955
Warrants issued for mineral properties	9c	-		-		267,219		-		267,219
Exercised options		1,175,000		100,500		-		-		100,500
Share-payments allocated to share capital on exercise of options		-		196,930		(196,930)		-		-
Expired options		-		-		(77,280)		77,280		-
Net loss for the year		-		-		-		(1,744,923)		(1,744,923)
Balance, December 31, 2016		75,755,475	$	26,882,761	$	1,092,326	$	(21,547,845)	$	6,427,242

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

1) NATURE OF AND CONTINUANCE OF OPERATIONS

Ely Gold & Minerals Inc. (the "Company" or "Ely") was incorporated under the *Business Corporations Act* (Alberta) on May 10, 1996. The Company was continued into British Columbia in 2002 where it is now domiciled and governed by the *Business Corporations Act* (British Columbia). Since 2004 its principal business activity has been the acquisition, exploration and development of exploration and evaluation assets. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol ELY.

The Company's registered office is Suite 2833 – 595 Burrard St, P.O. Box 49195, Vancouver, British Columbia, Canada, V7X 1J1.

On August 25, 2015, the Company completed the sale of its investment in Mt. Hamilton LLC ("MH-LLC") (a Colorado limited liability company) and received cash proceeds of $7,977,600 (US$6,000,000) and returned 15,732,274 of the Company's common shares to the treasury. Refer to Note 8 for a description of the MH-LLC disposal transaction.

The recovery of the amounts comprising exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

The Company incurred a loss of $1,744,923 (2015 – income $6,436,412) for the year ended December 31, 2016. As at December 31, 2016, the Company had an accumulated deficit of $21,547,845 (2015 - $19,880,202) with working capital of $4,921,673 (2015 - $5,177,123).

These consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives, including, but not limited to, selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

These consolidated financial statements were approved by the Board of Directors for issue on May 1, 2017.

2) BASIS OF PREPARATION

Statement of Compliance

These consolidated financial, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale and derivative financial liabilities, which are stated at their fair values. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, the Company's functional currency, unless otherwise specified.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation and presentation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned subsidiaries include, DHI Minerals Ltd. ("DHI") (a Canadian corporation), DHI Minerals (US) Ltd. ("DHI US") (a Nevada corporation), Voyageur Gold Inc. ("Voyageur") (a Canadian corporation) and Nevada Select Royalty, Inc. ("Nevada Select"), (a Nevada corporation incorporated on February 26, 2016). The Company's 20% equity interest in MH-LLC was owned through DHI US. All significant intercompany transactions and balances have been eliminated. On August 25, 2015, the Company disposed of its interest in MH-LLC and ceased to equity account its investment in MH-LLC at that date. Refer to Note 8.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Use of estimates and judgments

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

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Recovery of deferred tax assets

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

Share-based payments

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

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments (cont'd…)

Critical accounting estimates (cont'd…)

Impairment of mineral properties

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

In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statement of financial position at carrying value. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economic assessment/studies, accessible facilities and existing permits.

Critical accounting judgments

Management must make judgments given the various options available under IFRS for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. Critical judgments have been made by management in arriving at the three above noted critical estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

The functional currency for the Company and for each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are retranslated at the year-end exchange rates. Non-monetary items, measured using historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Company, Voyageur, DHI and DHI US is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates*.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation. Items in the consolidated statements of income (loss) and comprehensive income (loss) are translated using the weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the consolidated statements of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized in a separate component of equity through other comprehensive income (loss).

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in profit or loss.

Cash equivalents

Cash equivalents include short-term liquid investments that are cashable or readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

Financial instruments

Financial assets

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. It initially measures financial assets and financial liabilities at their fair value, adding or deducting directly attributable transaction costs (except for transaction costs directly attributable to acquiring financial assets or financial liabilities at fair value through profit or loss ("FVTPL"), which is recognized immediately in profit or loss). Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial assets (cont'd…)

The Company classifies its financial assets into one of the following categories as follows:

FVTPL - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets, except those measured at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of non-derivative financial liabilities carried at amortized cost using the effective interest method.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Once the legal right to explore a property has been acquired, costs directly related to the exploration and evaluation of mineral properties are capitalized, in addition to the acquisition costs, including appropriate borrowing costs. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets (cont'd...)

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred as development properties.

Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income per share is computed similar to basic income (loss) per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. However, diluted loss per share does not include the increase to weighted average shares, as the effect of including additional shares would be anti-dilutive.

Impairment of long-lived assets

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

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

Provision for environmental rehabilitation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares using the market price on the date the common shares are priced and the residual, if any, is allocated to warrants.

Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income (loss) of the associates. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Share-based payments

The Company grants stock options to directors, officers, employees and consultants. Share-based payments to employees are measured on the grant date at the fair value of the equity instruments issued, using the Black-Scholes option pricing model and are accrued and charged either to operations or exploration and evaluation assets, over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payment reserve. Consideration paid for the shares on the exercise of stock options or warrants is credited to share capital and the applicable amounts of share-based payment reserve are transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payment reserve and transferred to deficit. For options that expire or are forfeited after vesting, the recorded value is transferred from the share-based payment reserve to deficit.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd...)

not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Changes in accounting standards not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued, but are not yet effective. The Company has not early-adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

1) IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual period beginning on January 1, 2018.

2) IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases.*

Applicable to the Company's annual period beginning on January 1, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Changes in accounting standards not yet adopted (cont'd…)

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

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

   The amendment to IAS 7 is applicable to the Company's annual period beginning on January 1, 2017.

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

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

   The amendments to IAS 12 are applicable to the Company's annual period beginning on January 1, 2017.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as FVTPL; marketable securities, as available-for-sale; and accounts payable and accrued liabilities and note payable, as other financial liabilities.

The carrying values of cash and cash equivalents, and marketable securities have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of note payable is based on inputs, other than quoted prices, for which there is observable market data; a Level 2 measurement according to the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximates fair value, due to the short term to maturity of these financial instruments.

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

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by placing its cash balances at a major Canadian financial institution.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 4,366,614	$ 4,998,718

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2016, the Company has cash and cash equivalents of $4,366,614 (2015 - $4,998,718), current liabilities of $403,021 (2015 - $38,009), note payable of $555,002 (2015 - $nil) and working capital of $4,921,673 (2015 - $5,177,123).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

December 31,	2016	2015
Due Date	Financial Liabilities	Financial Liabilities
0 – 90 days	$ 403,021	$ 38,009
90 – 365 days	-	-
More than 1 year	555,002	-
	$ 958,023	$ 38,009

4. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of three components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

(c) Fluctuations in the interest rates impact the value of cash equivalents. As at December 31, 2016, the impact of interest rates on the Company is not deemed significant. The Company's other liabilities are not exposed to interest rate risk, as they are carried at amortized cost.

(ii) Foreign currency risk

The Company incurs expenditures in Canada and the US. Foreign currency risk arises because the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at December 31, 2016, the Company has not hedged its exposure to currency fluctuations.

At December 31, 2016 and 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		December 31, 2016		December 31, 2015
Cash and cash equivalents	US$	2,181,566	US$	3,351,757
Accounts payable and accrued liabilities		(87,929)		(2,218)
Note payable		(400,000)		-
Interest payable		(13,348)		-
Net	US$	1,680,289	US$	3,349,539
Canadian dollar equivalent		$ 2,175,562		$ 4,635,762

Based on the above net exposures as at December 31, 2016, a 5% (2015 - 5%) change in the Canadian/US exchange rate would impact the Company's income (loss) and comprehensive income (loss) by approximately $125,500 (2015 - $232,000).

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk (cont'd…)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant price risk on its marketable securities.

(iv) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at December 31, 2016 and 2015:

December 31, 2016	Level 1	Level 2	Level 3	Total
FVTPL				
Cash and cash equivalents	$ 4,366,614	$ -	$ -	$ 4,366,614
Note payable	$ -	$ 472,910	$ -	$ 472,910
Available-for-sale				
Marketable securities	$ 859,346	$ -	$ -	$ 859,346

December 31, 2015	Level 1	Level 2	Level 3	Total
FVTPL				
Cash and cash equivalents	$4,998,718	$ -	$ -	$ 4,998,718
Available-for-sale				
Marketable securities	$ 81,159	$ -	$ -	$ 81,159

5. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its exploration and evaluation assets contain economically recoverable reserves of ore and currently has not earned any revenues from its exploration and evaluation assets, and therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital and debt. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2016.

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

The Company's marketable securities comprise the following common shares. The fair value of the marketable securities has been determined directly by reference to published price quotations in an active market.

	December 31, 2016		December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Gold Resource Corporation 130,169 (December 31, 2015 – nil) common shares	$1,085,875	$ 760,284	$ -	$ -
Solitario Royalty & Exploration Corp 119,352 (December 31, 2015 – 119,352) common shares	144,454	99,062	144,454	81,159
Total	$1,230,329	$ 859,346	$ 144,454	$ 81,159

During the year ended December 31, 2016, the Company acquired 130,169 common shares of Gold Resource Corp ("Gold Resource"), valued at $1,085,875, as part of the consideration for the sale of its mineral property to Gold Resource (Note 9(c)).

The investment in Gold Resource is defined as available-for-sale and is measured at fair value with changes in fair value recognized in other comprehensive income.

During the year ended December 31, 2016, the Company recorded a fair value loss on marketable securities of $325,591 relating to the Company's shares in Gold Resource. Management determined the loss was evidence of a significant decline and as such, has included the loss in the statement of income/(loss).

During the year ended December 31, 2016, the Company recorded a fair value gain on marketable securities of $17,903 relating to the Company's shares in Solitario Royalty & Exploration Corp. ("Solitario").

During the year ended December 31, 2015, the Company disposed 57,648 common shares of Solitario for gross proceeds of $59,738, realizing a loss of $1,790.

7. RECEIVABLES

The Company's receivables are as follows:

	December 31, 2016	December 31, 2015
Sales taxes receivable	$ 50,490	$ 26,387

(Expressed in Canadian Dollars)

8. DISPOSAL OF INVESTMENT IN MT. HAMILTON LLC

On June 10, 2015, Ely, DHI US and Solitario (together, the “Sellers”) entered into a definitive agreement (the “Agreement”) to sell their combined interests in the Mt. Hamilton gold project ("Mt. Hamilton Project") to Waterton Nevada Splitter, LLC, a wholly owned subsidiary of Waterton Precious Metals Fund II Cayman, LP (collectively, "Waterton"), for total cash proceeds of US$30 million (the "Transaction"). Solitario sold its 80% interest in MH-LLC, a limited liability company, which holds 100% of the Mt. Hamilton Project assets, and DHI US sold its 20% interest in MH-LLC. As a result, on closing Solitario received cash proceeds of US$24 million and DHI US received cash proceeds of US$6 million.

Concurrent with the signing of the Agreement, the Sellers entered into an arm’s-length agreement (the “Consent Agreement”) pursuant to which Solitario agreed to surrender 15,732,274 Ely shares to the Company for cancellation in exchange for:

(i) the Company and DHI US consenting to Solitario pledging its interest as security for any refinancing required by Solitario to any third party loans;

(ii) Ely and DHI US waiving Solitario’s obligation to fund the exercise of the Royalty Reduction Options and the Bonding Obligations; and

(iii) DHI US repaying loans made to DHI US by Solitario pursuant to the MH-LLC Operating Agreement to fund DHI US’ Joint Venture obligations to MH-LLC, amounting to $240,887 (US$191,150).

Maxit Capital LP (“Maxit”) acted as financial advisor to the Company in connection with the Transaction. The Company paid Maxit a $200,000 fee for Maxit’s services, including delivery of the Fairness Opinion and services in connection with the completion of the Transaction.

On August 25, 2015, the Transaction closed and subsequently the Consent Agreement closed on August 27, 2015.

Upon closing of the Transaction the Company received cash proceeds of $7,977,600 (US$6,000,000). On closing of the Consent Agreement, the Company received from Solitario 15,732,274 of its common shares, which were returned to treasury.

For the year ended December 31, 2015, the Company recorded a gain of $7,411,682 on the disposal of its investment in MH-LLC, calculated as follows:

	$
Proceeds received	7,977,600
Carrying value of investment in MH-LLC as at August 25, 2015	(13,339)
Less equity share of previously unrecognized losses	(227,548)
Less Maxit fees	(200,000)
Less Transaction costs	(125,031)
Gain on disposition of MH-LLC interest	7,411,682

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

	Green Springs (a)	Cox Claims (b)	Nevada Select Properties (c)	Total
Balance, December 31, 2014	$ 621,838	$ 26,133	$ -	$ 647,971
Acquisition costs	33,190	36,434	-	69,624
Exploration and evaluation costs	291,649	-	-	291,649
Balance, December 31, 2015	946,677	62,567	-	1,009,244
Acquisition costs	31,595	7,051	1,817,960	1,856,606
Exploration and evaluation costs	48,639	-	236,124	284,763
Option payments received	-	-	(58,580)	(58,580)
Disposition	-	-	(1,092,124)	(1,092,124)
Balance, December 31, 2016	$ 1,026,911	$ 69,618	$ 903,380	$ 1,999,909

(a) Green Springs

On February 4, 2013, the Company acquired the Green Springs property in White Pine County, Nevada, for US$300,000 (paid) and $50,000 (paid) cash. The Green Springs property is subject to a 2% net smelter return (“NSR”) royalty.

On July 7, 2014, the Company entered into an exploration and Option Agreement (the “EMX Agreement”) with Eurasian Minerals Inc. (“EMX”) for the Cathedral Well gold project consisting of 79 unpatented mining claims (the “Cathedral Well Claims”), which surround the Company’s Green Springs claims. Pursuant to the Option Agreement, the Company can earn a 100% interest in the Cathedral Well Project by paying EMX a total of $100,000 as follows:

- US$25,000 upon signing (paid)
- US$25,000 on the first anniversary (paid)
- US$25,000 on the second anniversary (paid)
- US$25,000 on the third anniversary.

Eurasian will retain a 2.5% NSR royalty, inclusive of an underlying 0.5% NSR royalty. In addition, after earning the 100% interest in the Cathedral Well Project, the Company will pay Eurasian annual advance royalties equal to 20 ounces of gold each year beginning in year four of the Option Agreement. After completion of a feasibility study of the Cathedral Well Project and/or the adjacent Company properties, the annual payment will increase to 35 ounces of gold each year thereafter until commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. The Company may purchase 0.5% of the Eurasian NSR royalty by paying Eurasian 500 ounces of gold within 60 days after commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. However, Eurasian will not retain any royalty on the Company’s existing Green Springs project.

In November 2016, the Company and EMX amended the EMX Agreement whereby the Company traded certain mining claims, owned by Nevada Select, (the “Gutsy Claims”) in lieu of the final payment of US$25,000. The Company now owns 100% of the Cathedral Well Claims.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(a) Green Springs (cont'd…)

On December 7, 2016, subject to TSX Venture Exchange approval, the Company entered into an option agreement with Colorado Resources Ltd ("Colorado") whereby Colorado can acquire a 100% interest in the Company's Green Springs project. Colorado can acquire their 100% interest by making cash payments of US$3,000,000 and issuing 2,250,000 Colorado common shares to the Company, as follows:

- At closing – US$50,000 cash and 300,000 Colorado common shares;
- Year 1 – US$100,000 cash and 500,000 Colorado common shares;
- Year 2 – US$200,000 cash and 600,000 Colorado common shares;
- Year 3 – US$400,000 cash and 850,000 Colorado common shares; and
- Year 4 – US$2,250,000 cash (the "Final Option Payment"). Colorado may at its election make the final Option Payment 50% cash and 50% common shares based on a 30-day volume weighted average price of the Colorado common shares.

There are no work commitments or additional expenditures required other than Colorado's obligation to maintain the underlying agreements and claim maintenance fees in good standing. Once the Final Option Payment is made, the Company will retain a total 1% NSR on two key claims and the Company will retain the right to buy-down 1% of the underlying royalty on these key claims for US$500,000. The Company will also retain a 0.5% NSR on 76 claims.

In addition, once the Final Option Payment has been made, Colorado will make advance royalty payments as follows:

- US$25,000 on the first through third anniversary dates of the Final Option Payment; and
- US$50,000 on each anniversary date of the Final Option Payment thereafter.

Subsequent to December 31, 2016, the Company received TSX Venture Exchange approval and Colorado paid US$50,000 cash and issued 300,000 Colorado common shares to the Company.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(b) Cox Claims

On January 16, 2013, the Company acquired a mining lease and a purchase option on mining claims contiguous to the Green Springs property, known as the Cox Claims. The lease on the Cox Claims has a term of 10 years with escalating advance royalty payments and a purchase option to acquire 100% of the property. The advance royalty payments are payable as follows on each anniversary of the agreement:

- Upon signing, US$7,500 (paid in 2013)
- January 16, 2014, US$10,000 (paid in 2013)
- January 16, 2015, US$12,000 (paid in 2014)
- January 16, 2016, US$15,000 (paid in 2015)
- January 16, 2017, US$15,000
- January 16, 2018, US$15,000
- January 16, 2019, US$20,000
- January 16, 2020 and on each subsequent anniversary, US $25,000.

The Company has the option to purchase the claims for an amount equal to US$200,000 less the aggregate of the annual advance royalty payments made prior to the date of exercising the purchase option. Upon exercise of the purchase option, title to the Cox Claims will be taken subject to annual advance royalty payments of US$25,000 until commencement of commercial production, after which a 2% NSR will be payable, after recovery of the aggregate advance royalties. The Company has the option to buy-down 1% of the NSR for US$500,000.

In connection with the acquisition of the Cox Claims, the Company entered into an Agency Agreement with Urawest Energy LLC ("Urawest") to compensate Urawest for its involvement in the acquisition of the Cox Claims. Under the terms of the Agency Agreement, the Company will make total aggregate payments of US$47,500 to Urawest, payable in annual instalments over the 10 year term of the Cox Claims lease:

- Upon signing, US$2,500 (paid in 2013)
- January 16, 2014, US$2,500 (paid in 2014)
- January 16, 2015, US$2,500 (paid in 2015)
- January 16, 2016 (paid in 2016) to January 16, 2023, US$5,000 each year.

In the event the Company exercises the purchase option to acquire 100% of the Cox Claims, any unpaid fees to Urawest as at the date of exercise shall be paid in full. Upon commencement of commercial production from the Cox Claims, the Company shall pay Urawest a 0.25% NSR and a US$2,500 annual advance royalty payment (the "Urawest Agreement"). Urawest also negotiated a side agreement with Cox for an additional .25% NSR on the Cox Claims, to be deducted from Cox's 2% NSR (the ("Cox Side Agreement"). Urawest, subsequently changed its name to Nevada Eagle and as part of the acquisition of the Nevada Eagle Properties, the Company was assigned the Urawest Agreement and the Cox Side Agreement.

On December 7, 2016, the Cox Claims were included as part of the option agreement with Colorado whereby Colorado can acquire 100% of the Green Springs project and the Cox Claims by making the cash payments and share issuances as noted in Note 9(a). Under the option agreement, Colorado must maintain the Cox Claims in good standing during the option period by making the annual advance royalty payments and the annual payments to Urawest as per the above schedule of payments.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(c) Nevada Select Properties

On May 4, 2016, the Company, through the Company's wholly owned subsidiary, Nevada Select, completed the acquisition of mineral properties (the "Nevada Select Properties") in Nevada and the western United States from Nevada Eagle LLC ("Nevada Eagle"). Under the terms of the agreement, the Company will pay Nevada Eagle a total purchase price of US$895,600 ($1,153,891). The purchase price will be paid as US$445,600 ($574,111 - paid) in cash on closing and an additional US$400,000 ($515,360) on the second anniversary, together with 5% interest. The remaining US$50,000 ($64,420 – paid in 2015) was previously advanced to Nevada Eagle for staking of mineral properties. The Company has also issued 3,000,000 share purchase warrants to Nevada Eagle. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.07 for a period of two years from the date of closing. The fair value of the share purchase warrants, $267,219 (note 12(d)), has been included in acquisition costs along with associated closing costs of $19,429. During the year ended December 31, 2016 the Company received proceeds from properties under option of $58,580, which has been included in exploration and evaluation assets.

On August 12, 2016, the Company, through its wholly owned subsidiary, Nevada Select, executed a purchase agreement (the "GP Agreement") for certain royalty interests from Golden Predator US Holdings Corp. ("Golden Predator"). Golden Predator is a wholly owned subsidiary of Till Capital Ltd. ("Till"). Nevada royalties owned by Golden Predator include a 3% net smelters royalty ("NSR") on the Atlanta property, a 3% gross production royalty ("GPR") on the Bolo property, a 0.5% GPR on the Wood property and a 2% NSR on the Mina Gold property. Nevada Select currently owns 100% of the claims covered by the Mina Gold royalty. Terms of the GP Agreement include:

- Purchase by the Company of Golden Predator's:
- Atlanta (3% NSR) royalty interest,
- Bolo (3% GPR) royalty interest,
- Wood (.5% GPR) royalty interests; and
- Termination by the Company, and Golden Predator of the Mina Gold (2% NSR).

As consideration, the Company paid Golden Predator US$56,250 ($74,351) to Till.

On August 12, 2016, the Company, through its wholly owned subsidiary, Nevada Select, executed a purchase agreement ("RRL Agreement") for certain royalty interests from Resource Re Ltd. ("RRL"), a wholly owned subsidiary of Till. RLL owns a 2% NSR on the Uduk Lake property in British Columbia. Terms of the RRL Agreement include:

- Purchase by the Company of RLL's Uduk Lake (2% NSR) royalty interest;
- As consideration, the Company will pay US$18,750 to RLL.
- Prior to December 31, 2016, RRL was unable to produce a clear title to the Uduk Lake NSR. The Company terminated the RRL Agreement and has no further financial commitment to RRL.

On August 15, 2016, the Company, through its wholly owned subsidiary, Nevada Select, executed a purchase agreement for the sale ("Mina Sale Agreement") of its 100% owned Mina Gold property for US$1,000,000 ($1,277,500) to Gold Resource. The Mina Gold property was acquired as part of the Nevada Select Properties. The terms of the Mina Sale Agreement are as follows:

- US$150,000 ($191,625) cash as a one-time advance royalty payment (received);
- US$850,000 ($1,085,875) in Gold Resource restricted stock (received). The Company received 130,169 shares in Gold Resource at the time of entering into the transaction:
- The Company will retain the following NSR's:
    - a 3% NSR on five patented claims;
    - a 2% NSR on thirty-nine unpatented claims, staked by Nevada Select;
    - a 1.5% NSR on four unpatented claims, purchased by Nevada Select with existing 0.5% NSR; and

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(c) Nevada Select Properties (cont'd…)

    - a 2% NSR on additional unpatented claims staked by Gold Resource within a one-mile area of interest;
- Gold Resource has the option to buy-down 1% of the NSR on the patented claims for US$1,000,000; and
- Gold Resource has the option to buy-down 0.5% of the NSR on all unpatented claims for US$500,000.

As a result of the Company selling the Mina Gold property, the Company removed the carrying value of $975,907 and realized a gain on disposition of $185,376, which is included in the statement of income (loss) and comprehensive income (loss).

During the year ended December 31, 2016, the Company acquired, through staking, a 100% interest in properties in Nevada and Idaho. The Company incurred expenses of $6,115 for staking the additional claims.

On October 7, 2016, the Company purchased a 100% interest mining claims in Mineral County, Nevada known as the Olympic Mine. The Company paid US$75,000 cash for the claims and the data. Sedi-Met Inc. retained a 1.25% NSR royalty on the claims with no area of interest.

On October 5, 2016, the Company entered into an agreement to purchase mineral claims in the state of Nevada, USA. Upon signing, the Company advanced US$10,000 as a refundable deposit. The agreement is subject to various terms and conditions being satisfied prior to June 30, 2017. Should these terms and conditions be met, the Company would advance, subject to a due diligence period, US$300,000 for the 100% purchase of the claims. In the event the terms and conditions of the agreement are not fulfilled, or if the Company is not fully satisfied upon completing its' due diligence, the Company will receive a full refund of the deposit.

On October 27, 2016, Novo Resources Corp., through its wholly owned subsidiary Novo Resources (USA) Corp ("Novo") has exercised its option to purchase 100% of mining claims in Elko County, Nevada (the "Elko Claims"). The Elko Claims, known as the Tuscarora Project, were lease/optioned by Novo on November 7, 2014 (the "Tuscarora Option Agreement"). The Tuscarora Option Agreement allowed Novo to purchase 100% of the Elko Claims by making lease payments aggregating US$100,000 over time. The final payment, which was due on November 7, 2016, was paid by Novo on October 4, 2016. The proceeds from the final payment was $49,680 and is included in option income during the year ended December 31, 2016. The Tuscarora Option Agreement also provides for:

1. a sliding scale NSR, subject to the gold price, as follows:
    - less than or equal to $1,500 (2.0%)
    - greater than $1,500.00 but less than or equal to $2,000 (3.0%)
    - greater than $2,000 (4.0%)

2. an advance minimum royalty payment as follows:
    - third through fifth anniversaries $4,000
    - sixth through tenth anniversaries $8,000
    - eleventh and succeeding anniversaries $12,000

3. an area of interest, the Company, through its wholly owned subsidiary, Nevada Select was the underlying owner of the claims through staking and owns 50% of the Option Agreement which was executed in partnership with Platoro West Inc, a privately held Nevada corporation. The Company and Platoro West will each be deeded 50% of the royalty and will each be entitled to 50% of the advance minimum royalty payments.

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(c) Nevada Select Properties (cont'd…)

On November 4, 2016, the Company completed a property exchange (the "Property Exchange") with Columbus Gold Corp. and its wholly owned subsidiary Columbus Gold (USA) Corp. (collectively "Columbus"). The Company, through its wholly owned subsidiary, Nevada Select has acquired a 100% interest in 66 unpatented mining claims in Esmeralda County, Nevada (the "Esmeralda Claims"). The Esmeralda Claims are contiguous to claims currently held by the Company known as the Weepah Project ("Weepah"). Columbus has done significant exploration on the Esmeralda Claims, including multiple drill campaigns. Columbus acquired the Esmeralda Claims in 2011 from Cordex Exploration Company ("Cordex"). The Esmeralda Claims will be subject to a 2% NSR to Cordex. The Company will also acquire all the data from Columbus' exploration programs. In the Property Exchange, Nevada Select has conveyed, to Columbus, a royalty on the Bolo and Wood properties in Nye County, Nevada which was acquired by Nevada Select in a transaction with Till . Columbus acquired the Bolo/Wood property from Cordex in 2012.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

	December 31 , 2016	December 31, 2015
Trade payables	$ 141,419	$ 7,209
Accrued liabilities	32,000	30,800
Due to related parties	229,602	-
Total	$ 403,021	$ 38,009

11. NOTE PAYABLE

On May 4, 2016, the Company issued a promissory note (the "Note") in connection with the acquisition of the Nevada Select Properties (Note 9(c)). The Note accrues interest at 5% per annum, compounding every three months from the date of issuance and is due on May 4, 2018 with early settlement permitted without penalty. The note payable is secured by the interest in mining claims (Note 9(c)).

As at December 31, 2016, the carrying value of the Note is $555,002, which includes interest of $17,683 that is included in the statement of income (loss) and comprehensive income (loss). As at December 31, 2016, the fair value of the Note is $472,910. The fair value of the note as was arrived at using a discount rate of 12%.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES

(a) Authorized share capital

As at December 31, 2016, the authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued share capital

On October 3, 2016, the Company closed a non-brokered private placement issuing 10,000,000 units (each a "Unit") at $0.14 per Unit for gross proceeds of $1,400,000. Each Unit was comprised of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for $0.20 until October 3, 2018. The Company incurred share issuance costs of $44,538.

On October 12, 2016, 1,175,000 options were exercised for total gross proceeds to the Company of $100,500.

On August 25, 2015, as part of the Consent Agreement (refer to Note 8), the Company returned 15,732,274 of its common shares to treasury reducing the issued and outstanding share capital to 64,580,475 common shares.

(c) Stock options

The Company has an incentive stock option plan (the "Plan") in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. In addition, the aggregate number of shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares (2% if the participant is a consultant). Under the Plan, the exercise price of each option may not be less than the market price of the Company's share capital as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at December 31, 2015 and 2016, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Exercise Price	December 31, 2016	December 31, 2015
January 5, 2016	$0.25	-	300,000
October 16, 2016***	$0.06 - $0.14	-	1,175,000
February 26, 2017	$ 0.12	400,000	400,000
July 24, 2017	$ 0.14	200,000	200,000
January 5, 2021 *	$ 0.06	500,000	500,000
September 22, 2021 **	$ 0.06	850,000	850,000
January 30, 2023	$ 0.14	325,000	325,000
January 28, 2024	$ 0.12	700,000	700,000
November 27, 2024	$ 0.06	650,000	650,000
March 11, 2026	$ 0.09	250,000	-
August 18, 2026	$ 0.15	1,350,000	-
Total outstanding and exercisable		5,225,000	5,100,000

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES (cont'd...)

(c) Stock options (cont'd...)

* On November 18, 2015, the exercise price of these options was re-priced from $0.25 to $0.06 per share and the expiry date extended from January 5, 2016 to January 5, 2021, which resulted in additional share-based payments expense of $21,494.

** On November 18, 2015, the exercise price of these options was re-priced from $0.20 to $0.06 per share, which resulted in additional share-based payments expense of $8,500.

*** On October 10, 2016, these options were exercised for total proceeds to the Company of $100,500. On exercise, the associated fair value of those options of $196, 930 was transferred from share-based payment reserve to share capital.

The weighted average remaining contractual life for the outstanding options at December 31, 2016 is 6.43 (December 31, 2015 - 4.48) years.

Stock option transactions are summarized as follows:

	December 31, 2016			December 31, 2015		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of period	5,100,000	$	0.10	7,850,000	$	0.16
Granted	1,600,000	$	0.09	-	$	-
Expired	(300,000)	$	0.25	(2,750,000)	$	0.20
Exercised	(1,175,000)	$	0.09	-	$	0.20
Options exercisable, end of period	5,225,000	$	0.11	5,100,000	$	0.10

On August 18, 2016, the Company granted incentive stock options to directors, officers and consultants of the Company entitling them to purchase 1,350,000 common shares at a price of $0.15 per share for a period of 10 years vesting 100% on the date of grant and expiring August 18, 2026. The fair value of these options was calculated at $183,930 using the Black-Scholes option pricing model and is included in the statement of income (loss) and comprehensive income (loss) as a share-based payment expense.

On March 11, 2016, the Company granted incentive stock options to a director of the Company entitling them to purchase 250,000 common shares at a price of $0.09 per share for a period of 10 years vesting 100% on the grant date and expiring March 11, 2026. The fair value of these options was calculated at $18,025 using the Black-Scholes option pricing model and is included in the statement of income (loss) and comprehensive income (loss) as a share-based payment expense.

During the year ended December 31, 2016, 300,000 (2015 – 2,750,000) options expired unexercised and the relating fair value of $77,280 (2015 - $564,475) was transferred from share-based payment reserve to deficit.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES (cont'd...)

(d) Warrants

As at December 31, 2016 and December 31, 2015, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	December 31, 2016	December 31, 2015
May 4, 2018	$ 0.07	3,000,000	-
October 3, 2018	$0.20	5,000,000	-

On May 4, 2016, the Company issued 3,000,000 share purchase warrants to acquire the Nevada Select Properties. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.07 until May 4, 2018. The fair value of $267,219 is included as acquisition costs in exploration and evaluation assets (Notes 9(c) and 12(d)).

On February 28, 2015, 4,000,000 warrants expired unexercised and the relating fair value of $1,278,228 was transferred from share-based payment reserve to deficit.

Share purchase warrant transactions are summarized as follows:

	December 31, 2016		December 31, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	-	$ -	4,000,000	$ 0.32
Expired	-	$ -	(4,000,000)	$ 0.32
Issued	8,000,000	$ 0.15	-	$ -
Balance, end of period	8,000,000	$ 0.15	-	$ -

The fair value of stock options and warrants are estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2016		December 31, 2015	
	Options	Warrants	Options	Warrants
Risk-free interest rate	1.08%	0.58%	N/A	N/A
Expected dividend yield	0.00	0.00	N/A	N/A
Expected stock price volatility	104.95%	107.29%	N/A	N/A
Expected life in years	10	2	N/A	N/A
Weighted average fair value	$0.11	$0.07	N/A	N/A

The Company has estimated the forfeiture rate to be 0.00%. Expected volatility was determined based on the historical movements in the closing price of the Company's common shares for a length of time equivalent to the expected life of each option and warrant.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management:

		December 31, 2016		December 31, 2015
Short-term employment benefits	$	586,397	$	726,997
Other long-term employment benefits		-		272,790
Share-based payments		201,955		29,994
Total	$	788,352	$	1,029,781

As at December 31, 2016, $228,359 (2015 - $nil) is owing to directors and officers of the Company for management bonuses, which is included in accounts payable and accrued liabilities. A prepaid advance of $16,080 (2015 - $21,096) was made to an officer and director of the Company.

On September 10, 2015, the Company paid $1,692,032 to settle the deferred compensation liability. Upon settlement, the Company recognized a $558,090 gain on the settlement of the deferred compensation liability and subsequently terminated the deferred compensation plan.

During the year ended December 31, 2016, the Company recognized in net loss:

- a decrease in the value of the deferred compensation liability of $nil (2015 - $245,956);
- an interest expense of $nil ($113,990); and
- a gain on settlement of the deferred compensation liability of $nil (2015 - $558,090).

All other amounts due to related parties are payable on demand. Interest is not charged on outstanding balances.

The Company has in place termination clause agreements with three of the Company's officers and directors, whereby the officers and directors are entitled to a cumulative amount of $319,296 in the event they are terminated without cause, or $837,888 in the event there is a change of control.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the year ended December 31,		2016		2015
Significant non-cash working capital items consisted of:				
Prepaid expenses (Note 9(c))	$	64,420	$	-
Exploration and evaluation assets included in accounts payable	$	74,811	$	-
Significant non-cash investing activities consisted of:				
Shares received for mineral claims (Notes 6 and 9(c))	$	1,085,875	$	-
Note payable for exploration and evaluation assets purchase	$	515,360	$	-
Fair value of warrants issued on exploration and evaluation assets purchase	$	267,219	$	-

(Expressed in Canadian Dollars)

15. SEGMENT INFORMATION

The Company has one reportable operating segment, the acquisition and exploration of resource properties in one geographic location: the United States.

16. DEFERRED INCOME TAXES

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows for the years ended December 31, 2016 and 2015:

	2016	2015
Income (loss) for the year	$ (1,744,923)	$ 6,436,412
Canadian statutory tax rate	26%	26%
Income tax expense (recovery) computed at statutory rates	(453,680)	1,673,467
Foreign tax rates different from statutory rates	(45,542)	183,037
Change in timing differences	(53,757)	368,526
Rate difference between current and deferred taxes	-	(46,316)
Foreign exchange gains or losses	6,124	25,842
Expired non-capital loss	87,280	-
Loss on marketable securities	62,655	-
Non-deductible items	91,861	(1,212,835)
Tax losses and tax offsets not recognized (recognized)	305,059	(991,721)
Income tax recovery	$ -	$ -

The British Columbia corporate tax rate and the Canadian federal corporate tax rate remained constant at 11% and 15%, respectively. There were no changes to the Company's statutory tax rate at 26%.

(b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate future taxable income. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2016	2015
Non-capital losses	$ 11,833,038	$ 11,538,000
Capital losses	2,284,650	2,220,000
Share issue costs	35,631	-
Tax value over book value of equipment	1,812	2,000
Tax value over book value of exploration and evaluation assets	4,373,797	4,144,000
Tax value over book value of investments	394,386	241,000
Unrecognized deductible temporary differences	$ 18,923,314	$ 18,145,000

As at December 31, 2016, the Company has non-capital losses carried forward of approximately $11,353,000 and $480,000 that may be applied against future income for tax purposes in Canada and the United States, respectively. The non-capital losses expire between 2026 and 2036.

17. EVENTS AFTER THE REPORTING PERIOD

(a) On January 9, 2017, the Company executed a purchaser agreement for the sale of its 100% owned Isabella property to Walker Lane Minerals Corporation, a wholly subsidiary of Gold Resource, for US$400,000. The Company will retain a NSR (the "Isabella NSR") of 2.5%. Gold Resource has the option to buy-down 0.5% of the Isabella NSR for US$500,000. The Isabella NSR includes an area of interest (the "Isabella AOI") on claims not already held by Gold Resource in their Isabella Pearl property package. The Isabella AOI royalty will be 2%, of which Gold Resource can buy-down 1% for US$1,000,000. The total purchase is payable to the Company as follows:

- US$100,000 cash (received);
- US$60,000 cash (received) as a one-time advance royalty payment; and
- US$300,000 in Gold Resource restricted common stock, which equated to 59,642 shares (received).

(b) On January 25, 2017, the Company entered into an option agreement with Bitterroot Resources Ltd. ("Bitterroot") whereby Bitterroot can acquire a 100% interest in the Company's Hackberry North Project. Bitterroot can acquire their 100% interest by making cash payments of US$150,000 and issuing 600,000 Bitterroot common shares to the Company, as follows:

- At closing – US$20,000 cash and 200,000 Bitterroot common shares;
- Year 1 – US$30,000 cash and 100,000 Bitterroot common shares;
- Year 2 – US$50,000 cash and 150,000 Bitterroot common shares;
- Year 3 – US$50,000 cash and 150,000 Bitterroot common shares.

The Company will retain a 3% NSR on precious metals, a 2% NSR on all other products sold and a 0.5% NSR on unpatented lands which Bitterroot acquires within a 2.66-mile radius of the property. On the first three anniversaries of the option exercise, Bitterroot will pay advance minimum royalty payments of US$10,000 per year. On each of the fourth through 10th anniversaries, Bitterroot will pay advance minimum royalty payments of US$15,000 per year. The closing of the transaction is subject to TSX Venture Exchange approval.

(c) On February 17, 2017, the Company sold its 100% interest in the Bald Peak Project to Radius Gold Inc. ("Radius") for total proceeds of US$35,115. The Company issued, to Radius, a Deed with Reservation of Royalty to Radius that provides for:

- a 3% NSR on certain claims of the Bald Peak Project;
- a 1% NSR on certain claims of the Bald Peak Project;
- an area of interest of two miles;
- an annual advance royalty payment of US$25,000 beginning on the date an exploration permit is issued;
- Radius may buy-down 1% of the 3% NSR for US$1,000,000.

(d) On February 26, 2017, 400,000 stock options with an exercise price of $0.12 expired unexercised.

(e) Subsequent to December 31, 2016, the Company completed the acquisition of 6 patented mining claims and the related historical data for US$50,000.