PITCHBLACK RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended

December 31, 2016 and 2015

(expressed in Canadian dollars)

UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pitchblack Resources Ltd.

We have audited the accompanying consolidated financial statements of Pitchblack Resources Ltd. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' deficiency 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.

Auditor's 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

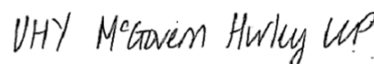
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pitchblack Resources Ltd. and its subsidiary as at December 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended December 31, 2016 and a working capital deficiency as at December 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

TORONTO, Canada
April 28, 2017

PITCHBLACK RESOURCES LTD.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current assets:			
Cash		**$ 46,595**	$ 10,553
Amounts receivable		**40,385**	15,791
Prepaid expenses		**675**	810
Investments	7	**691**	448
TOTAL ASSETS		**$ 88,346**	$ 27,602
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY)			
Current liabilities:			
Accounts payable and accrued liabilities	12	**$ 971,844**	$ 573,901
Shareholders' (Deficiency):			
Share capital	9	**69,464,770**	69,250,980
Share-based payments reserve	10	**50,305**	175,500
Deficit		**(70,398,573)**	(69,972,779)
Total shareholders' (deficiency)		**(883,498)**	(546,299)
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY)		**$ 88,346**	$ 27,602

	Notes
Nature of operations and going concern	1
Commitments and contingencies	13
Subsequent event	17

APPROVED ON BEHALF OF THE BOARD:

Signed "William Clarke" ,
Director

Signed "G. Scott Moore" ,
Director

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

PITCHBLACK RESOURCES LTD.

Consolidated Statements of Operations and Comprehensive Loss (Income)

(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2016	2015
Expenses			
Consulting, professional and management fees	12	**$ 463,485**	$ 291,403
Office and general		**52,270**	56,700
Shareholder communications and filing fees		**61,168**	48,959
Travel and promotion		**5,162**	6,098
(Gain) on settlement of debt	9	**-**	(459,200)
Property maintenance expense		**29,147**	20,622
Share-based compensation	10	**50,305**	-
Recovery of accrued liabilities		**(60,000)**	-
Unrealized loss (gain) on investment	7	**(243)**	35,652
Net loss for the year		**601,294**	234
Other comprehensive (income)		**-**	(35,250)
Net loss (income) and comprehensive loss (income) for the year		**$ 601,294**	$ (35,016)
Basic and diluted loss (income) per share		**$ 0.11**	$ (0.01)
Weighted average number of common shares outstanding			
- Basic and diluted		**5,263,539**	3,715,001

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

PITCHBLACK RESOURCES LTD.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended December 31, 2016	2015
Cash (used in) provided by operating activities:		
Net (loss) for the year	**$ (601,294)**	$ (234)
Adjustment for non-cash items		
(Gain) on settlement of debt	**-**	(459,200)
Unrealized (gain) loss on investment	**(243)**	35,652
Share-based compensation	**50,305**	-
Net change in working capital	**373,484**	219,287
Net cash (used in) operating activities	**(177,748)**	(204,495)
Financing activities:		
Private placement	**213,790**	-
Net cash provided by financing activities	**213,790**	-
Change in cash	**36,042**	(204,495)
Cash, beginning of the year	**10,553**	215,048
Cash, end of the year	**$ 46,595**	$ 10,553
Supplemental information:		
Shares issued for debt settlement	$ -	$ 196,800

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

PITCHBLACK RESOURCES LTD.

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Share-based payments reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' deficiency
Balance, December 31, 2015	**4,624,061**	**$ 69,250,980**	**$ 175,500**	**$ -**	**$ (69,972,779)**	**$ (546,299)**
Private placement	1,783,000	213,790	-	-	-	213,790
Reallocate value of expired options and warrants	-	-	(175,500)	-	175,500	-
Share-based compensation	-	-	50,305	-	-	50,305
(Loss) for the year	-	-	-	-	(601,294)	(601,294)
Balance, December 31, 2016	**6,407,061**	**$ 69,464,770**	**$ 50,305**	**$ -**	**$ (70,398,573)**	**$ (883,498)**
Balance, December 31, 2014	**3,312,415**	**$ 69,054,180**	**$ 786,600**	**$ (35,250)**	**$ (70,583,645)**	**$ (778,115)**
Reallocate value of expired options and warrants	-	-	(611,100)	-	611,100	-
Share issued for debt	1,312,000	196,800	-	-	-	196,800
Adjustment	(354)	-	-	-	-	-
Other comprehensive (loss)	-	-	-	(375)	-	(375)
Impairment of available for sale investment	-	-	-	35,625		35,625
(Loss) for the year	-	-	-	-	(234)	(234)
Balance, December 31, 2015	**4,624,061**	**$ 69,250,980**	**$ 175,500**	**$ -**	**$ (69,972,779)**	**$ (546,299)**

The accompanying notes form an integral part of these consolidated financial statements

1. Nature of operations and going concern

Pitchblack Resources Ltd. ("Pitchblack" or the "Company") is incorporated under the laws of Ontario, Canada. The Company is primarily engaged in the acquisition, exploration and evaluation of properties located in Canada. There has been no determination whether the Company's interests in exploration and evaluation properties contain mineral reserves. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada, M5H 2M5.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets. The Company's assets may also be subject to political uncertainty, increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations and restrictions.

The consolidated financial statements of the Company for the year ended December 31, 2016 were reviewed, approved and authorized for issue by the Board of Directors on April 28, 2017.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, First Nations claims, social licensing requirements, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

The Company has a need for equity capital and financing for working capital and exploration and evaluation of its properties. Because of continuing operating losses and a working capital deficiency at December 31, 2016, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations in the longer term. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. Basis of preparation

These consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in Note 3 were consistently applied to all the periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for held for trading and available-for-sale investments that are reflected at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Significant accounting policies

Presentation currency
The Company's functional and presentation currency is the Canadian dollar ("$").

Foreign currency translation
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in operations in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3. Significant accounting policies (Continued)

Foreign exchange gains and losses are presented in the consolidated statement of operations.

Interest revenue
Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options that expire after vesting, the recorded value is transferred to deficit.

Finance expense
Finance expense comprises interest expense on borrowings calculated using the effective interest rate method.

Income taxes
Current income tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax
Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Significant accounting policies (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Mineral exploration, evaluation and development expenditures

Exploration and evaluation properties

Once a licence to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation properties. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within mine properties, plant and equipment.

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

The costs of removing overburden to access ore are capitalized as stripping costs and classified as a component of mine properties, plant and equipment.

Impairment of non-financial assets

The carrying values of capitalised exploration and evaluation properties and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other Company's of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of operations so as to reduce the carrying amount to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of operations.

Financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of investments held at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

3. Significant accounting policies (Continued)

The Company's financial assets include cash and investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income and finance costs in the consolidated statement of operations.

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans or receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Available-for-sale investments are written down to fair value through operations whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are included in operations. Investments are designated as either held-for-trading or available-for-sale based on management intentions with the investment. Regular way purchases and sales of financial assets are accounted for at the trade date.

Derecognition
A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of operations. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of operations.

3. Significant accounting policies (Continued)

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of operations. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in the consolidated statement of operations when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of comprehensive income. The Company has classified its accounts payable and accrued liabilities as loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, is cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of operations.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

3. Significant accounting policies (Continued)

Cash
Cash in the statement of financial position comprise cash at banks and on hand.

For the purpose of the consolidated statement of cash flows, cash consists of cash as defined above, net of outstanding bank overdrafts.

Provisions
General
Provisions are recognised when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation provision
The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of operations.

Income (Loss) per share
Income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

Flow-through shares
Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under US GAAP, but there is no equivalent IFRS guidance. Therefore, the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted market price of the common shares and the amount the investor pays for the flow-through shares. Initially, a liability is recognized for the premium paid by the investors and is then recognized as a deferred income tax liability in the period of renunciation. If the Company has sufficient unrealized tax losses and deductions, deferred tax assets are applied against the deferred income tax liability and recognized in the consolidated statement of operations.

4. New and future accounting policies

During the year ended December 31, 2016, the Company adopted an amendment to IAS 1. This amendment did not have any material impact on the Company's consolidated financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded in these consolidated financial statements. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

4. New and future accounting policies (Continued)

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

5. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary Signet Minerals Inc.

Subsidiaries
Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

6. Critical judgments and estimation uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

6. Critical judgments and estimation uncertainties (Continued)

- Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies

Refer to Note 13.

7. Investments

The Company's investments include shares in the following securities:

	Classification	December 31, 2016			December 31, 2015		
		No. held		Value	No. held		Value
Klondike Gold Corp.	Held-for-trading	667	$	110	667	$	73
Inform Resources Corp.	Available for sale	3,750		581	37,500		375
			$	**691**		**$**	**448**

Investments are designated between held-for-trading or available-for-sale based on management intentions with the investment.

The Company has an investment in Klondike Gold Corp. ("Klondike"). These shares are designated as "held for trading". At December 31, 2016, the quoted market value of these shares was $0.165 per share, or $110. The Company also owns common shares of Inform Resources Corp. ("Inform"), which are classified as available for sale. At December 31, 2016, the quoted market value for these shares was $0.155 per share, or $581. Consequently, an unrealized gain of $243 was recorded for the year ended December 31, 2016. At December 31, 2015, the Company considered the investment to be impaired and consequently, $35,625 was reallocated from other comprehensive income to the statement of operations. See also Note 11.

8. Exploration and evaluation properties

Igor Property, Yukon, Canada

As at December 31, 2015 and December 31, 2016 the Company held a 50% interest in the Igor Property.

The Company has terminated the option with Mega Uranium Ltd. to earn an additional 25% in the Igor Property. The Company will maintain its 50% interest and will continue to be the operator on the property. The Company has written down the full amount of the carrying value of the property as it has not done any exploration work on the property in the last five years and does not intend on doing additional work on the property for the foreseeable future.

The Company has allowed certain claims to lapse and will continue to allow certain claims which make up the Igor property.

Division Mountain Coal Property, Yukon, Canada

The Company owns the rights to various coal exploration licences and coal leases located in the Whitehorse Mining District and certain coal exploration licences located in the Watson Lake Mining District, Yukon.

The Company has written down the full amount of the carrying value of the property as it has not done any exploration work on the property in the last four years and does not intend on doing additional work on the property for the foreseeable future.

Mike Lake Property, Yukon, Canada

The Mike Lake Property was acquired by the Company on May 5, 2009. The Mike Lake Property consists of mining claims in the Tintina Gold Belt, Yukon.

The Company has impaired the full amount of the carrying value of the property as it has not done any exploration work on the property in the last four years and does not intend on doing additional work on the property for the foreseeable future.

9. Share capital

As at December 31, 2016 and December 31, 2015 the Company's authorized capital consisted of an unlimited number of common shares.

Common shares	Number of Shares	Amount
Balance, December 31, 2014	**3,312,415**	**$ 69,054,180**
Share issued for debt (i)	1,312,000	196,800
Adjustment to reflect consolidation	(354)	-
Balance, December 31, 2015	**4,624,061**	**$ 69,250,980**
Private placement (ii)	600,000	60,000
Private placement (iii)	1,183,000	153,790
Balance, December 31, 2016	**6,407,061**	**$ 69,464,770**

(i) On August 28, 2015, the Company entered into a shares for debt agreement with Forbes & Manhattan, Inc. ("Forbes") and 2227929 Ontario Inc. ("2227929") wherein $656,000 worth of debt was settled through the issuance of 1,312,000 shares. The shares issued had an estimated fair market value of $196,800 on the date of issuance. As a result, a gain of $459,200 was recorded on the settlement of debt during the year ended December 31, 2015.

(ii) On June 28, 2016, the Company closed a non-brokered private placement financing of 600,000 common shares of the Company at a price of $0.10 for gross proceeds of $60,000.

(iii) On September 20, 2016, the Company closed a non-brokered private placement financing of 1,183,000 common shares of the Company at a price of $0.13 for gross proceeds of $153,790.

10. Share-based payments reserve

The Company has a stock-option plan whereby the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the plan will be for a term not to exceed five years.

	No. of options	Weighted average exercise price	Value of options	No. of warrants	Weighted average exercise price	Value of warrants	Total value
December 31, 2014	**195,000**	**$ 3.20**	**$ 532,500**	1,100,000	**$ 2.00**	**$ 254,100**	**$ 786,600**
Expired	(105,000)	4.00	(357,000)	(1,100,000)	2.00	(254,100)	(611,100)
December 31, 2015	**90,000**	**$ 2.32**	**$ 175,500**	-	**$ -**	**$ -**	**$ 175,500**
Granted	600,000	0.10	50,305	-	-	-	50,305
Expired	(90,000)	2.32	(175,500)	-	-	-	(175,500)
December 31, 2016	**600,000**	**$ 0.10**	**$ 50,305**	-	**$ -**	**$ -**	**$ 50,305**

As at December 31, 2016, outstanding options to acquire common shares of the Company were as follows:

Number of options outstanding	Number of options exercisable	Grant date	Expiration date	Exercise price	Grant date: Estimated fair value vested	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free interest rate
600,000	600,000	7-Nov-16	7-Nov-21	$ 0.10	$ 50,305	124%	5.00	0.00%	0.71%
600,000	**600,000**			**$ 0.10**	**$ 50,305**		**-**		

The weighted average remaining contractual life of outstanding options as at December 31, 2016 is 4.85 years (2015 – 0.62 years). All options and warrants were excluded from the computation of diluted income (loss) per share for the periods presented because their effect would be anti-dilutive.

11. Accumulated other comprehensive loss

Items that will be reclassified subsequently to the statement of operations:

December 31, 2014	**$ (35,250)**
Adjustment to "available for sale" investment for changes in fair market value	(375)
Impairment of available for sale of investment	35,625
December 31, 2015	**$ -**
Adjustment to "available for sale" investment for changes in fair market value	(206)
Impairment of available for sale of investment	206
December 31, 2016	**$ -**

12. Related party disclosures

During the years ended December 31, 2016 and 2015, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of services			
	Year ended December 31,			
	2016		2015	
Forbes & Manhattan, Inc	$	120,000	$	120,000

	Amounts owed to related parties			
	December 31, 2016		December 31, 2015	
Forbes & Manhattan, Inc	$	324,800	$	189,200
Apogee Opportunities Inc		7,218		7,218
Directors and officers	$	313,059	$	5,085

The Company shares its office space with other companies who may have similar officers or directors. The costs associated with this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc, to whom the Company pays a monthly fee. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

Forbes & Manhattan, Inc. owns approximately 10% of the outstanding common shares of the corporation. Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until June 10, 2011.

Greg Duras, an officer of the Company, is a former officer of Apogee Opportunities Inc.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2016 and 2015 were as follows:

Compensation of key management personnel of the Company

	Year ended			
	December 31, 2016		December 31, 2015	
Short-term benefits	$	303,750	$	77,250
Share-based payments		41,921		-
	$	**345,671**	**$**	**77,250**

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

See Note 9 (i) and Note 17.

13. Commitments and contingencies

The Company is party to certain management contracts. These contracts require that payments of up to approximately $1,260,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Additional minimum management contractual commitments remaining under these contracts approximate $420,000 due within one year.

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

14. Income taxes

a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2015 – 26.5%) were as follows:

	2016	2015
(Loss) before income taxes	$ (601,294)	$ (234)
Expected income tax recovery based on statutory rate	(159,000)	-
Adjustment to expected income tax benefit:		
Stock Based Compensation	13,000	-
Other	(225,000)	174,000
Change in Benefit of tax assets not recognized	371,000	(174,000)
Deferred income tax provision (recovery)	**$ -**	**$ -**

b) Deductible Temporary Differences

Deferred tax assets have not been recognized in respect of the following items:

	2016	2015
Non-capital loss carry-forwards	$ 8,314,000	$ 7,347,000
Interest in exploration and evaulation properties	20,029,000	19,597,000
Other temporary differences	504,000	504,000
	$ 28,847,000	**$ 27,448,000**

The tax losses expire from 2026 to 2036. The other temporary differences do not expire under current legislation.

The Company has approximately $8,313,000 of non-capital losses in Canada which under certain circumstances can be used to reduce the taxable income of future years. These losses expire in the following periods:

Year	Amount
2026	$ 705,000
2027	180,000
2028	755,000
2029	726,000
2030	849,000
2031	36,000
2033	2,822,000
2034	1,294,000
2035	424,000
2036	522,000
	$ 8,313,000

15. Financial instruments

Financial assets and financial liabilities as at December 31, 2016 and December 31, 2015 were as follows:

December 31, 2016	Cash	Loans and other financial liabilities	Held-for-trading	Available-for-sale	TOTAL
Cash	$ 46,595	$ -	$ -	$ -	$ 46,595
Investments	-	-	110	581	691
Accounts payable and accrued liabilities	-	(971,844)	-	-	(971,844)
December 31, 2015	**Cash**	**Loans and other financial liabilities**	**Held-for-trading**	**Available-for-sale**	**TOTAL**
Cash	$ 10,553	$ -	$ -	$ -	$ 10,553
Investments	-	-	73	375	448
Accounts payable and accrued liabilities	-	(573,901)	-	-	(573,901)

The Company’s risk exposure and the impact on the Company’s financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the years ended December 31, 2016 and 2015.

The carrying values of cash and accounts payable and accrued liabilities reflected on the consolidated statements of financial position approximate fair value due to the limited terms of these instruments.

Credit risk
The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash balance of $46,595 (December 31, 2015 - $10,553) to settle current liabilities of $971,844 (December 31, 2015 - $573,901). The Company's financial liabilities generally have contractual maturities of less than 30 days.

(a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company’s future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company’s control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments. The Company is also exposed to price risk with respect to its investments.

15. Financial instruments (Continued)

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year.

- The Company does not hold interest bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- The Company does not hold significant cash balances in foreign currencies to give rise to foreign exchange risk.

(d) Fair value

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the balance sheet. These have been prioritized into three levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market data.
Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

At December 31, 2016 and 2015, the Company's financial instruments that are carried at fair value, consist of investments that have been classified as Level 1 within the fair value hierarchy.

16. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and evaluation of mineral properties. The capital of the Company consists of share capital, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

17. Subsequent events

Subsequent to year end, the Company entered into shares for debt agreements with certain directors and officers of the Company and an unrelated company that administers the costs of the office space that the Company shares with other potentially related companies wherein $251,459 worth of debt was settled through the issuance of 2,793,990 shares.

Subsequent to December 31, 2016, 150,000 common stock options were exercised for cash proceeds of $15,000.

Subsequent to December 31, 2016, the Company issued 375,000 common stock options to certain officers, directors and consultants with an exercise price of $0.30 and an expiry date of April 20, 2022. All options have an immediate vesting term.