Pacific Ridge Exploration Ltd.
(An Exploration Stage Company)

Financial Statements

December 31, 2016 and 2015

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying financial statements are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors and has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

"*Gerald G Carlson*" *(signed)*
Gerald G. Carlson
President and Chief Executive Officer

"*Lei Wang*" *(signed)*
Lei Wang
Chief Financial Officer

April 27, 2017

April 27, 2017

Independent Auditor's Report

To the Shareholders of Pacific Ridge Exploration Ltd

We have audited the accompanying financial statements of Pacific Ridge Exploration Ltd., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

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

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Pacific Ridge Exploration Ltd.
Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2016	December 31, 2015
Assets		**$**	$
Current assets			
Cash		**694,374**	489,304
Other receivables		**12,415**	3,673
Marketable securities	4	**-**	114,105
Prepaid		**4,650**	4,650
		711,439	611,732
Resource properties	5	**566,192**	517,429
Reclamation bond		**5,000**	-
		1,282,631	1,129,161
Liabilities			
Current liabilities			
Trade payable and accrued liabilities		**190,867**	3,720
Shareholders' Equity			
Share capital		**43,554,059**	43,066,428
Contributed surplus		**3,228,934**	3,152,125
Deficit		**(45,691,229)**	(45,093,112)
		1,091,764	1,125,441
		1,282,631	1,129,161

Subsequent events (Note **13)**

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

Approved and authorized for issue on behalf of the Board of Directors on April 27, 2017

/s/ "Gerald G. Carlson"	*/s/ "Douglas Proctor"*
Director	Director

Pacific Ridge Exploration Ltd.
Statements of Comprehensive (Loss) Income
(Expressed in Canadian dollars)

		Years ended December 31,	
	Note	**2016**	2015
Administration expenses		**$**	$
Insurance		**5,000**	5,000
Professional and consulting fees		**78,209**	60,159
Management and administrative services		**53,575**	59,748
Office operations and facilities		**61,400**	57,061
Shareholder communications		**15,203**	6,046
Share-based payments	6(c)	**47,757**	18,103
Transfer agent and regulatory fees		**25,719**	19,178
		286,863	225,295
Other expenses (income)			
Exploration and evaluation costs	5(e)	**366,545**	177,529
Sale of resource property royalties	5 (f)	**-**	(508,200)
Loss (gain) on sale of marketable securities	4	**(10,936)**	1,887
Government grant		**(19,355)**	(40,000)
Impairment of marketable securities	4	**-**	51,569
Impairment of resource properties		**-**	23,734
Property option payments	5(d)	**(25,000)**	(185,000)
		311,254	(478,481)
Net (loss) income for the year		**(598,117)**	253,186
Other comprehensive (loss) income for the year			
Items that may be reclassified to profit and loss			
Reclassification of realized gain on marketable securities		**-**	1,887
Transfer on impairment of marketable securities		**-**	51,569
Net change in fair value of available-for-sale financial asset		**-**	(35,471)
Comprehensive (loss) income for the year		**(598,117)**	271,171
Basic and diluted (loss) income and comprehensive (loss) income per common share	**$**	**(0.02)**	$ 0.01
Weighted average number of common shares outstanding		**25,497,483**	24,390,884

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

Pacific Ridge Exploration Ltd.

Statements of Changes in Shareholders' Equity

(Unaudited - in Canadian dollars)

	Common Shares			Other		
			Contributed	Comprehensive		Total Shareholders'
	Shares	Amounts	Surplus	Loss	Deficit	Equity
		$	$	$	$	$
Balance at December 31, 2014	24,390,884	43,066,428	3,134,022	(17,985)	(45,346,298)	836,167
Share-based payments	-	-	18,103	-	-	18,103
Realized loss on marketable securities	-	-	-	1,887	-	1,887
Reclassification of marketable securities	-	-	-	51,569	-	51,569
Other comprehensive loss for the year	-	-	-	(35,471)	-	(35,471)
Net income for the year	-	-	-	-	253,186	(253,186)
Balance at December 31, 2015	24,390,884	43,066,428	3,152,125	-	(45,093,112)	1,125,441
Equity offering, net of issuance costs	5,432,500	389,421	30,590	-	-	420,011
Shares purchase warrants exercised	955,625	73,210	(1,538)	-	-	71,672
Shares issued for property	250,000	25,000	-	-	-	25,000
Share-based payments	-	-	47,757	-	-	47,757
Net loss for the year	-	-	-	-	(598,117)	(598,117)
Balance at December 31, 2016	**31,029,009**	**43,554,059**	**3,228,934**	**-**	**(45,691,229)**	**1,091,764**

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

Pacific Ridge Exploration Ltd.
Statements of Cash Flows
(Expressed in Canadian dollars)

		Years ended December 31,	
		2016	2015
Operating activities		**$**	$
(Loss) income for the year		**(598,117)**	253,186
Items not affecting cash			
(Gain) loss on sale of marketable securities		**(10,936)**	1,887
Sale of mineral property royalties		**-**	(508,200)
Property option payment/recovery		**(25,000)**	(185,000)
Impairment of resource properties		**-**	23,734
Share-based payments		**47,757**	18,103
Impairment on marketable securities		**-**	51,569
		(586,296)	(344,721)
Changes in non-cash working capital items			
Other receivables		**(8,742)**	4,970
Prepaid		**-**	(2,650)
Trade payable and accrued liabilities		**187,147**	(13,632)
		178,405	(11,312)
Cash used in operating activities		**(407,891)**	(356,033)
Investing activities			
Resource property acquisition costs		**(33,764)**	-
Proceeds on sale of marketable securities		**125,041**	7,439
Proceeds on property option payments	5(a,d)	**35,000**	100,000
Proceeds from sale of mineral property royalties		**-**	610,001
Reclamation bond		**(5,000)**	-
Cash provided by investing activities		**121,277**	717,440
Financing activities			
Gross proceeds from flow-through financing		**434,600**	-
Share issue costs		**(14,588)**	-
Proceeds from warrant exercises		**71,672**	-
Cash provided by financing activities		**491,684**	-
Increase in cash		**205,070**	361,407
Cash - beginning of year		**489,304**	127,897
Cash - end of year		**694,374**	489,304
Supplemental cash flow information			
Non-cash investing activities			
Share issued for resource properties	**$**	**25,000**	$ -
Non-cash financing activities			
Non-cash share issue costs	**$**	**30,590**	$ -

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

1. Nature of operations

Pacific Ridge Exploration Ltd. and its wholly owned subsidiary Pacific Ridge Exploration (US) Inc. (the "Company" or "Pacific Ridge") are in the business of acquiring and exploring resource properties in Canada. Pacific Ridge is incorporated and domiciled in Canada under the *Business Corporations Act* (British Columbia). The address of its registered office is 1710 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary capital to finance operations including contributions from future joint venture partners. The carrying value of the Company's mineral properties does not reflect current or future value.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharges its liabilities in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets maybe materially less than the amounts on the statements of financial position. As at the year ended December 31, 2016, the Company had a working capital of $520,572. The Company believes that based on its current working capital, it could sustain its operation and maintain its minimum obligations for the next 12 months.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Except for available for sale investments, which are recorded at fair value, these financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, the Company's functional currency.

The financial statements were approved by the Board of Directors on April 27, 2017.

The summary of significant accounting policies used in the preparation of these financial statements is described below:

a) Foreign currency translation

The presentation currency and the functional currency of the Company is the Canadian dollar (“$”). The Company’s foreign currency transactions are translated into the Canadian dollar at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results.

b) Resource property acquisition costs

Resource properties consist of payments to acquire exploration and mining claims and property option payments. Acquisition costs are capitalized and deferred until such a time as the property is put into production or the property is disposed of either through sale or abandonment, or the property becomes impaired. If a property is put into production the costs of the acquisition will be amortized over the life of the property on a unit-of-production basis based on the estimated proven and probable reserves. Proceeds received from the sale or option of an interest in a property will be credited against the carrying value of the property, with any difference recorded as a gain or loss on sale. Option payments received in excess of the carrying value of a property are recorded as an exploration recovery in the statement of comprehensive income (loss). If a property is abandoned or has become impaired, the acquisition costs will be written off or written down to operations.

Recorded costs of resource properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

c) Exploration and evaluation costs

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. Once rights to resource properties are obtained, all direct acquisition-related costs are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

d) Government grants

Government grants are assistance in cash based on eligible mineral exploration expenditures incurred. Government grants are recorded in profit and loss in the same period as the relevant exploration expenditures when reasonable assurance of their receipt has been obtained.

e) Flow-through shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon qualifying expenditures being incurred, the premium liability is de-recognized to other income.

f) Share-based payments

The Company has a stock option plan that is described in note 6. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. If and when the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

g) Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets or liabilities are calculated using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized. Deferred tax assets are recognized only to the extent that it is probable that they will be realized.

h) Earnings/(loss) per common share

Basic earnings (loss) per share are computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

i) Financial instruments

Financial instruments are classified as one of the following: fair value through profit and loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss accordingly.

j) Impairment

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

k) Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following is the areas of estimate and judgment applied by management that most significantly affects the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Resource properties: the carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that its carrying amount may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

Share-based payments: the Company follows accounting guideline in determining the fair value of share-based compensations. The computed amount is not based on historical costs, but is derived based on subjective assumptions input into a pricing model.

3. Future accounting changes

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has neither completed its assessment of the impact nor early adopted the new and amended standards on its consolidated financial statements.

(Expressed in Canadian dollars)

IFRS 9, *Financial Instruments* replaces the current standard, IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The new standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16, *Leases*, 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. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

4. Marketable securities

In July 2014, the Company entered into an option agreement with MinQuest Limited ("MinQuest"), an Australian company, with regard to the Company's Fyre Lake property in Yukon. As a result, the Company received total 5,936,525 pre-consolidated MinQuest shares in 2014 and 2015.

During the year ended December 31, 2015, an impairment of $51,569 was recorded in net loss due to prolonged decline in share prices. In September 2016, MinQuest acquired Electronic Pain Assessment Technologies, changed its name to Epat Technologies Ltd. and underwent a 7 old for 4 new share consolidation.

During the year ended December 31, 2016, the Company sold all MinQuest shares for net proceeds of $125,041, and recorded $10,936 gain on disposal of these shares.

5. Resource properties

The Company has interests in mineral properties in British Columbia and Yukon in Canada and Nevada in the United States. A summary of capitalized acquisition costs is as follows:

	Mariposa	TL Zinc	Poker Brown	Fyre Lake	Sophie Property	Eureka Dome	Gold Cap	Total
	$	$	$	$	$	$	$	$
Balance, December 31, 2014	567,139	-	-	40,000	23,735	41,790	10,300	682,964
Option payment	-	-	-	(40,000)	-	-	-	(40,000)
Sale of mineral royalties	(61,000)	-	-	-	(1)	(30,500)	(10,300)	(101,801)
Impairment	-	-	-	-	(23,734)	-	-	(23,734)
Balance, December 31, 2015	506,139	-	-	-	-	11,290	-	517,429
Option payment	(10,000)	-	-	-	-	-	-	(10,000)
Additions	-	45,000	13,763	-	-	-	-	58,763
Balance, December 31, 2016	**496,139**	**45,000**	**13,763**	**-**	**-**	**11,290**	**-**	**566,192**

a) Mariposa property, Yukon

The Company acquired a 100% interest in the property in 2014.

In September 2016, the Company optioned its Mariposa property to Four Nines Gold Inc. ("**Four Nines**"), formerly Eureka Dome Gold Inc., a private British Columbia company. Pursuant to the terms of the agreement, amended in February 2017, Four Nines can earn a 51% interest in the property by making cash payments of $200,000 ($10,000 received), issuing 1,000,000 shares and 150,000 common share purchase warrants and completing $2,450,000 in exploration in staged annual increments by December 31, 2020.

Four Nines will then have the option to increase its interest to 70% by making additional cash payments of $200,000, issuing an additional 500,000 common shares and completing an additional $2,500,000 in exploration by December 31, 2022. In addition, Four Nines must be listed on the TSX Venture Exchange or the Canadian Securities Exchange by May 31, 2017, or such date as the parties agree to, or this agreement shall be terminated immediately and any payments made or expenditures incurred shall be retained by and for the sole benefit of the Company.

b) TL Zinc property, British Columbia

On August 11, 2016, the Company entered into an option agreement to acquire a 100% interest in the TL Zinc property located 80km northeast of Vernon, British Columbia, by making cash payments totalling $350,000 ($20,000 paid), issuing 1,500,000 shares (250,000 issued) and completing $3,325,000 in exploration ($217,692 incurred) over five years as below.

- $20,000 & 250,000 shares due on Aug 11, 2016 (paid & issued)
- $30,000 & 250,000 shares due on Aug 11, 2017
- $50,000 & 250,000 shares due on Aug 11, 2018
- $75,000 & 250,000 shares due on Aug 11, 2019
- $75,000 & 250,000 shares due on Aug 11, 2020
- $100,000 & 250,000 shares due on Aug 11, 2021

In addition, $500,000 bonus shares will be issuable upon completion of a feasibility study. The vendors will retain a 3% net smelter return ("**NSR**") that can be bought down to 1.5% for $3,000,000.

c) Poker Brown, Nevada

In August 2016, the Company entered into an option agreement to earn a 100% interest in the Poker Brown gold-silver property by making US$1,000,000 in cash payments and US$940,000 in advanced royalty payments to the underlying property owner over eight years as below:

- US$25,000 due on Aug 23, 2017
- US$50,000 due on Aug 23, 2018
- US$75,000 due on Aug 23, 2019
- US$100,000 due on Aug 23, 2020
- US$150,000 due on Aug 23, 2021
- US$250,000 due on Aug 23, 2022
- US$350,000 due on Aug 23, 2023

In addition, two bonus cash payments of US$500,000 each are payable on cumulative exploration expenditures of US$4,000,000 and US$6,000,000. Underlying royalties include a 2.5% NSR that can be bought down to 2% for US$500,000 and a 0.5% NSR capped at US$500,000.

d) Fyre Lake sulphide property, Yukon

The Company owns a 100% interest in the Fyre Lake property.

During 2015, under the July 2014 option agreement on Fyre Lake with MinQuest, a $225,000 option payment was received consisting of $100,000 cash and $125,000 of MinQuest shares. These payments were credited against the $40,000 carrying amount of Fyre Lake with the excess of $185,000 recorded in the statement of operations for the year ended December 31, 2015.

In July 2016, MinQuest advised the Company of its termination of the option agreement on Frye Lake that was entered into in July 2014.

On December 28, 2016, the Company announced that it had agreed to option a 100% interest in its Fyre Lake property to BMC Minerals (No. 1) Ltd. ("**BMC**"). BMC paid a non-refundable deposit of $25,000 in November 2016 and pay an additional $350,000 upon closing (paid).

BMC has been granted two options effective as of the closing:

i. a one-year option whereby in order to maintain and exercise the option, BMC must pay $2,200,000 one year after closing; or
ii. a two-year option whereby, in order to maintain and exercise the option, BMC must pay $300,000 one year after closing and $2,420,000 two years after closing.

In addition, BMC has agreed to make a bonus payment of $1,000,000 if and when BMC's Kudz Ze Kayah property has reached commercial production for one year. The agreement was closed on January 18, 2017 (Note 13).

e) During the year ended December 31, 2016, the Company incurred exploration expenditures of $217,692 on the TL Zinc, $44,123 on Poker Brown, $23,152 (2015 - $157,960) on Mariposa, $38,058 on Eureka Dome, and $43,520 (2015 - $19,569) in general exploration.

f) On June 17, 2015, the Company received a payment of US$500,000 from Sandstorm Gold Inc. ("**Sandstorm**") in consideration for the sale of a selected package of mineral royalties. This royalty package includes a 1.65% NSR held by the Company on the Spectrum gold property located in British Columbia, and a 1% NSR on the Eureka Dome and Gold Cap properties located in Yukon. As part of the package, the Company has transferred to Sandstorm its right to buy-down royalties on its Mariposa and Sophie properties. Proceeds received from the sale are credited against the carrying value of the properties, with a difference of $508,200 recorded as a sale of mineral property royalties in the statement of loss.

(Expressed in Canadian dollars)

6. Share capital

a) Common Shares

Authorized - unlimited common shares without par value.

On November 3, 2016, the Company closed a non-brokered private placement by issuing 5,432,500 flow-through units at $0.08 per unit for gross proceeds of $434,600. Each flow-through unit comprises one common share and one half share purchase warrant exercisable at $0.14 for 18 months.

The Company paid $10,625 in finders' fees and issued 99,000 finders' warrants with the same terms as those issued in the private placement.

The $30,590 fair values of the warrants issued in the private placements described above were calculated using the Black-Scholes pricing with the assumptions 65% annual volatility, 0.6% risk-free rate, 1.5 years expected life and 0% annual dividend.

b) Share Purchase Warrants

A summary of the warrants outstanding is as follows:

	December 31, 2016			December 31, 2015		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Balance, beginning of year	3,063,750	$	0.07	3,063,750	$	0.07
Issued	2,815,250	$	0.14	-	$	-
Exercised	(955,625)	$	(0.08)	-	$	-
Expired	(2,108,125)	$	(0.08)	-	$	-
Balance, end of year	2,815,250	$	0.14	3,063,750	$	0.07

On December 31, 2016, the Company issued 2,815,250 warrants, each entitling the holder to purchase one half common share at a price of $0.14 per share expiring May 3, 2018. If the Company's common shares on the TSX Venture Exchange is greater than $0.25 per share for 20 consecutive trading days (the "Triggering Event"), the Company may, within 5 days of the Triggering Event, accelerate the expiry date of the warrants by giving notice thereof to the holders of the warrants, by way of press release, in which event the warrants will expire on the 30th day after the date on which such notice is given.

c) Stock Options

The Company has a stock option plan in place authorizing the granting of stock options to qualified optionees to purchase a total of up to 10% of the then issued and outstanding common shares of the Company. Stock options generally are granted for a maximum term of five years and expire 90 days following the termination of the optionee's agreement. The exercise price for the options is set at the closing market price of the common shares on the grant date. The vesting periods of options vary with terms determined by the board of directors.

(Expressed in Canadian dollars)

Stock option transactions and the number of stock options outstanding and exercisable are summarized below:

	December 31, 2016			December 31, 2015		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	2,281,500	$	0.20	1,653,500	$	0.39
Granted	728,000	$	0.08	868,000	$	0.05
Expired	(106,000)	$	(2.08)	(222,000)	$	(1.00)
Forfeited	(112,000)	$	(0.12)	(18,000)	$	(1.00)
Balance, end of year	2,791,500	$	0.10	2,281,500	$	0.20
Exercisable, end of year	2,791,500	$	0.10	2,281,500	$	0.20

Stock options outstanding and exercisable at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price ($)	December 31, 2016	December 31, 2015
January 6, 2016	1.50	-	60,000
May 12, 2016	1.50	-	6,000
July 29, 2016	3.05	-	40,000
May 24, 2017	0.50	148,000	166,000
December 5, 2017	0.50	100,000	100,000
December 24, 2018	0.05	981,500	1,041,500
February 2, 2020	0.05	834,000	868,000
July 21, 2021	0.08	200,000	-
August 12, 2021	0.08	40,000	-
November 3, 2021	0.08	488,000	-
		2,791,500	2,281,500

The Company applies the fair value method of accounting for stock options. Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The fair value of options granted was estimated at the grant date based on the Black-Scholes option-pricing model, using the following assumptions: 123% annual volatility, 1.2% risk-free interest rate, 5 years life and 0% dividend yield. Stock options granted in 2016 vested immediately with $47,757 (2015 - $18,103) share-based compensation expense recorded in the net loss.

7. Government grant

In the fourth quarter of 2016, the Company received $19,355 (2015 - $40,000) from the Yukon Government for expenditures made during 2016 on its Mariposa and Eureka Dome properties in Yukon, Canada.

(Expressed in Canadian dollars)

8. Related parties

Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company has no compensation arrangements with its board of directors other than non-cash stock option grants. The Company has no termination benefits, post-employment benefits and other long-term benefits in place. Key management includes the board of directors and executive officers. Compensation awarded to key management is listed below:

	Years ended December 31,	
	2016	2015
	$	$
Salary	83,000	92,750
Share-based payments, non-cash	39,991	18,103
	122,991	110,853

9. Capital management

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore on various properties for the benefits of its stakeholders. The Company's operations have been and will continue to be funded by the sale of equity to investors.

The Company's capital includes the components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests and associated administration expenses. 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 overheads to manage costs, commitments and exploration activities. There were no changes in the Company's approach to capital management during the year ended December 31, 2016.

10. Financial instruments

The Company has classified cash and cash equivalents as loans and receivables; accounts payable are classified as other financial liabilities.

Fair values

As at December 31, 2016, the recorded amounts for cash and cash equivalents and accounts payable approximate their fair values due to their short maturity.

(Expressed in Canadian dollars)

Interest rate risk

The Company's cash held in financial institutions earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a material impact on the expected cash flows.

Credit risk

The Company has its cash and cash equivalents deposited with a large, federally insured, commercial financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities and through the management of its capital structure. At December 31, 2016, the Company had cash of $694,374 (2015- $489,304), and accounts payable $190,867.

11. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. $557,429 of the Company's non-current assets was held in Canada and $13,763 in the United States.

12. Income taxes

Reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax (recovery) expense for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
	$	$
(Loss) income for the year	(598,117)	253,186
Statutory tax rate	26%	26%
Expected income tax (recovery) expense	(155,510)	65,828
Effect of different tax rate in other jurisdictions	(3,971)	-
Non-capital loss expired	-	35,406
Non-deductible expenses	12,055	12,313
Change in unrecognized deferred income tax benefits	147,426	(113,547)
Income tax expense (recovery)	-	-

(Expressed in Canadian dollars)

A potential deferred income asset of approximately $6,965,587 arises from the following:

	2,016	2,015
	$	$
Non-capital loss carry-forward	522,266	458,854
Capital loss carry-forward and investments	5,528	6,949
Mineral property	6,432,577	6,344,836
Deferred financing costs	5,216	3,728
Total unrecognized deferred income tax assets	6,965,587	6,814,367

The Company has not recorded potential deferred income tax assets as the Company does not have any current source of income to which the tax losses can be applied.

At December 31, 2016, included in the computation of the deferred tax assets noted above, the Company had approximately $2,008,715 of losses available for carry-forward and $25,233,713 of resource pools. The loss carry-forward can be offset against income for Canadian income tax purposes in future years and will expire between 2029 and 2036 as below:

2029	$	153,737
2030		239,449
2031		183,166
2032		76,150
2033		100,133
2034		785,069
2035		227,119
2036		243,892
	$	2,008,715

13. Subsequent events

a) On January 18, 2017, the Company had closed the Fyre Lake option to BMC (Note 5d). In addition to the initial $25,000 deposit received in 2016, BMC paid the remaining $350,000. Total consideration payable to the Company to exercise the option is $2,200,000 in the case of the one-year option or $2,720,000 in the case of the two-year option.

b) On February 21, 2017, the Company reached an option agreement to acquire a 100% interest in the OGI Zinc prospect located in Dawson, Yukon. To earn a 100% interest, the Company is required to pay $225,000 ($10,000 paid), issuing 1,000,000 common shares (100,000 issued) and completing $2,500,000 in exploration over five years.