MX GOLD CORP.
(formerly Discovery Ventures Inc.)

Consolidated Financial Statements

Years ended December 31, 2016 and 2015

Expressed in Canadian dollars

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

May 1, 2017

(signed)	(signed)
"Kenneth C. Phillippe"	*"Dan Omeniuk"*
CFO	CEO

Independent Auditors' Report

To the Shareholders of MX Gold Corp.:

We have audited the accompanying consolidated financial statements of MX Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes comprising 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, as issued by the International Accounting Standards Board, and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained 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 consolidated financial position of the Company as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Vancouver, Canada
May 1, 2017

Chartered Professional Accountants

MX GOLD CORP.
(formerly Discovery Ventures Inc.)

Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at	December 31 2016	December 31 2015
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (Note 3(d))	777,840	1,256,669
Restricted cash (Note 7)	1,332,136	-
GST and METC receivables (Note 3(g))	247,506	110,455
Prepaid expenses	250,664	86,012
Due from related parties (Note 13)	-	15,143
Total current assets	2,608,146	1,468,279
Reclamation bonds (Note 8)	730,600	741,590
Long-term investment (Note 9)	1,501,013	-
Property, plant and equipment, net (Note 10)	7,050,090	5,824,159
Exploration and evaluation assets (Note 11)	6,292,453	4,721,832
Total assets	18,182,302	12,755,860
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,054,608	2,731,814
Credit facilities (Note 12)	-	55,852
Due to related parties (Note 13)	256,087	419,934
Flow-through share premium (Note 14)	125,263	86,052
Current portion of lease obligations (Note 15)	182,657	65,864
Total current liabilities	2,618,615	3,359,516
Lease obligations (Note 15)	606,110	288,099
Decommissioning obligations (Note 16)	1,372,234	1,431,421
	4,596,959	5,079,036
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	25,115,278	15,089,401
Contributed surplus (Note 17)	2,687,354	2,606,922
Share subscriptions received in advance (Note 25(a))	950,000	-
Deficit	(15,167,289)	(10,019,499)
Total shareholders' equity	13,585,343	7,676,824
Total liabilities and shareholders' equity	18,182,302	12,755,860

On behalf of the Board:

"Kenneth C. Phillippe"
Director

"Akash Patel"
Director

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

MX GOLD CORP.
(formerly Discovery Ventures Inc.)

Consolidated Statements of Operations and Comprehensive Loss
Expressed in Canadian Dollars

	Year ended December 31 2016	Year ended December 31 2015
	$	$
General and Administrative Expenses		
Professional, management and consulting fees (Note 13)	2,423,661	629,638
Salaries and benefits	542,915	119,874
Insurance, office and miscellaneous	385,722	134,059
Investor relations and public company costs	347,387	193,488
Repair and maintenance	302,718	16,466
Lease expenses	182,861	15,621
Fuel and freight costs	176,717	47,818
Finance costs	43,264	22,991
Share-based payments (Note 17(d))	247,612	523,921
Depreciation of property, plant and equipment (Note 10)	189,825	1,958
	(4,842,682)	(1,705,834)
Other income (expense)		
Impairment of property, plant and equipment (Note 10)	(155,572)	-
Impairment of exploration and evaluation assets (Note 11)	-	(452,869)
Loss from disposal of property, plant and equipment	(15,999)	(10,400)
Other expenses (Note 14)	(146,160)	-
Loss due to fire	(45,000)	-
Gain on settlement of debt (Note 23)	57,623	208,004
Impairment Loss on 35% equity investment in FortyTwo Metals Inc. (Note 6)	-	(2,304,390)
Share of profit of 35% equity investment in FortyTwo Metals Inc. (Note 6)	-	1,058,947
	(305,108)	(1,500,708)
Net loss and comprehensive loss	(5,147,790)	(3,206,542)
Basic and diluted loss per share	(0.04)	(0.04)
Weighted average number of common shares - basic and diluted	127,705,834	77,337,996

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

MX GOLD CORP.
(formerly Discovery Ventures Inc.)

Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

	Year ended December 31 2016	Year ended December 31 2015
	$	$
Cash flows from (used in)		
Operating activities		
Loss for the year	(5,147,790)	(3,206,542)
Adjustments:		
Loss from deemed disposal of 35% equity investment in FortyTwo Metals Inc. (Note 6)	-	2,304,390
Share of profit of equity investment in FortyTwo Metals Inc. (Note 6)	-	(1,058,947)
Share-based payments (Note 17(d))	247,612	523,920
Impairment of exploration and evaluations assets (Note 11)	-	452,869
Impairment of property, plant and equipment (Note 10)	155,572	-
Loss from disposal of property, plant and equipment	15,999	10,400
Depreciation of property, plant and equipment (Note 10)	189,825	1,958
Gain on settlement of debt (Note 23)	(57,623)	-
Other expenses (Note 14)	146,160	-
Interest accretion on credit facilities (Note 12)	-	7,320
	(4,450,245)	(964,632)
Changes in non-cash working capital:		
Due from related parties	15,143	(18,871)
GST and METC receivables	(137,051)	8,805
Prepaid expenses	(164,652)	79,091
Accounts payable and accrued liabilities	(704,489)	275
Due to related parties	(163,847)	410,821
Operating cash flows before interest and income taxes	(1,154,896)	(484,511)
Increase in restricted cash	(1,332,136)	-
Decrease in reclamation bonds	10,990	-
Interests paid	-	(3,432)
Cash used in operating activities	(6,926,287)	(487,943)
Investing activities		
Purchase of property, plant and equipment (Note 10)	(1,289,995)	(123,316)
Proceeds from disposal of equipment	78,285	-
Acquisition of FortyTwo Metals Inc. (Note 6)	-	(215,000)
Cash acquired from FortyTwo Metals (Note 6)	-	168
Exploration and evaluation assets expenditures (Note 11)	(871,260)	(459,987)
Long-term investment	(1,501,013)	-
Cash used in investing activities	(3,583,983)	(798,135)
Financing activities		
Share subscriptions received in advance (Note 25(a))	950,000	-
Proceeds from exercise of options and warrants (Note 17)	744,675	-
Proceeds from Issuance of shares (Note 17)	7,488,471	1,697,205
Share issuance costs in cash (Note 17)	(120,140)	-
Draw down of credit facilities (Note 12)	968,435	719,722
Cash provided by financing activities	10,031,441	2,416,927
Increase (decrease) in cash and cash equivalents	(478,829)	1,130,849
Cash and cash equivalents, beginning of year	1,256,669	125,820
Cash and cash equivalents, end of year	**777,840**	**1,256,669**

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

MX GOLD CORP.
(formerly Discovery Ventures Inc.)

Consolidated Statement of Changes in Equity
Expressed in Canadian Dollars

	Share capital Number	Share capital Amount	Contributed Surplus	Subscriptions Received in Advance	Deficit	Total
		$	$		$	$
December 31, 2014	66,419,998	11,034,539	1,658,020		(6,812,957)	5,879,602
Shares issued for mineral properties (Note 11 &17(c))	10,000,000	1,300,000	-	-	-	1,300,000
Shares issued pursuant to conversion of credit facilities (Note 12 & 17(c))	6,497,220	649,722	21,468	-	-	671,190
Shares issued pursuant to settlement of debt (Note 17(c))	1,062,500	127,500	-	-	-	127,500
Shares issued upon acquisition of FortyTwo Metals Inc. (Note 6)	3,000,000	450,000	320,000	-	-	770,000
Flow-through units issued for cash (Note 17(c))	3,250,000	487,500	76,448	-	-	563,948
- Share issuance costs	-	(44,565)	7,065	-	-	(37,500)
Shares issued for cash pursuant to non-brokered private placement (Note 17(c))	8,145,000	1,221,750	-	-	-	1,221,750
- Share issuance costs	-	(137,045)	-	-	-	(137,045)
Share-based payments (Note 17(d))	-	-	523,921	-	-	523,921
Net loss and comprehensive loss	-	-	-	-	(3,206,542)	(3,206,542)
December 31, 2015	98,374,718	15,089,401	2,606,922		(10,019,499)	7,676,824
Shares issued for mineral properties (Note 11 &17(b))	3,000,000	630,000	-	-	-	630,000
Shares issued pursuant to conversion of credit facilities (Note 12 & 17(b))	10,384,340	1,038,434	(14,147)	-	-	1,024,287
Shares issued pursuant to settlement of debt (Note 17(b))	1,666,667	216,667	-	-	-	216,667
Flow-through units issued for cash (Note 17(b))	1,500,000	420,000	54,737	-	-	474,737
- Share issuance costs		(74,241)	13,241	-	-	(61,000)
Shares issued for cash pursuant to non-brokered private placement (Note 17(b))	44,202,157	6,888,471	-	-	-	6,888,471
- Share issuance costs	-	(73,374)	14,234	-	-	(59,140)
Shares issued for cash pursuant to the exercise of options and warrants (Note 17(b))	3,078,083	979,920	(235,245)	-	-	744,675
Shares subscriptions received in advance (Note 25(a))	-	-	-	950,000	-	950,000
Share-based payments (Note 17(d))	-	-	247,612	-	-	247,612
Net loss and comprehensive loss	-	-	-	-	(5,147,790)	(5,147,790)
December 31, 2016	162,205,965	25,115,278	2,687,354	950,000	(15,167,289)	13,585,343

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

1. Nature of Operations

The Company was incorporated on October 13, 1999 under the laws of British Columbia under the name of 593960 British Columbia Ltd. On February 28, 2008, the Company changed its name to Discovery Ventures Inc. and then to MX Gold Corp. on June 6, 2016 to better reflect a change in its focus. The Company's principal business is exploration of mineral interests.

The head office and principal address of the Company is located at 900 – 570 Granville Street, Vancouver, BC, V6C 3P1.

2. Basis of Preparation and Going Concern

a) Statement of compliance

These consolidated financial statements of the Company and its subsidiary are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

b) Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at December 31, 2016, the Company had working capital deficiency of $10,469 (December 31, 2015: $1,891,237) and an accumulated deficit of $15,167,289 (December 31, 2015: $10,019,499) since inception. During the year ended December 31, 2016 the Company incurred a net loss of $5,147,790 (2015: $3,206,542) and used net cash in operating activities of $6,926,287 (2015: $487,943)

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts incurred for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and to attain future profitable production or to obtain proceeds from disposal of its properties.

Although management has taken steps to verify title to mineral properties in which the Company 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 unregistered prior agreements and noncompliant with regulatory requirements.

The ability of the Company to carry out its business objectives is dependent on its ability to secure continued financial support from related parties, to obtain public equity financing, or to ultimately attain profitable operations in the future. Whether and when the Company can attain profitability and positive cash flows is uncertain. While the Company has been successful in securing financing in the past, there is no assurance that financing will be available in the future on terms acceptable to the Company.

2. Basis of Preparation and Going Concern (continued)

b) Going concern (continued)

Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in note 3(c).

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiary is Canadian dollar.

e) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amount of expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company did not adopt any new accounting standard changes or amendments effective January 1, 2016 that had a material impact on these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiary, FortyTwo Metals Inc.

3. Significant Accounting Policies (continued)

a) Basis of consolidation (continued)

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

(ii) Investments in associates

An associate is an entity over which the Company has significant influence but not control or joint control. Significant influence is presumed to exist where the company has between 20% and 50% of the voting rights, but can also arise where the Company has less than 20% if we have the power to be actively involved and influential in policy decisions affecting the entity. The Company's share of the net assets and net income or loss is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate.

b) Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currency of the Company and its subsidiary at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at exchange rates prevailing on the date of transactions. All exchange gains and losses are included in determination of profit or loss.

c) Financial instruments

(i) Financial assets

All financial assets are initially recorded at fair value and classified upon inception into one of the categories including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, or available for sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables are initially recognized at fair value and subsequently measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss.

The Company classifies cash and cash equivalents and restricted cash as FVTPL, due from related parties and reclamation bonds as loans and receivables.

Expressed in Canadian dollars

3. Significant Accounting Policies (continued)

c) Financial instruments (continued)

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and classified upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified in this category unless they are designated as hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company classifies accounts payable and accrued liabilities, lease obligations, credit facilities and due to related parties as other financial liabilities. The Company has no financial liabilities classified as FVTPL.

(iii) Transaction costs

Transactions costs associated with financial assets/liabilities at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets/liabilities are included in the initial carrying amount of the assets/liabilities.

d) Cash and cash equivalents

Cash equivalents include money market instruments that are readily convertible to cash. As at December 31, 2016, the Company has $65,000 cashable GIC, of which $10,000 mature on October 29, 2017 with an annual yield of 1.45%, and $55,000 mature on September 27, 2017 with an annual yield of 0.67% respectively.

e) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, except for land, which is not depreciated but tested annually for impairment. The Company starts to deprecate property, plant and equipment when assets are ready and available for use.

Depreciation of property, plant and equipment is calculated using the following method over their respective estimated useful life at the following annual rates:

Equipment	30% declining balance
Vehicle	7 year straight-line

3. Significant Accounting Policies (continued)

e) Property, plant and equipment (continued)

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate. Property, plant and equipment are written down to the net recoverable value when management determines there has been a change in circumstances which indicates its carrying amount may not be recoverable. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

f) Exploration and evaluation assets

Expenditures incurred before the Company has obtained legal rights to explore an area are recognized in the consolidated statement of operation and comprehensive loss as exploration expenses.

Exploration and evaluation assets reflect expenditures for an area where technical feasibility and commercial viability have not yet been determined. Expenditures, including, but are not limited to, land acquisition, geological and geophysical studies, exploratory drilling and sampling and directly attributable employee salaries and benefits are capitalized and accumulated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are not depleted. When assets are determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and the recoverable amount is transferred to property, plant and equipment. Upon transfer of exploration and evaluation costs into property, plant and equipment, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines. At such time as commercial production commences, these expenditures will be charged to operations on a unit-of-production method based on proven and probable resources.

Exploration and evaluation assets are also assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

g) Mining Exploration Tax Credit (“METC”)

Mining exploration tax credits are recorded when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining exploration tax credits are earned with respect to qualified mining exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures. As at December 31, 2016, the Company has $23,016 METC receivable.

3. Significant Accounting Policies (continued)

h) Leases

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and not recognized in the consolidated statement of financial position.

Minimum lease payments made under finance leases are apportioned between finance expenses and the reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Payments made under operating leases are recognized in the consolidated statement of operation on a straight-line basis over the term of the lease. Lease incentives received are recognized as a reduction to the lease expense over the term of the lease.

i) Impairment

(i) Financial assets

Financial assets not carried at FVTPL are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset can be estimated reliably.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated by reference to the higher of the value in use and fair value less costs to sell. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or group of assets exceeds the estimated recoverable amount. Impairment losses are recognized in profit or loss.

When impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimated recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Significant Accounting Policies (continued)

j) Decommissioning obligations

Decommissioning obligations arise from the legal obligation to abandon and reclaim property, plant and equipment incurred upon the acquisition, construction, development and use of the asset. The initial liability is measured at the discounted value of the estimated costs to reclaim and abandon using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation, subsequently adjusted for the accretion of discount and changes in expected costs. The decommissioning cost is capitalized in the relevant asset category. Costs capitalized to property, plant and equipment are depreciated into profit or loss based upon the unit-of-production method consistent with the underlying assets. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent the provision was established.

k) Provisions

Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

l) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent it relates to items recognized directly in equity.

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

m) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. The Company adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made.

3. Significant Accounting Policies (continued)

m) Flow-through shares (continued)

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the consolidated statement of financial position and its tax basis. A portion of the deferred tax assets that were not previously recognized are recognized as a recovery of deferred taxes in the consolidated statements of operations and comprehensive loss up to the amount of the deferred tax liability upon renunciation.

n) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to equity financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

o) Share purchase warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using quoted market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to contributed surplus. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants. When warrants are exercised, the corresponding assigned value of the warrants is reclassified to share capital. Warrants that are issued as payments for agency fee or other transactions costs are accounted for as share-based payments.

p) Share-based payments

The Company's Stock Option Plan allows directors, officers and consultants to acquire shares of the Company in exchange for the options exercised. The fair value of share options granted to employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The compensation cost of stock options granted to consultants is initially measured at fair value of the awards at the grant date, periodically remeasured to fair value until the consultant's performance is complete, and recognized over the periods during which the consultant become unconditionally entitled to the options. The compensation cost is charged to profit or loss with a corresponding increase to contributed surplus.

3. Significant Accounting Policies (continued)

q) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

4. Significant Accounting Estimates and Judgments

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

Critical accounting judgments

a) Going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the year ended December 31, 2016. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Please refer to note 2(b) for additional information.

b) Exploration and evaluation expenditures

The application of the Company’s accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

c) Decommissioning obligations

The provision for decommissioning obligations is based on numerous assumptions and judgements including the ultimate settlement amounts, inflation factors, risk free discount rates, timing of settlement and changes in the applicable legal and regulatory environments. To the extent future revisions to these assumptions impact the measurement of the existing decommissioning obligation, a corresponding adjustment is made to the property, plant and equipment.

4. Significant Accounting Estimates and Judgments (continued)

Critical accounting judgments (continued)

d) Asset Acquisition

The assessment of whether an acquisition meets the definition of a business or whether assets are acquired is an area of key judgment. If deemed to be a business combination, applying the acquisition method to business combinations requires each identifiable assets and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. If deemed to be an asset acquisition, acquisition considerations are allocated to assets acquired and liabilities assumed on a relative fair value basis and no goodwill is recognized.

Critical accounting estimates

e) Impairment of long-lived assets

Determining the amount of impairment of long lived assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company' long-lived assets such as property, plant and equipment and exploration and evaluation assets.

f) Depreciation

Depreciation of property, plant and equipment begins when it is available for use, which is defined as occurring when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Significant assumptions are involved in the determination of useful lives and residual values and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

g) Current and deferred taxes

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations, judgments and changes related to them impact current and deferred tax provisions, deferred income tax assets and liabilities and results of operations.

h) Share-based payments

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

5. New Accounting Standards Issued But Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

a) IFRS 9 Financial Instruments

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

- Classification and measurement - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- Impairment - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

- Hedge accounting - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- Derecognition - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted.

(b) IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

Expressed in Canadian dollars

6. Acquisitions - FortyTwo Metals Inc.

On November 4, 2013, the Company entered into a binding letter agreement (the "2013 Agreement") with Roca Mines Inc. ("Roca") and FortyTwo Metals Inc.("FortyTwo"), a wholly-owned subsidiary of Roca, whereby Roca granted an exclusive option to the Company to acquire 100% of the issued and outstanding common shares of FortyTwo. During fiscal 2013 and 2014, the Company acquired 35% equity interests in FortyTwo pursuant to the 2013 Agreement for a total cash consideration of $1,750,000. FortyTwo holds, among other assets, the Max Mine which includes an underground molybdenum mine, crushing, milling and concentrating facilities, tailing storage facilities, mineral claims, mining leases, licenses and other holdings located near Trout Lake in the Revelstoke Mining Division of the Province of British Columbia.

On October 5, 2015, the Company signed a Share Purchase Agreement with Roca, pursuant to which both parties agreed to terminate the 2013 Agreement and the Company acquired the remaining 65% of the outstanding common shares of FortyTwo in exchange for a cash consideration of $200,000, 3,000,000 common shares of the Company at a price of $0.15 per share, and 3,000,000 share purchase warrants for purchase of up to 3,000,000 additional common shares of the Company at a price of $0.15 for a period of 5 years. The transaction was closed on October 5, 2015 upon which the Company obtained the control and owned 100% of FortyTwo. The acquisition of FortyTwo was considered as an asset acquisition. Accordingly, the Company recorded its share of equity income of $1,058,947 (2014: equity loss of $147,356) relating to its 35% interest in FortyTwo up to October 5, 2015 and an impairment loss of $2,304,390 on its equity investment in FortyTwo in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2015. Transaction costs associated with the acquisition totaling $24,141 were capitalized to property, plant and equipment acquired.

The Company's 35% equity investment in FortyTwo is summarized as below:

Equity investment in FortyTwo	**$**
December 31, 2013	800,000
Investment in shares, at costs	950,000
Cash advance	150,000
Share of equity loss for the year	(147,356)
December 31, 2014	1,752,644
Cash advance	14,999
Share of equity income for the year	1,058,947
Impairment loss on equity investment in FortyTwo	(2,304,390)
October 5, 2015	522,200

The following table sets out the acquisition date allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value:

Total purchase price:	**$**
Cash paid for acquisition	199,800
Common shares issued for acquisition	450,000
Warrants issued for acquisition	320,000
35% equity interest in FortyTwo	522,200
Total purchase price to allocate	1,492,000

Expressed in Canadian dollars

6. Acquisitions - FortyTwo Metals Inc. (continued)

Fair value of assets acquired and liabilities assumed:	$
Cash	168
Reclamation bonds	735,864
GST receivable	1,041
Prepaid expenses and deposits	2,395
Exploration and evaluation assets	1
Property, plant and equipment	4,299,027
Other current liabilities	(2,607,405)
Decommissioning obligations	(939,091)
Net assets acquired	1,492,000

7. Restricted Cash

As of December 31, 2016, the Company had restricted cash of $1,332,136 (2015: $nil), out of which $3,036 was held in a legal trust account, $1,015,350 (US$750,000) was held in trust with respect to its 3rd investment installment payment for a mineral project in Mexico (Note 9), and $313,750 was held in an escrow account pursuant to the employment agreement with the Company's Chief Operating Officer.

8. Reclamation Bonds

As at December 31, 2016, reclamation bonds totalling $730,600 (2015: $741,590) were held with the British Columbia Ministry of Energy and Mines. As at December 31, 2016 the Company had recorded accrued interest receivable thereon in the amount of $600 (2015: $11,590).

9. Long-Term Investment

On October 21, 2016, the Company has entered into an Initial Purchase Agreement (as amended on November 22, 2016 and December 20, 2016, collectively, the "IPA Agreement") with GracePoint Mining Corp. ("GP"), American Metal Mining, S.A. de C.V. ("AMM"), and Proyecto Magistral, S. de R. L. de C.V. (the "Owner") with respect to the Magistral Project (the "Project") in Mexico. Pursuant to the terms of the IPA Agreement, the Company may earn a 50% participating ownership interest and a 45% net profit participating interest in the Project upon completing the following installment payments:

(a) US$250,000 (CAD$333,775) upon signing the IPA Agreement (Paid on October 21, 2016);

(b) US$750,000 (CAD$1,018,050) on or prior to November 25, 2016 (Paid on November 25, 2016);

(c) US$750,000 (CAD$1,015,350) on December 23, 2017 (Fund deposited to a trust account on December 22, 2016 and transferred to GP on January 20, 2017); and

(d) US$750,000 (CAD$1,006,050) on or before 90 days from the signing of the IPA Agreement (Paid on January 20, 2017).

Expressed in Canadian dollars

9. Long-Term Investment (continued)

Pursuant to the IPA Agreement, upon completion of the entire US$2,500,000 payment, a joint venture shall be deemed to be formed (the "Joint Venture"). Upon formation of the Joint Venture, the Company will have an initial participating ownership interest of 50% of the Project. The legal title to the project will be held in the name of the Owner in trust for the benefit of the Joint Venture, and each of the Company and GP (through AMM) will hold such percentage of shares of the Owner that is equal to their respective participating ownership interest in the Project. Similarly, board and management positions of the Owner will be revised to reflect an equal number of positions of each as between the Company and GP (through AMM).

As of December 31, 2016, the Company made a total of installment payments of $1,351,825 to GP and incurred $149,188 transaction costs, thus recording a total of $1,501,013 as long term investment. Subsequent to December 31, 2016, the Company has completed all remaining installment payments required pursuant to the IPA Agreement and earned a 50% participating ownership interest and 45% net profit participating interest in the Project. The Joint Venture has deemed to been formed pursuant to the IPA Agreement subsequent to the year-end.

10. Property, Plant and Equipment

Cost	Land	Buildings	Mills	Equipment	Vehicles	Total
	$	$	$	$	$	$
December 31, 2014	-	-	-	570,052	-	570,052
Additions	-	-	-	122,850	409,031	531,881
Disposals	-	-	-	(65,000)	-	(65,000)
Acquisition of FortyTwo	139,922	396,542	2,988,224	774,339	-	4,299,027
Decommissioning Obligations	-			492,330	-	492,330
December 31, 2015	139,922	396,542	2,988,224	1,894,571	409,031	5,828,290
Additions	-	-	-	521,852	1,133,760	1,655,612
Disposals	-	-	-	(12,500)	-	(12,500)
Impairment	-	-	-	(155,572)	-	(155,572)
Decommissioning Obligations	-	-	-	(71,784)	-	(71,784)
December 31, 2016	139,922	396,542	2,988,224	2,176,567	1,542,791	7,244,046

Accumulated amortization	Land	Buildings	Mills	Equipment	Vehicles	Total
	$	$	$	$	$	$
December 31, 2014	-	-	-	2,173	-	2,173
Additions	-	-	-	692	1,266	1,958
December 31, 2015	-	-	-	2,865	1,266	4,131
Additions	-	-	-	80,764	109,061	189,825
December 31, 2016	-	-	-	83,629	110,327	193,956

Carrying amount	Land	Buildings	Mills	Equipment	Vehicles	Total
	$	$	$	$	$	$
December 31, 2015	139,922	396,542	2,988,224	1,891,706	407,765	5,824,159
December 31, 2016	139,922	396,542	2,988,224	2,092,938	1,432,464	7,050,090

Buildings, Mills and certain equipment were not available for use as of December 31, 2016 and were not depreciated in 2016. Total vehicle under finance lease was $1,432,464 as of December 31, 2016 (2015: $407,765).

Expressed in Canadian dollars

11. Exploration and Evaluation Assets

Acquisition costs – Willa Property		**December 31, 2016**	**December 31, 2015**
		$	$
Beginning of year		3,082,759	1,778,959
Additions			
Property option payments	– for cash	50,000	-
	– for shares	630,000	1,300,000
Cash payment		208	3,800
		680,208	1,303,800
End of year		3,762,967	3,082,759
Exploration costs – Willa Property			
Beginning of year		1,091,073	635,605
Additions		746,413	258,185
Mining tax credit		-	197,283
End of year		1,837,486	1,091,073
Net Smelter Royalty advance payments – Willa Property			
Beginning of year		548,000	350,000
Additions		144,000	198,000
End of year		692,000	548,000
		6,292,453	4,721,832

a) Willa Deposit, British Columbia

Pursuant to an option agreement dated November 16, 2012 (as amended September 24, 2013, January 13, 2014 and further amended on February 27, 2014), an Assignment, Assumption and Framework Agreement dated April 15, 2014 (as amended June 16, 2014, September 28, 2014, November 26, 2014 and further amended on September 14, 2015), and a Release Agreement dated September 4, 2015 (collectively referred as the “2012 Agreements”), the Company acquired a 100% interest in the Willa Property, consisting of 5,662 hectares located in the Slocan Mining Division, British Columbia, subject to a 2.5% Net Smelter Royalty (“NSR”).

Pursuant to the 2012 Agreements, the Company made the following cash payments and issued the following shares:

(i) $50,000 upon execution of the Option Agreement;

(ii) $150,000 and 1,000,000 common shares of the Company in 2013;

(iii) $570,000 and 3,600,000 common shares of the Company in 2014;

(iv) $130,000 and 10,000,000 common shares of the Company in 2015.

11. Exploration and Evaluation Assets (continued)

a) Willa Deposit, British Columbia (continued)

Pursuant to the 2012 Agreements, if commercial production has not commenced by September 15, 2015 and subsequent years, the aggregate annual sum of an additional $144,000 (the “Advanced Royalty Payment”) shall be paid in each respective anniversary year in monthly installments of $12,000 with the first payment due by September 15, 2015. The Company has further agreed that in the event of termination, the Company will ensure that it has applied for a minimum of three years’ assessment work on the Willa Property.

As at December 31, 2016 the Company had made total payments of $692,000 as prepayment of the NSR. All payments will be credited against the NSR due to the Optionors after the commencement of commercial production.

On July 7, 2016 the Company entered into an option agreement with Pop Holdings Ltd.(“POP”) (“2016 Agreement”), whereby the Company has acquired 100% interest in and to the mineral claims that Pop had the right to acquire from North Bay Resources Corp. (“North Bay”). The mineral claims are subject to 1.0% NSR on commercial production to North Bay, as well as a further 1.5% NSR to Pop.

Pursuant to the 2016 Agreement, the Company made the following cash payments and issued the following shares:

(i) Cash payment of $50,000 to North Bay after receipt of the exchange approval (paid in 2016);

(ii) 4,500,000 common shares of the Company, out of which 1,500,000 common shares were issued subsequent to December 31, 2016.

b) Max Mine Property, British Columbia

The Company’s subsidiary FortyTwo, holds title in certain properties known as the Max Mine Property (“MAX”), located in the Revelstoke Mining Division, B.C., and it is subject to a 2.5% NSR. The Company may purchase, at any time, up to 60% of the NSR by paying $1,000,000 for each 30% ($2,000,000 for the full 60% of the 2.5% NSR).

FortyTwo has a 100% interest in certain crown grants, mining leases and mineral claims contiguous to the core MAX mineral claims. The Company granted a 2.5% NSR on the contiguous property, which can be reduced to 1% upon payment of $2,000,000 at any time prior to commencement of commercial production. The Company must also issue 200,000 shares if it commences commercial production from any part of the contiguous property.

The carrying value of the Max Mine Property was written off to $1 before the Company acquired FortyTwo on October 5, 2015 and there are no expenditures incurred on this mineral property since the acquisition date. The Company currently has no intension or plan to develop the Max Mine Property.

11. Exploration and Evaluation Assets (continued)

c) Rabbitt Mine Property, Similkameen Mining Division, British Columbia

Pursuant to an option agreement signed in 2008, the Company acquired 100% undivided interest in certain mineral claims situated in the Similkameen Mining Division, British Columbia. The agreement is subject to 2% NSR payable by the Company to the Optionor. The Company has the option to purchase the 2% NSR at a purchase price of $1,000,000 per percentage point during the five-year period commencing from that date upon which the Property is put into commercial production. Due to the focus of the Company on other mineral properties, during the fiscal year ended December 31, 2015 management decided to abandon the Rabbitt Mine Property and wrote off the aggregate exploration and evaluation assets related to the abandoned property in the amount of $452,869.

d) Bonaparte Property, Kamloops, British Columbia

On December 23, 2016, the Company entered into an Option Agreement with WestKam Gold Corp to acquire an option to obtain a 5% interest in the Bonaparte property. The option can be exercised by incurring a minimum of $650,000 in exploration expenditures on the property. The Company hid not incurred any exploration expenditures during the year ended December 31, 2016.

12. Credit Facilities

The Company entered into a definitive loan agreement with a Company controlled by its Chief Executive Officer (the “Lender”) on June 10, 2015 (subsequently amended on July 8, 2015), whereby the Lender has agreed to provide two secured credit facilities to the Company: a $2 million convertible credit facility (the “Convertible Credit Facility”) and a $5 million credit facility (the “$5M Credit Facility), collectively referred as the “Credit Facilities”.

Any funds drawn down on the Convertible Credit Facility will be convertible at the option of the Company or the Lender into units (each, a “Unit”) of the Company at a price of $0.10 per Unit. Each Unit will consist of one common share of the Company and one warrant, with each warrant entitling the Lender to purchase an additional common share at a price of $0.15 per share for a period of three years. Any conversion that would result in the Lender owning more than 20% of the issued and outstanding shares of the Company would be subject to the Company obtaining shareholder approval of the Credit Facilities.

The Convertible Credit Facility matures and is payable in cash on the date which is the earlier of: (a) two years from each draw down date; or (b) an event of default. The $5M Credit Facility matures and is payable in cash on the date which is the earlier of (a) three years from each draw down date; or (b) an event of default.

The Credit Facilities bear interest at a rate of 6% per annum. The Credit Facilities may be repaid by the Company at any time. The proceeds from the Credit Facilities will be used to fund the advancement of the Company’s mining properties and working capital needs. 6,000,000 share of the Company and all shares in the capital of FortyTwo has been pledged to the Lender.

Expressed in Canadian dollars

12. Credit Facilities (continued)

	Convertible Credit Facility	$5M Credit Facility
	$	$
Debt Component	55,852	
Equity Component	14,147	
December 31, 2015	69,999	-
Draw down	968,435	-
Conversion	(1,038,434)	-
Interest accretion	-	-
December 31, 2016	-	-

13. Related Party Transactions

a) Related party transactions:

During the year ended December 31, 2016, Trappers Transport Ltd., which is controlled by the Company's CEO, charged the following amounts to the Company for services provided and equipment rental:

	December, 31 2016	December, 31 2015
	$	$
Labor costs	269,018	107,245
Fuel costs	96,635	18,562
Supplies	108,125	18,347
Freight	5,300	10,600
Equipment rental	120,541	-
	599,619	154,754

These transactions are in the normal course of operations and have been measured in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Please also see Note 12 for credit facilities provided by related parties.

b) Due to/from related parties:

	December, 31 2016	December, 31 2015
	$	$
Due to the Company's directors and officers	82,564	38,825
Due to companies controlled by an officer	173,523	381,109
	256,087	419,934

As of December 31, 2016, $nil was due from related parties. As of December 31, 2015, $15,143 was paid in advance to an officer and director for credit card and out-of-pocket expenses.

Expressed in Canadian dollars

13. Related Party Transactions (continued)

c) Key management compensation

Key management includes directors (executive and non-executive) and senior officers of the Company.

	December, 31 2016	December, 31 2015
	$	$
Salaries and benefits	171,250	-
Professional, management and consulting fees	338,549	153,500
	509,799	153,500

14. Liabilities and Income Tax Effect on Flow-through Shares

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On September 21, 2016, the Company completed a private placement of 1,500,000 units at a price of $0.40 per unit for gross proceeds of $600,000. Each unit consists of one flow-through common share and one half share purchase warrant (see Note 17 (b)). The Company recognized a liability on flow-through shares of $125,263 as at December 3, 2016. The total proceeds of $600,000 was renounced effective December 31, 2016.

On December 23, 2015, the Company completed a private placement of 3,250,000 units at a price of $0.20 per unit for gross proceeds of $650,000. Each Unit consists of one flow through common share and one half share purchase warrant (see Note 17(c)). The Company recognized a liability on flow-through shares of $86,052 as at December 31, 2015. At December 31, 2015, the Company incurred $Nil of qualified expenditures and the amount of flow-through proceeds remained to be expended was $650,000. The total proceeds of $650,000 was renounced effective December 31, 2015.

During the year ended December 31, 2016, the Company incurred approximately $661,783 of exploration expenditures to fulfill the December 23, 2015 flow-through commitment issued under the look-back rules with an effective renunciation date of December 31, 2015 to the subscribers.

During the year ended December 31, 2016, the Canada Revenue Agency completed an audit for the Company’s 2013 and 2014 BC Mining Exploration Tax Credit refund claims, and approximately 72% of the exploration expenditures were disallowed as Qualified Mining Exploration Expenses (QMEE) for the purposes of BC METC refund. Since the definition of QMEE is similar to the definition of Canadian Exploration Expense (CEE) incurred for the purposes of determining the existence, location, extent or quality of a mineral resource in Canada, it is probable that a portion of the $661,783 exploration expenditure incurred in 2016 may not be eligible to fully satisfy the Company’s December 23, 2015 flow-through commitment. As a result, at December 31, 2016 the Company has provided a tax reserve of approximately $232,212, net of $86,052 of flow-through share premium recovered in the current year, which has been recorded as other expenses and other liabilities, for the future indemnification expenses and taxes in respect of the December 23, 2015 flow-through commitment.

Expressed in Canadian dollars

15. Lease Obligations

The Company lease certain assets under finance lease arrangements. The finance lease has imputed interest rates ranging from 0.4284% to 0.7391% per annum and expire between October 2020 and December 2020. Finance lease liabilities are payable as follows:

At December 31, 2016	**Future minimum lease payments**	**Interests**	**Present value of minimum lease payments**
	$	$	$
Less than one year	218,205	47,073	182,657
Between one and five years	639,729	68,717	606,110
	857,934	115,790	788,767

At December 31, 2015	**Future minimum lease payments**	**Interests**	**Present value of minimum lease payments**
	$	$	$
Less than one year	83,139	17,275	65,864
Between one and five years	317,254	29,155	288,099
	400,393	46,630	353,963

16. Decommissioning Obligations

The Company's decommissioning obligations relate to future site restoration and abandonment costs of the MAX Mine and Mill. The expected timing of the cash flows in respect of the provision is based on the estimated life of the mining operations.

As at December 31, 2016, the Company estimated that the total undiscounted cash flows required to settle its decommissioning obligations was approximately $1,313,403 (2015: $1,339,668). Decommissioning liabilities of $1,372,234 as at December 31, 2016 (2015: $1,431,421) have been calculated using an inflation rate of 2% (2015: 2%) per annum and discounted using a risk-free rate of 1% (2015: 1%).

17. Share Capital

Authorized: Unlimited number of common shares with no par value.

a) Issued and outstanding:

As at December 31, 2016, the Company had a total issued and outstanding common shares of 162,205,965 common shares (2015: 98,374,718).

b) Transactions incurred during the fiscal year ended December 31, 2016

(i) The Company settled all debt owing to Genex Mining Company Ltd. for a cash payment of $450,000 and the issue on January 27, 2016 of 1,666,667 of the Company's common shares at $0.15 per share for $250,000.

17. Share Capital (continued)

(ii) On June 17, 2016, the Company issued 500,000 shares pursuant to the exercise of incentive stock options at a price of $0.15 per share for net proceeds in the amount of $75,000.

(iii) On June 22, 2016, the Company completed a private placement of 33,333,333 units at a price of $0.12 per unit for gross proceeds of $4,000,000. Each unit consists of one common share and one share purchase warrant, entitling the holder to purchase one additional common share on or before June 22, 2020 at a price of $0.20 per share, subject to an acceleration provision whereby, in the event that the Company's common shares trade above $0.50 on the TSX Venture Exchange for a period of fifteen consecutive trading days, the warrants will terminate on the date that is 30 days following receipt of a call notice in the event the holder has not exercised the warrants by such date. The Company paid a cash finder's fee of $30,862.

(iv) On June 28, 2016, the Company issued 6,164,340 units at $0.10 per unit pursuant to the conversion of amount drawn down on the Convertible Credit Facilities. Each unit is comprised of one common share and one share purchase warrant (Note 12).

(v) On July 17, 2016, the Company issued 1,500,000 common shares pursuant to the acquisition of mineral claims (Note 11).

(vi) On August 12, 2016, the Company closed a private placement consisting of 5,160,000 units at $0.25 per unit for gross proceeds of $1,290,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of $0.75 for a period of three years. The Company paid cash finder's fees of $7,650 and issued 30,600 finder's warrants which have the same terms as warrants issued in the financing.

(vii) On August 15, 2016, the Company issued 26,000 common shares pursuant to the exercise of incentive stock options at a price of $0.30 per share for net proceeds of $7,800.

(viii) On August 17, 2016, the Company issued 500,000 common shares pursuant to the exercise of incentive stock options at a price of $0.15 per share for net proceeds of $75,000.

(ix) On August 22, 2016, the Company issued 893,750 common shares pursuant to the exercise of warrants at a price of $0.30 per share and issued 100,000 common shares pursuant to the exercise of incentive stock options at a price of $0.25 per share for net proceeds of $293,125.

(x) On August 22, 2016, the Company issued 883,333 common shares pursuant to the exercise of warrants at a price of $0.30 per share for net proceeds of $265,000.

(xi) On August 29, 2016, the Company issued 150,000 common shares pursuant to the exercise of incentive stock options at a price of $0.15 per share for net proceeds of $22,500.

(xii) On August 31, 2016, the Company closed a private placement consisting of 5,708,824 units at $0.28 per unit for gross proceeds of $1,598,471. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of $0.50 for a period of three years. The Company paid cash finder's fees of $20,628 and issued 73,669 finder's warrants which have the same terms as warrants issued in the financing.

(xiii) On September 21, 2016, the Company completed a private placement of 1,500,000 units at a price of $0.40 per unit for gross proceeds of $600,000. Each unit consists of one flow-through common share and one half share purchase warrant. $420,000 was allocated to share capital

17. Share Capital (continued)

b) Transactions incurred during the fiscal year ended December 31, 2016 (continued)

based on the trading market price of the Company's share on the issuance date. $54,737 was allocated to contributed surplus based on the estimated fair value of the warrants issued and the remaining $125,263 was recorded as flow-through share premium (Note 14). The Company paid a commission of $61,000 and issued of an additional 90,000 warrants at a fair value of $13,241. Each warrant entitles the holder to purchase one additional common share on or before September 21, 2019 at a price of $0.40 per share. Each full warrant entitles the holder to purchase one additional non flow through common share on or before September 21, 2018 at a price of $0.75 per share.

(xiv) On September 27, 2016, the Company issued 25,000 shares pursuant to the exercise of warrants at a price of $0.25 per share for net proceeds of $6,250.

(xv) On October 31, 2016, the Company issued 4,220,000 Units at $0.10 per unit pursuant to the conversion of amount drawn down on the Credit Facilities. Each Unit is comprised of one common share and one share purchase warrant (Note 12).

(xvi) On November 24, 2016, the Company Issued 1,500,000 common shares pursuant to the acquisition of mineral claims (Note 11).

(xvii) The units issued under iii, iv, vi, xii, and xv above were issued at a price lower than the market trading price on their respective issuance date. Accordingly, $nil was allocated to contributed surplus as fair value for the warrants under the residual value method.

c) Transactions incurred during the fiscal year ended December 31, 2015

(i) On March 25, 2015 the Company issued 4,000,000 common shares at $0.10 per share pursuant to the acquisition of mineral properties (See Willa Deposit, Note 11).

(ii) On April 15, 2015 the Company issued 6,000,000 common shares at $0.15 per share pursuant to the acquisition of mineral properties (See Willa Deposit, Note 11).

(iii) On July 21, 2015 the Company issued 1,170,000 units at $0.10 per unit pursuant to the conversion of amount drawn down on the Convertible Credit Facilities. Each unit is comprised of one common share and one share purchase warrant. (Note 12).

(iv) On August 27, 2015 the Company issued 1,227,220 Units at $0.10 per unit pursuant to the conversion of amount drawn down on the Convertible Credit Facilities. Each unit is comprised of one common share and one share purchase warrant. (Note 12).

(v) On September 16, 2015 Company issued 1,062,500 common shares at $0.12 per share pursuant to the settlement of debt.

(vi) On October 5, 2015 the Company issued 3,000,000 units at $0.15 per unit pursuant to acquisition of the remaining 65% shares of FortyTwo Metals Inc. Each Unit is comprised of one common share and one share purchase warrant (Note 6).

(vii) On October 7, 2015 the Company issued 4,100,000 units at $0.10 per unit pursuant to the conversion of amount drawn down on the Convertible Credit Facilities. Each Unit is comprised of one common share and one share purchase warrant (Note 12).On December 11, 2015, the Company completed a private placement of 8,145,000 units at a price of $0.15 per unit for gross

Expressed in Canadian dollars

17. Share Capital (continued)

c) Transactions incurred during the fiscal year ended December 31, 2015 (continued)

proceeds of $1,221,750. Each unit consists of one common share and one share purchase warrant. The Company paid a finder's fee of $137,045.

(viii) On December 23, 2015, the Company completed a private placement of 3,250,000 Units at a price of $0.20 per Unit for gross proceeds of $650,000. Each Unit consists of one flow through common share and one half share purchase warrant. $487,500 was allocated to share capital based on the trading market price of the Company's share on the issuance date. $76,488 was allocated to contributed surplus based on the estimated fair value of the warrants issued and the remaining $86,052 was recorded as flow-through share premium (Note 16). The Company paid a commission of $30,000, disbursements of $7,500, and issuance of an additional 150,000 warrants at a fair value of $7,065. Each warrant entitles the holder to purchase one additional common share on or before December 11, 2020 at a price of $0.20 per share. Each full warrant entitles the holder to purchase one additional non flow-through common share on or before December 23, 2017 at a price of $0.30 per share.

The units issued under iii, iv, vi, and vii above were issued at a price lower than the market trading price on their respective issuance date. Accordingly, $nil was allocated to contributed surplus as fair value for the warrants under the residual value method.

d) Stock Options

The Company has a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option granted under the Plan is determined at the discretion of the Board. Options granted under the Plan generally expire no later than the fifth anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board.

A summary of stock option activities for the years is as follows:

	Number of options	**Weighted-average exercise price**
		$
December 31, 2014	6,081,999	0.25
Granted	3,300,000	0.15
Cancelled	(1,840,000)	0.17
Forfeited/expired	(250,000)	0.14
December 31, 2015	7,291,999	0.17
Granted	4,200,000	0.16
Exercised	(1,250,000)	0.16
Cancelled	(500,000)	0.15
Forfeited/expired	-	
December 31, 2016	9,741,999	0.16

Expressed in Canadian dollars

17. Share Capital (continued)

d) Stock Options (continued)

As at December 31, 2016, the Company has the following options outstanding and exercisable:

	Outstanding as at December 31, 2016			Exercisable as at December 31, 2016		
Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
$		$			$	
0.12	2,400,000	0.12	4.46	2,400,000	0.12	4.46
0.15	5,841,999	0.15	2.94	5,841,999	0.15	2.94
0.25	1,500,000	0.25	3.53	750,000	0.25	2.57
	9,741,999	0.16	3.41	8,991,999	0.15	3.31

The weighted average fair value of options granted during the year ended December 31, 2016 was $0.03 per option (2015: $0.07 per option) as estimated using the Black-Scholes option pricing model. The following weighted average assumptions used in the Black-Scholes model to determine the fair value of the options granted were as follows

	2016	2015
Risk-free interest rate	0.44% to 0.60%	0.39% to 1.07%
Dividend yield	-	-
Volatility	71% to 99%	81% to 104%
Expected life	0.7 to 1 year	0.6 to 5.0 years

For the year ended December 31, 2016 the Company recorded a total of share-based compensation expense of $247,612 (2015: $532,921) in the consolidated statement of operations and comprehensive loss.

Expressed in Canadian dollars

17. Share Capital (continued)

d) Warrants

A summary of warrant activities for the years is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, December 31, 2014	27,313,320	0.33
Expired	(5,065,740)	0.40
Issued	19,267,220	0.18
Issued as finder's fee	150,000	0.30
Balance, December 31, 2015	41,664,800	0.26
Exercised	(1,828,083)	0.30
Expired	-	-
Issued	51,116,497	0.29
Issued as finder's fee	194,269	0.49
Balance, December 31, 2016	91,147,483	0.28

As at December 31, 2016, the warrants outstanding and exercisable were as follows:

Number of Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)	Expiry Date
9,568,000	0.35	0.92	November 30, 2017
810,600	0.35	0.93	December 7, 2017
2,037,125	0.30	0.25	April 2, 2017
361,455	0.30	0.25	April 2, 2017
3,057,584	0.30	0.50	July 2, 2017
213,500	0.30	0.50	July 2, 2017
4,192,833	0.30	0.55	July 21, 2017
171,000	0.30	0.55	July 21, 2017
32,400	0.30	0.55	July 21, 2017
1,625,000	0.30	0.98	December 23, 2017
150,000	0.30	0.98	December 23, 2017
1,170,000	0.15	1.55	July 21, 2018
1,227,220	0.15	1.65	August 27, 2018
4,100,000	0.15	1.77	October 7, 2018
3,000,000	0.15	3.76	October 5, 2020
8,120,000	0.20	3.95	December 11, 2020
33,333,333	0.20	3.48	June 22, 2020

Expressed in Canadian dollars

17. Share Capital (continued)

Number of Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)	Expiry Date
(Continued)			
6,164,340	0.15	2.49	June 28, 2019
5,160,000	0.75	2.61	August 12, 2019
30,600	0.75	2.61	August 12, 2019
5,708,824	0.50	2.67	August 31, 2019
73,669	0.50	2.67	August 31, 2019
90,000	0.40	2.72	September 21, 2019
750,000	0.75	1.72	September 21, 2018
91,147,483	0.28	2.55	

18. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2016 and 2015:

		December 31 2016		December 31 2015
Net loss before tax	$	(5,147,790)	$	(3,206,542)
Statutory tax rate		26.00%		26.00%
Expected income tax expense (recovery)		(1,338,426)		(833,700)
Non-deductible items		34,610		737,698
Change in deferred tax asset not recognized		1,303,816		96,002
Total income tax expense (recovery)	$	-	$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at December 31, 2016 and 2015 are comprised of the following:

		December 31 2016		December 31 2015
Non-capital loss carryforwards	$	286,538	$	199,982
Property, plant and equipment		(286,538)		(80,851)
Investment in Forty Two Metals		-		(119,131)
	$	-	$	-

Expressed in Canadian dollars

18. Income Taxes (continued)

The unrecognized deductible temporary differences at December 31, 2016 and 2015 are as follows:

		December 31 2016		December 31 2015
Non-capital loss carryforwards	$	52,990,471	$	19,319,522
Exploration and evaluation assets		9,726,451		8,880,041
Decommissioning obligations		1,359,638		-
Lease obligations		788,767		-
Investment tax credits		599,360		599,360
Contingent liabilities on flow-through share		232,212		-
Financing costs		190,227		175,067
Cumulative eligible capital		84,740		84,740
Charitable donations		1,000		-
Property, plant and equipment		-		27,872,940
Total unrecognized deductible temporary differences	$	65,972,866	$	56,931,670

As at December 31, 2016, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $52,990,471 (2015: $19,319,522) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry		Total
2026		363,840
2028		73,590
2029		4,603,505
2030		5,965,332
2031		3,797,699
2032		764,021
2033		1,337,163
2034		30,146,251
2035		1,219,723
2036		4,719,347
Total	**$**	**52,990,471**

19. Financial Instruments

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Expressed in Canadian dollars

19. Financial Instruments (continued)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash and cash equivalents, restricted cash, due from related parties, reclamation bonds, accounts payable and accrued liabilities, lease obligations, credit facilities and due to related parties. The carrying amounts of cash and cash equivalents, restricted cash, due from related parties, reclamation bonds, and accounts payable and accrued liabilities, credit facilities and due to related parties approximate their fair values because of the short-term nature of these instruments. The carrying amount of lease obligations approximate its fair value as the interest rates applied to the lease is not considered to be materially different from market rates. The following table summarizes the carrying values of the Company's financial instruments:

	December 31, 2016	December 2015
	$	$
Financial assets at FVTPL (i)	2,109,976	1,256,669
Loans and receivables (ii)	730,600	756,733
Other financial liabilities (iii)	3,099,462	3,561,563

(i) Cash and cash equivalents, restricted cash
(ii) Due from related parties and reclamation bonds
(iii) accounts payable and accrued liabilities, credit facilities, lease obligations, and due to related parties

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

Cash and cash equivalents & Restricted cash	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
As at December 31, 2016	2,109,976	-	-	2,109,976
As at December 31, 2015	1,256,669	-	-	1,256,669

20. Financial Risk Management Objectives and Policies

The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents, restricted cash and reclamation bonds are subject to credit risk for a maximum of the amounts shown on the consolidated statements of financial position. The Company limits its exposure to credit risk on cash and cash equivalents and reclamation bonds by depositing only with reputable financial institutions.

Expressed in Canadian dollars

20. Financial Risk Management Objectives and Policies (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company maintaining sufficient cash on hand through debt or equity financing.

Significant commitments in years subsequent to December 31, 2016 are as follows:

	Carrying value	Contractual Cash flows	Within 1 year	1 - 5 Years
	$	$	$	$
Lease obligations	788,767	857,934	218,205	639,729
Accounts payable and accrued liabilities	2,054,608	2,054,608	2,054,608	-
Due to related parties	256,087	256,087	256,087	-
	3,099,462	3,168,629	2,528,900	639,729

c) Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's credit facilities bear a fixed interest rate; therefore, is not exposed to significant interest risk.

21. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, and/or dispose of assets. To meet these objectives the Company monitors its financial position on an ongoing basis.

The Company is dependent on the capital markets and debt as its source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There were no changes in the Company's approach to capital management during the year.

Expressed in Canadian dollars

22. Commitments

The Company's contractual obligations, not recorded on the balance sheet, at December 31, 2016, include:

	2017	2018	2019	2020 and later
	$	$	$	$
Operating leases	49,138	45,433	34,318	28,208
Management fees	120,000	70,000	-	-
	169,138	115,433	34,318	28,208

23. Legal Actions

In 2007, Gladiator Equipment Inc. ("Gladiator") took legal action against the Company, seeking rental and repair payments for a generator that was used on the Company's property for total amount of $34,272. The Company defended by making a statement that all required payments had been made and no liability was owing to Gladiator. The last legal step taken was an affidavit sworn in response to interrogatories delivered by Gladiator on May 20, 2009. No meaningful steps have been taken by both parties since then, leaving the litigation dormant. The Company believe the claim has no merit and no provision was recorded at December 31, 2016.

Finning International Inc. ("Finning") was claiming damages of $77,576 and accrued interest calculated in accordance with the agreed interest rate of 1.5% per month against the Company for failing to pay its parts and services account when due and owing. Judgment was granted in Finning's favour on March 1, 2013. The judgment amount of $77,567, plus pre-judgment interest in the amount of $16,933 and costs as Scale B were registered on title of the Company's properties on June 7, 2013. As at December 31, 2016, the judgment amount of $77,567 and interests in amount of $20,570 has not been paid and has been recorded as accounts payable.

A Notice of Claim dated December 11, 2012 was filed by United Rentals of Canada Inc. ("United Rentals") against the Company and numerous other defendants in the Nelson Registry of the BC Supreme Court whereby United Rentals seeks $26,841 for equipment rentals and other relief. Judgment was granted in United Rental's favour on June 1, 2015. The judgment amount of $26,841, plus pre-judgment interest in the amount of 24% per year from October 15, 2011 to the date of judgement and costs in the amount of $3,526 were registered on title of the Company's properties on June 11, 2015. As at December 31, 2016, the judgment amount of $26,841 and interests in amount of $22,494 has not been paid and has been recorded as accounts payable.

During the year ended December 31, 2016, the Company settled several small claims on its payable balances to various vendors and recorded a gain of $57,623 (2015: $208,004).

24. Supplemental Disclosure with Respect to Cash Flows

The significant non-cash transactions during the fiscal year ended December 31, 2016 were as follows:

a) 3,000,000 common shares issued for Willa Deposit at a fair value of $630,000.

b) 194,269 share purchase warrants issued as a finder's fee.

c) Unpaid exploration and evaluation assets of $69,360.

24. Supplemental Disclosure with Respect to Cash Flows (continued)

d) The Company acquired property, plant and equipment for total amount of $501,860 through finance lease.

The significant non-cash transactions during the fiscal year ended December 31, 2015 were as follows:

a) Issued for acquisition of 65% of shares of subsidiary, FortyTwo Metals Inc. (Note 6).

   (i) 3,000,000 common shares at a fair value of $450,000.

   (ii) 3,000,000 share purchase warrants at a fair value of $320,000.

b) 10,000,000 common shares for acquisition of Willa mineral property at a fair value of $1,300,000

c) 150,000 share purchase warrants issued as a finder's fee.

d) Unpaid exploration and evaluation assets of $107,557.

e) The Company acquired property, plant and equipment for total amount of $409,030 through finance lease.

25. Subsequent Events

a) Subsequent to December 31, 2016, the Company completed a private placement of 20,800,000 units at $0.125 per unit for $2,600,000. Each unit consists of one common share of the Company and one non-transferable common share purchase warrant, entitling the holder to purchase one share at $0.20 for three years from the closing date. The Company had $950,000 subscription received in advance prior to the year-end for this private placement.

b) Pursuant to a consulting services agreement dated October 20, 2016, the Company issued 1,148,562 common shares to a consultant as a finder's fee subsequent to December 31, 2016 in connection with the Company's earn-in of a 50% participating ownership interest and 45% net profit participating interest in the Magistral Project in Mexico.

c) Subsequent to December 31, 2016, the Company entered into a binding option agreement with American Metal Mining S.A. de C.V., whereby the Company will acquire 50% of the shares of a private Mexican corporation that holds a mineral project for a total payment of USD$1,525,000. The Company has paid USD$1,075,000 as of the date of the issue of these consolidated financial statements.

26. Comparative Figures

Prior year comparative figures in the consolidated statements of operations and comprehensive loss have been reclassified to conform to the current year's presentation.

a) Consulting fees of $290,999, professional fees of $239,139 and management and administration fees of $99,500, which were previously presented separately in the prior year consolidated financial statements, are now presented together as professional, management and consulting fees of $629,638.

26. Comparative Figures (continued)

b) Mine holding costs of $272,613, which were previously presented as one line item in the prior year consolidated financial statements, are now split by the nature of the expenses incurred, where $88,455 is included within insurance, office and miscellaneous, $119,874 is included as salaries and benefits, $16,466 is included as repair and maintenance, and $47,818 is included as fuel and freight costs.

c) Filing and transfer agent fees of $81,685, shareholder communications of $60,903, and investor relations of $50,900, which were previously presented separately in the prior year consolidated financial statements, are now presented together as investor relations and public company costs of $193,488.

d) Insurance of $17,907, travel and promotion of $13,805, and office and miscellaneous of $7,743, website maintenance of $6,150, which were previously presented separately in the prior year consolidated financial statements, together with $88,455 reclassified from mine holding costs, are now presented together as insurance, office and miscellaneous.