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

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
**(Expressed in Canadian Dollars)**
**(Unaudited)**

## THREE MONTHS ENDED MARCH 31, 2017 AND 2016

**Notice to Reader**

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

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

| As at | Notes | March 31, 2017 | December 31, 2016 | January 1, 2016 |
|---|---|---|---|---|
| | | | | Restated - Note 3 |
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | | $ 4,256,967 | $ 4,366,614 | $ 4,998,718 |
| Marketable securities | 6 | 1,358,656 | 859,346 | 81,159 |
| Receivables | 7 | 55,646 | 50,490 | 26,387 |
| Prepaid expenses | 12 | 70,649 | 48,244 | 108,868 |
| | | 5,741,918 | 5,324,694 | 5,215,132 |
| **Non-Current** | | | | |
| Reclamation bond | | 60,662 | 60,662 | 60,662 |
| Exploration and evaluation assets | 8 | 1,097,700 | 1,171,722 | 465,820 |
| | | $ 6,900,280 | $ 6,557,078 | $ 5,741,614 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | 9 & 12 | $ 298,682 | $ 403,021 | $ 38,009 |
| | | 298,682 | 403,021 | 38,009 |
| **Non-Current** | | | | |
| Note payable | 10 | 556,489 | 555,002 | - |
| | | 855,171 | 958,023 | 38,009 |
| **EQUITY** | | | | |
| Share capital | 11 | 26,882,761 | 26,882,761 | 25,229,869 |
| Share-based payment reserve | 11 | 950,167 | 1,092,326 | 897,362 |
| Other comprehensive income | 6 | 24,590 | - | - |
| Deficit | | (21,812,409) | (22,376,032) | (20,423,626) |
| | | 6,045,109 | 5,599,055 | 5,703,605 |
| | | $ 6,900,280 | $ 6,557,078 | $ 5,741,614 |

Approved and authorized by the Board:

*"Ronald Husband"* Director    *"Stephen Kenwood"* Director
Ronald Husband    Stephen Kenwood

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

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

| | Notes | | Three months ended March 31 2017 | | 2016 |
|---|---|---|---|---|---|
| | | | | | *Restated - Note 3* |
| **EXPENSES** | | | | | |
| Consulting fees | 12 | $ | 126,693 | $ | 83,067 |
| Exploration and evaluation expenses | | | 10,729 | | 7,051 |
| Insurance | | | 7,199 | | 7,322 |
| Office and administration | | | 41,181 | | 9,862 |
| Professional fees | | | 21,043 | | 59,182 |
| Rent | | | 7,300 | | 3,000 |
| Share-based payments | 11 & 12 | | - | | 18,025 |
| Transfer agent and filing fees | | | 7,640 | | 3,465 |
| Travel and promotion | | | 20,790 | | 7,786 |
| | | | (242,575) | | (198,760) |
| **OTHER INCOME (EXPENSE)** | | | | | |
| Interest expense | 11 & 13 | | (6,779) | | - |
| Interest income | | | 31 | | 46 |
| Change in fair value of marketable securities | 6 | | - | | (4,774) |
| Gain on disposal of exploration and evaluation asset | 8c | | 658,602 | | - |
| (Loss) gain on foreign exchange | | | 12,185 | | (307,169) |
| | | | 664,039 | | (311,897) |
| **Income/(Loss) and comprehensive income/(loss) for the period** | | $ | 421,464 | $ | (510,657) |
| **Basic and diluted income/(loss) per share** | | $ | 0.01 | $ | (0.01) |
| **Weighted average number of common shares outstanding** | | | 75,755,475 | | 64,580,475 |

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

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

| For the three months ended March 31, | | 2017 | | 2016 |
|---|---|---|---|---|
| | | | | *Restated - Note 3* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income/(Loss) for the period | $ | 421,464 | $ | (510,657) |
| Items not affecting cash: | | | | |
| Interest expense | | 6,779 | | - |
| Change in fair value of marketable securities | | - | | 4,774 |
| Gain on disposal of exploration and evaluation asset | | (658,602) | | - |
| Share-based payments | | - | | 18,025 |
| Unrealized foreign exchange | | (5,292) | | - |
| Changes in non-cash working capital items: | | | | |
| Receivables | | (5,156) | | (3,639) |
| Prepaid expenses | | (22,405) | | 16,015 |
| Accounts payable and accrued liabilities | | (104,339) | | 60,349 |
| Net cash used in operating activities | | (367,551) | | (415,133) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Exploration and evaluation expenditures, net of recoveries | | (3,978) | | - |
| Proceeds on disposal of exploration and evaluation asset | | 261,882 | | - |
| Net cash (used in) provided by investing activities | | 257,904 | | - |
| Change in cash and cash equivalents for the period | | (109,647) | | (415,133) |
| Cash and cash equivalents, beginning of period | | 4,366,614 | | 4,998,718 |
| Cash and cash equivalents, end of period | $ | 4,256,967 | $ | 4,583,585 |
| **Cash and cash equivalents consists of:** | | | | |
| Cash | $ | 4,231,967 | $ | 4,558,585 |
| Term deposit | | 25,000 | | 25,000 |
| | $ | 4,256,967 | $ | 4,583,585 |

**Supplemental disclosure with respect to cash flows** (Note 13)

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

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

| | Note | Number of shares | | Share capital | | Share-based payment reserve | | Other Comprehensive Income | | Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, January 1, 2016 | | 64,580,475 | $ | 25,229,869 | $ | 897,362 | $ | - | $ | (19,880,202) | $ | 6,247,029 |
| Impact of change in accounting policy | 3 | - | | - | | - | | - | | (543,424) | | (543,424) |
| Balance, January 1, 2016 (Restated) | | 64,580,475 | | 25,229,869 | | 897,362 | | - | | (20,423,626) | | 5,703,605 |
| Expired options | 11(c) | - | | - | | (77,280) | | - | | 77,280 | | - |
| Share-based payments | 11(c) | - | | - | | 18,025 | | - | | - | | 18,025 |
| Net loss for the period (Restated) | 3 | - | | - | | - | | - | | (510,657) | | (510,657) |
| Balance, March 31, 2016 | | 64,580,475 | $ | 25,229,869 | $ | 838,107 | $ | - | $ | (20,857,003) | $ | 5,210,973 |
| Private placement, net of issuance costs | 11(b) | 10,000,000 | | 1,355,462 | | - | | - | | - | | 1,355,462 |
| Exercised options | 11(b) | 1,175,000 | | 100,500 | | - | | - | | - | | 100,500 |
| Share-payments allocated to share capital on exercise of options | 11(b) | - | | 196,930 | | (196,930) | | - | | - | | - |
| Share-based payments | 11(c) | - | | - | | 183,930 | | - | | - | | 183,930 |
| Warrants issued for mineral properties | 11(d) | - | | - | | 267,219 | | - | | - | | 267,219 |
| Net loss for the period (Restated) | 3 | - | | - | | - | | - | | (1,519,029) | | (1,519,029) |
| Balance, December 31, 2016 | | 75,755,475 | $ | 26,882,761 | $ | 1,092,326 | $ | - | $ | (22,376,032) | $ | 5,599,055 |
| Expired options | 11c | - | | - | | (142,159) | | - | | 142,159 | | - |
| Change in fair value of marketable securities | 6 | - | | - | | - | | 24,590 | | - | | 24,590 |
| Net income for the period | | - | | - | | - | | - | | 421,464 | | 421,464 |
| Balance, March 31, 2017 | | 75,755,475 | $ | 26,882,761 | $ | 950,167 | $ | 24,590 | $ | (21,812,409) | $ | 6,045,109 |

The accompanying notes are an integral part of these condensed interim 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.

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 had net income of $421,464 (2016 – loss $510,657) for the three months ended March 31, 2017. As at March 31, 2017, the Company had an accumulated deficit of $21,812,409 (December 31, 2016 - $22,376,032) with working capital of $5,443,236 (December 31, 2016 - $4,921,673).

These condensed interim 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 condensed interim consolidated financial statements were approved by the Board of Directors for issue on May 30, 2017.

## 2. BASIS OF PREPARATION

### Statement of Compliance

These condensed interim consolidated financial statements have been prepared by management in accordance with IAS 34 - Interim Financial Reporting ("IAS 34") using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The significant accounting policies applied in preparing these condensed interim consolidated financial statements are consistent with the accounting policies as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2016, except as described in Note 3.

These condensed interim consolidated financial statements do not include all the required disclosures for annual consolidated financial statements. Accordingly, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016 and the notes thereto.

## 2. BASIS OF PREPARATION (cont'd…)

**Basis of consolidation and presentation**

The condensed interim 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. All dollar amounts presented are in Canadian dollars, the Company's functional currency, unless otherwise specified.

These condensed interim 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).

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.

(Expressed in Canadian Dollars)

## 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

**Changes in accounting policies**

**Exploration and evaluation assets**

Effective January 1, 2017, the Company changed its accounting policy in respect of exploration and evaluation expenditures to recognize these costs in the statement of loss in the period incurred, as permitted under IFRS 6 - *Exploration for and Evaluation of Mineral Resources*. Previously, these expenditures were capitalized as exploration and evaluation assets on the Company's balance sheet. Management considers this accounting policy to provide more reliable and relevant information and believes that showing exploration and evaluation expenditures separately on the statement of loss and in the operating activities section of the statement of cash flows more accurately reflects the Company's activities during the periods presented. No change in accounting policy was made with regards to pre-exploration costs; acquisition costs and costs not directly attributable to exploration and evaluation activities.

The change in accounting policy has been applied retrospectively. As required by IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company included the restated statement of financial position as of January 1, 2016.

Impact on consolidated statement of financial position as at January 1, 2016 is as follows:

| | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Exploration and evaluation assets | $ 1,009,244 | $ (543,424) | $ 465,820 |
| Total assets | 6,285,038 | (543,424) | 5,741,614 |
| Deficit | (19,880,202) | (543,424) | (20,423,626) |
| Total shareholder's equity | 6,247,029 | (543,424) | 5,703,605 |
| Total liabilities and shareholder's equity | $ 6,285,038 | $ (543,424) | $ 5,741,614 |

(Expressed in Canadian Dollars)

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

**Changes in accounting policies (cont'd…)**

**Exploration and evaluation assets (cont'd…)**

Impact on consolidated statement of financial position as at December 31, 2016 is as follows:

| | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Exploration and evaluation assets | $ 1,999,909 | $ (828,187) | $ 1,171,722 |
| Total assets | 7,385,265 | (828,187) | 6,557,078 |
| Deficit | (21,547,845) | (828,187) | (22,376,032) |
| Total shareholder's equity | 6,427,242 | (828,187) | 5,599,055 |
| Total liabilities and shareholder's equity | $ 7,385,265 | $ (828,187) | $ 6,557,078 |

Impact on consolidated statement of loss and comprehensive loss for the three months ended March 31, 2016 is as follows:

| | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Total expenditures | $ (191,709) | $ (7,051) | $ (198,760) |
| Loss and comprehensive loss for the period | (503,606) | (7,051) | (510,657) |
| Basic and diluted loss per share | $ (0.01) | $ - | $ (0.01) |

Impact on consolidated statement of cash flow for the three months ended March 31, 2016 is as follows:

| | As previously reported | Adjustment | Restated |
|---|---|---|---|
| Net cash used in operating activities | $ (408,082) | $ (7,051) | $ (415,133) |
| Net cash used in investing activities | $ (7,051) | $ 7,051 | $ - |

Exploration and evaluation costs that were capitalized and previously disclosed and which do not meet the new capitalization policy, have now been expensed in the statement of loss and comprehensive loss in accordance with the change in accounting policy. These reclassifications are reflected on each of the consolidated statements of financial position presented.

**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.

(Expressed in Canadian Dollars)

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

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

1) IFRS 9 *Financial Instruments* (2014) (cont'd…)

- 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.

## 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:

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Cash and cash equivalents | $ 4,256,967 | $ 4,366,614 |

## 4. FINANCIAL INSTRUMENTS (cont'd…)

(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 March 31,2017, the Company has cash and cash equivalents of $4,256,967 (December 31, 2016 - $4,366,614 ), current liabilities of $298,682 (December 31, 2016 - $403,021), note payable of $556,489 (December 31, 2016 - $555,002) and working capital of $5,443,236 (December 31, 2016 - $4,921,673).

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

| Due Date | March 31, 2017 Financial Liabilities | December 31, 2016 Financial Liabilities |
|---|---|---|
| 0 – 90 days | $ 298,682 | $ 403,021 |
| 90 – 365 days | - | - |
| More than 1 year | 556,489 | 555,002 |
| | $ 855,171 | $ 958,023 |

(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 March 31, 2017, 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 March 31, 2017, the Company has not hedged its exposure to currency fluctuations.

## 4. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk (cont'd…)

(ii) Foreign currency risk (cont'd…)

At March 31, 2017 and December 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

| | | March 31, 2017 | | December 31, 2016 |
|---|---|---|---|---|
| Cash and cash equivalents | US$ | 2,404,389 | US$ | 2,181,566 |
| Accounts payable and accrued liabilities | | (91,679) | | (87,929) |
| Note payable | | (400,000) | | (400,000) |
| Interest payable | | (18,444) | | (13,348) |
| Net | US$ | 1,894,266 | US$ | 1,680,289 |
| Canadian dollar equivalent | | $ 2,519,185 | | $ 2,175,562 |

Based on the above net exposures as at March 31, 2017, a 5% (December 31, 2016 - 5%) change in the Canadian/US exchange rate would impact the Company's income (loss) and comprehensive income (loss) by approximately $126,000 (year ended December 31, 2016 - $125,500 ).

(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 March 31, 2017 and December 31, 2016:

| March 31, 2017 | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **FVTPL** | | | | |
| Cash and cash equivalents | $ 4,256,967 | $ - | $ - | $ 4,256,967 |
| Note payable | $ - | $ 495,368 | $ - | $ 495,368 |
| **Available-for-sale** | | | | |
| Marketable securities | $ 1,358,656 | $ - | $ - | $ 1,358,656 |

| 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 |

(Expressed in Canadian Dollars)

## 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 March 31, 2017.

## 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.

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Gold Resource Corporation | | | | |
| 189,811 (December 31, 2016 – 130,169) common shares | $1,482,595 | $1,140,982 | $1,085,875 | $ 760,284 |
| Colorado Resource Ltd | | | | |
| 300,000 (December 31, 2016 – nil) common shares | 78,000 | 84,000 | | |
| Solitario Royalty & Exploration Corp | | | | |
| 119,352 (December 31, 2016 – 119,352) common shares | 144,454 | 133,674 | 144,454 | 99,062 |
| Total | $1,705,049 | $1,358,656 | $1,230,329 | $ 859,346 |

During the three months ended March 31, 2017, the Company acquired 59,642 common shares of Gold Resource Corp ("Gold Resource"), valued at $396,720, as part of the consideration for the sale of its Isabella mineral property to Gold Resource (Note 8(c)).

During the three months ended March 31, 2017, the Company acquired 300,000 common shares of Colorado Resources Ltd. ("Colorado"), valued at $78,000, as part of the consideration for the option of its Green Springs mineral property to Colorado (Note 8(a)).

During the year ended December 31, 2016, the Company acquired 130,169 common shares of Gold Resource, valued at $1,085,875, as part of the consideration for the sale of its mineral property to Gold Resource (Note 8(c)).

During the three months ended March 31, 2017, the Company recorded a fair value gain on marketable securities of $24,590 that was recognized in other comprehensive income.

During the three months ended March 31, 2016, the Company recorded a fair value loss on marketable securities of $4,774 that was recognized in the statement of income(loss) and comprehensive income(loss).

(Expressed in Canadian Dollars)

## 7. RECEIVABLES

The Company's receivables are as follows:

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Sales taxes receivable | $ 55,646 | $ 50,490 |

## 8. EXPLORATION AND EVALUATION ASSETS

| | Green Springs (a) | Cox Claims (b) | Nevada Select Properties (c) | Total |
|---|---|---|---|---|
| Balance, December 31, 2014 (restated) | $ 370,063 | $ 26,133 | $ - | $ 396,196 |
| Acquisition costs | 33,190 | 36,434 | - | 69,624 |
| Balance, January 1, 2016 (restated) | 403,253 | 62,567 | - | 465,820 |
| Acquisition costs | 31,595 | 7,051 | 1,817,960 | 1,856,606 |
| Option payments received | - | - | (58,580) | (58,580) |
| Disposition | - | - | (1,092,124) | (1,092,124) |
| Balance, December 31, 2016 (restated) | $ 434,848 | $ 69,618 | $ 667,256 | $ 1,171,722 |
| Acquisition costs | - | - | 83,810 | 83,810 |
| Option payments received | (143,865) | - | (13,967) | (157,832) |
| Balance, March 31, 2017 | $ 290,983 | $ 69,618 | $ 737,099 | $ 1,097,700 |

(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,

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(a) Green Springs (cont'd…)

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.

On December 7, 2016, subject to TSX Venture Exchange approval, the Company entered into an option agreement with 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 (received - $65,865) and 300,000 (received - $78,000) 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.

(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.

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(b) Cox Claims (cont'd…)

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 8(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.

(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 11(d)), has been included in acquisition costs along with associated closing costs of $19,429. During the three months ended March 31, 2017 the Company received proceeds from properties under option of $13,967 (December 31, 2016 - $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

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

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

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
  - 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.

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.

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

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

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.

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.

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:

(Expressed in Canadian Dollars)

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

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

- US$100,000 cash (received - $134,483);
- US$60,000 cash (received – $80,689) as a one-time advance royalty payment; and
- US$300,000 ($396,720) in Gold Resource restricted common stock, which equated to 59,642 shares (received).

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. Subsequent to March 31, 2017, the transaction closed and Bitterrroot advanced US$20,000 and 200,000 Bitterroot common shares.

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 (received – $46,710). 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.

During the three months ended March 31, 2017, the Company completed the acquisition of 6 patented mining claims and the related historical data for US$50,000.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

| | | March 31, 2017 | | December 31, 2016 |
|---|---|---|---|---|
| Trade payables | $ | 30,702 | $ | 141,419 |
| Accrued liabilities | | 39,500 | | 32,000 |
| Due to related parties | | 228,480 | | 229,602 |
| Total | $ | 298,682 | $ | 403,021 |

## 10. 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 8(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 8(c)).

As at March 31, 2017, the carrying value of the Note is $556,489 (December 31, 2016 - $555,002), which includes interest of $24,529 (December 31, 2016 - $17,683). For the three months ended March 31, 2017, $6,779 (2016 - $nil) of interest is included in the statement of income (loss) and comprehensive income (loss). As at March 31, 2017, the fair value of the Note is $495,368 (December 31, 2016 - $472,910). The fair value of the note as was arrived at using a discount rate of 12%.

## 11. SHARE CAPITAL AND RESERVES

(a) Authorized share capital

As at March 31, 2017, 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. Upon exercise, $196,930 in share-based payment reserve was allocated to share capital.

(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.

(Expressed in Canadian Dollars)

## 11. SHARE CAPITAL AND RESERVES (cont'd...)

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

As at March 31, 2017 and December 31, 2016, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

| Expiry Date | Exercise Price | March 31, 2017 | December 31, 2016 |
|---|---|---|---|
| February 26, 2017 | $ 0.12 | - | 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 | 250,000 |
| August 18, 2026 | $ 0.15 | 1,350,000 | 1,350,000 |
| Total outstanding and exercisable | | 4,825,000 | 5,225,000 |

The weighted average remaining contractual life for the outstanding options at March 31, 2017 is 6.18 (December 31, 2016 – 6.43) years.

Stock option transactions are summarized as follows:

| | March 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Number of Options | | Weighted Average Exercise Price | Number of Options | | Weighted Average Exercise Price |
| Balance, beginning of period | 5,225,000 | $ | 0.11 | 5,100,000 | $ | 0.10 |
| Granted | - | | - | 1,600,000 | $ | 0.09 |
| Expired | (400,000) | | 0.12 | (300,000) | $ | 0.25 |
| Exercised | - | | - | (1,175,000) | $ | 0.09 |
| Options exercisable, end of period | 4,825,000 | $ | 0.10 | 5,225,000 | $ | 0.11 |

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.

(Expressed in Canadian Dollars)

## 11. SHARE CAPITAL AND RESERVES (cont'd...)

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

During the three months ended March 31, 2017, 400,000 options expired unexercised and the relating fair value of $142,159 was transferred from share-based payment reserve to deficit.

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

(d) Warrants

As at March 31, 2017 and December 31, 2016, the following share purchase warrants were outstanding:

| Expiry Date | Exercise Price | March 31, 2017 | December 31, 2016 |
|---|---|---|---|
| May 4, 2018 | $ 0.07 | 3,000,000 | 3,000,000 |
| October 3, 2018 | $0.20 | 5,000,000 | 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 (Note 8(c)).

Share purchase warrant transactions are summarized as follows:

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Balance, beginning of period | 8,000,000 | $ 0.15 | - | $ - |
| Issued | - | - | 8,000,000 | 0.15 |
| Balance, end of period | 8,000,000 | $ 0.15 | 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:

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Options | Warrants | Options | Warrants |
| Risk-free interest rate | n/a | n/a | 1.08% | 0.58% |
| Expected dividend yield | n/a | n/a | 0.00 | 0.00 |
| Expected stock price volatility | n/a | n/a | 104.95 | 107.29% |
| Expected life in years | n/a | n/a | 10 | 2 |
| Weighted average fair value | n/a | n/a | $0.11 | $0.07 |

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)

## 12. 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:

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Short-term employment benefits | $ 78,110 | $ 79,165 |
| Share-based payments | - | 18,025 |
| Total | $ 78,110 | $ 97,190 |

As at March 31, 2017, $228,480 (December 31, 2016 - $229,602 ) 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 $16,020 (December 31, 2016 - $16,080) was made to an officer and director of the Company.

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.

## 13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| For the three months ended March 31, | 2017 | 2016 |
|---|---|---|
| Significant non-cash investing activities consisted of: | | |
| Shares received for mineral claims (Notes 6 and 8(c)) | $ 474,920 | $ - |

## 14. SEGMENT INFORMATION

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

## 15. EVENTS AFTER THE REPORTING PERIOD

(a) On May 26, 2017, the Company entered into a definitive purchase agreement with Eastfield Resources Ltd ("Eastfield") whereby the Company will acquire an interest in 18 patented claims located in Nevada for $50,000 cash and by issuing 300,000 common shares of the Company to Eastfield. The transaction is subject to further due diligence by the Company and by final TSXV review and approval.

## 15. EVENTS AFTER THE REPORTING PERIOD (cont'd...)

(b) On May 4, 2017, the Company entered into a definitive purchase agreement with Platoro West Incorporated ("Platoro West") whereby the Company will acquire Platoro West's portfolio of 14 mineral properties in Nevada, a portfolio of 8 deeded royalties, and legal and beneficial rights to geological information covering precious metals properties throughout the western United States. Under the terms of the agreement, the company will pay Platoro West US$500,000 as follows:

- US$25,000 upon signing (paid);
- US$250,000 upon closing;
- US$112,500 cash on the first anniversary together with 5% per annum interest compounded quarterly from the date of closing;
- US$112,500 cash on the second anniversary together with 5% per annum interest compounded quarterly from the date of closing.

The Company will also issue 1,000,000 shares purchase warrants to Platoro West. Each share purchase warrant is exercisable to purchase one common share of the Company for $0.125 for a period of three years from the date of closing. The transaction is subject to TSXV review and approval.