Copperbank Resources Corp.

Consolidated Financial Statements

December 31, 2016

Expressed in Canadian Dollars

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF COPPERBANK RESOURCES CORP.

We have audited the accompanying consolidated financial statements of Copperbank Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 24, 2017

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Copperbank Resources Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2016	December 31, 2015
		$	$
Assets			
Current assets			
Cash and cash equivalents		47,316	114,773
Other receivable	7	20,329	200,472
Prepaid expenses and deposits		9,251	98,165
		76,896	413,410
Note receivable	7	15,141	-
Reclamation deposit	5	2,685	2,768
Property and equipment	7	-	256
Resource properties	5	4,634,075	4,150,362
Total Assets		4,728,797	4,566,796
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		209,359	27,719
Due to related parties	6	26,231	24,418
		235,590	52,137
Shareholders' equity			
Share capital	4	13,519,605	12,931,471
Reserves		22,254,306	22,229,164
Deficit		(31,280,704)	(30,645,976)
		4,493,207	4,514,659
Total Liabilities and Shareholders' Equity		4,728,797	4,566,796

Approved and authorized for issuance by the Board of Directors on April 24, 2017

"Tony Ricci" — Director

"Gianni Kovacevic " — Director

See accompanying notes to the consolidated financial statements

Copperbank Resources Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

For the year ended December 31,	**Note**	**2016**	**2015**
		$	$
EXPENSES			
Amortization		256	313
Consulting and management fees	6	326,656	249,319
Conference		-	43,397
Mineral property maintenance	5b	46,848	-
Filing fees and shareholders communications		19,370	21,502
Insurance		3,282	8,565
Office and administration		14,554	45,022
Professional fees		25,990	44,754
Promotion, advertisement and shareholder relations		163,699	64,981
Rent	6	28,104	42,553
Share-based payments	4,6	36,122	173,287
Travel		66,243	33,188
		(731,124)	(726,881)
Gain on disposal of equipment previously written off	7	33,113	134,441
Gain on debt settlement	4	63,283	-
Impairment of resource properties	5	-	(8,529,857)
Interest and other income		-	3,489
		96,396	(8,391,927)
Net loss for the year		(634,728)	(9,118,808)
Items that maybe reclassified subsequently to profits or loss:			
Exchange gain (loss) on translating foreign operations		(10,980)	814,600
Comprehensive loss for the year		**(645,708)**	**(8,304,208)**
Loss per share, basic and diluted		**(0.00)**	**(0.07)**
Weighted average number of common shares outstanding		**140,069,359**	**131,177,525**

See accompanying notes to the consolidated financial statements

Copperbank Resources Corp.
Consolidated statements of changes in equity
(Expressed in Canadian dollars, except for the number of common shares)

	Common shares		Reserves					Total
	Number	**Amount**	**Warrants**	**Options**	**Other**	**Accumulated other comprehen-sive income**	**Deficit**	
		$	**$**	**$**	**$**	**$**	**$**	**$**
December 31, 2014	130,432,291	12,811,451	2,672,394	1,673	16,182,235	2,386,651	(21,528,841)	12,525,563
Option expiry	–	–	–	(1,673)	–	–	1,673	–
Share-based payments	–	–	–	173,287	–	–	–	173,287
Share issuance - warrant exercise	32	20	(3)	–	–	–	–	17
Shares issued for debt settlement	2,666,667	120,000	–	–	–	–	–	120,000
Exchange difference on translating foreign operation	–	–	–	–	–	814,600	–	814,600
Net loss for the year	–	–	–	–	–	–	(9,118,808)	(9,118,808)
Balance, December 31, 2015	**133,098,990**	**12,931,471**	**2,672,391**	**173,287**	**16,182,235**	**3,201,251**	**(30,645,976)**	**4,514,659**

December 31, 2015	133,098,990	12,931,471	2,672,391	173,287	16,182,235	3,201,251	(30,645,976)	4,514,659
Issuance of shares for cash	7,500,000	300,000	–	–	–	–	–	300,000
Issuance of shares for debt	3,328,340	153,134	–	–	–	–	–	153,134
Issuance of shares for resource property option payment	1,687,500	135,000	–	–	–	–	–	135,000
Shared-based payments	–	–	–	36,122	–	–	–	36,122
Exchange difference on translating foreign operation	–	–	–	–	–	(10,980)	–	(10,980)
Net loss for the year	–	–	–	–	–	–	(634,728)	(634,728)
Balance, December 31, 2016	**145,614,830**	**13,519,605**	**2,672,391**	**209,409**	**16,182,235**	**3,190,271**	**(31,280,704)**	**4,493,207**

See accompanying notes to the consolidated financial statements

Copperbank Resources Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31,	**2016**	**2015**
	$	$
Operating Activities		
Net loss for the year	(634,728)	(9,118,808)
Items not involving cash:		
Amortization	256	313
Gain on disposal of equipment previously written off	(33,113)	(134,441)
Share-based payments	36,122	173,287
Gain on debt settlement	(63,283)	–
Impairment of resources properties	–	8,529,857
Changes in non-cash working capital:		
Prepaid expenses and deposits	88,914	(45,391)
Receivable	(13,849)	7,878
Due from (to) related party	218,230	(19,082)
Accounts payable and accrued liabilities	(6,186)	69,441
Cash Used in Operating Activities	(407,637)	(536,946)
Financing Activities		
Shares issuance for cash	300,000	17
Cash Provided by Financing Activities	300,000	17
Investing Activities		
Refund of reclamation bond	-	38,618
Proceeds from sale of equipment, net	203,972	14,709
Expenditure on resource properties	(160,735)	(192,570)
Cash Provided by (Used in) Investing Activities	43,237	(139,243)
Effect of change in foreign currency	(3,057)	18,527
Net Decrease in Cash and cash equivalents	(67,457)	(657,645)
Cash and cash equivalents, Beginning of Year	114,773	772,418
Cash and cash equivalents, End of Year	**47,316**	**114,773**

See accompanying notes to the consolidated financial statements

SUPPLEMENTAL CASH FLOW INFORMATION (Note 11)

1. NATURE OF OPERATIONS AND GOING CONCERN

Copperbank Resources Corp. (the "Company" or "Copperbank") was incorporated on October 21, 2014 under the *Business Corporation Act* (British Columbia).

The Company's registered office is Suite 2080 - 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4. The Company's head office and principal address is located at Suite 2706 - 1011 West Cordova Street, Vancouver, British Columbia, V6B 0C2. The Company's shares are traded on the Canadian Securities Exchange ("CSE") under the symbol "CBK", and its principal business is the acquisition and development of mineral properties.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is a resource exploration stage company, which does not generate any revenue and has been relying on equity-based financing to fund its operations. At December 31, 2016, the Company has an accumulated deficit of $31,280,704 (2015 – $30,645,976) and recurring losses since inception. The Company will require additional financing either through equity or debt financing, sale of assets, joint venture arrangements or a combination thereof in order to meet its administrative costs and to continue to explore and develop its mineral properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. These conditions indicate the existence of material uncertainties that cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern is in significant doubt.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and maintain an adequate level of financial resources to discharge its ongoing obligations. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful, as it is dependent on prevailing capital market conditions and the availability of other financing opportunities.

2. STATEMENT OF COMPLIANCE

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies below have been applied consistently by the Company and its subsidiary for all periods presented.

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements incorporate the accounts of the Company and its wholly owned subsidiaries, Enexco International Inc. ("Enexco US") (Nevada), 1016079 B.C Ltd. (British Columbia) and Copperbank Resources Alaska Inc. (Alaska). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant estimates and judgments

Apart from making estimates and assumptions as described below, the Company's management makes critical judgments in the process of applying its accounting policies that have a significant effect on the amounts recognized in the Company's consolidated financial statements. The significant judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimation uncertainties, that have the most significant effect include, but are not limited to:

- The indicators of impairment of property and equipment and resource properties

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

  Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of resource properties may exceed its recoverable amount. The retention of regulatory permits and licenses; the Company's ability to obtain financing for exploration and development activities and its future plans on the resource properties; current and future metal prices; and market sentiment are all factors considered by the Company.

  In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined that it continues to be appropriately recorded, as there have been no obsolescence or physical damage to the assets and there are no indications that the value of the assets have declined more than what is expected from the passage of time or normal use.

- The determination of the Company and its subsidiaries' functional currency

  The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

- The recognition of deferred income tax assets and liabilities

  The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include:

- The provision for income taxes.
- The inputs used in the Black-Scholes option pricing model to calculate the fair value of options and warrants.
- The completeness of asset retirement and environmental obligations.
- The recoverable value of resource properties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant estimates and judgments (continued)

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. The calculation of diluted loss per share excludes the effects of conversion or exercise of options and warrants if they would be anti-dilutive.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities.

The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Fair value through profit or loss – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss. The Company designates its cash and cash equivalents as FVTPL assets.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company designates its other receivable and note receivable as loans and receivables.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net income (loss). The Company does not have any held-to-maturity financial assets.

Available-for-sale – These consist of non-derivative financial assets that are designated as available-for sale or are not suitable to be classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within twelve months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income (loss), except for impairment losses and foreign exchange gains and losses on monetary financial assets. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of significant or prolonged decline in value, the amount of the loss is removed from equity and recognized in net income (loss). The Company does not have any available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

FVTPL – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss. The Company does not have any FVTPL financial liabilities.

Other financial liabilities – This category includes non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the consolidated statement of comprehensive loss over the period to maturity using the effective interest method. The Company designates its accounts payable and accrued liabilities and due to related parties as other financial liabilities.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of Enexco International Inc. ("Enexco US") (Nevada) is the US dollar and the functional currency of Copperbank Resources Alaska Inc. (Alaska) and 1016079 B.C Ltd. (British Columbia) is the Canadian dollar.

<u>Transactions and balances:</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (continued)

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive loss.

Resource properties

Costs directly related to the exploration and evaluation of resource properties are capitalized once the legal rights to explore the resource properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Resource properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as resource property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of resource property.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets (the (CGU), where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use) to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (continued)

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

Non-monetary transactions

Shares issued for non-monetary consideration are valued at the fair value of the assets received or services rendered or the quoted market price at the date of issuance, whichever is determined to be the more reliable measure.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization, with amortization calculated on a declining-balance basis at the following annual rates: exploration equipment 30%; furniture and equipment 20%; and Vehicles 30%.

Additions during the year are amortized on a pro-rated basis. Amortization on property and equipment used directly on exploration projects is included in resource properties.

Unit issuance

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

Share-based payments

The Company has a stock option plan that is described in Note 4. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in option reserve is transferred to share capital. For those unexercised options that expire, the recorded value is transferred to deficit.

Cash equivalents

Cash equivalents consist of a cashable guaranteed investment certificate that is readily convertible into a known amount of cash.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for closure and reclamation

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

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

As at December 31, 2016, the Company has deposited $2,685 (US$2,000) with the Bureau of Land Management and the State of Nevada for the estimated reclamation cost of exploration permitted to date.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards issued but not yet adopted

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

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, and are effective for annual periods beginning on or after January 1, 2017 with earlier application is permitted.

Applicable to the Company's annual period beginning January 1, 2017.

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

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value, and are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.

Applicable to the Company's annual period beginning January 1, 2017.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards issued but not yet adopted (continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

Expressed in Canadian dollars

4. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

During the year ended December 31, 2016, the Company:

- Issued 7,500,000 common shares through a private placement at a price of $0.04 per share for gross proceeds of $300,000. No finder's fees were paid on the financing;
- Issued 3,328,340 common shares to the Company's officers for the settlement of $216,417 accounts payable. The fair value of these common shares was $153,134 and the Company recorded a gain for debt settlement of $63,283, accordingly; and
- Issued 1,687,500 to the optionor of the Company's Pyramid property for the settlement of accounts payable of $135,000.

During the year ended December 31, 2015, the Company:

- Issued 2,666,667 common shares at fair value of $0.045 per common share to settle $120,000 of consulting fees payable to the Company's Executive Chairman of the Board of Directors ($90,000) and the CEO ($30,000) (Note 6); and
- Issued 32 common shares from the exercise of 32 warrants for gross proceeds of $17.

c) Warrants

Warrants activity for the years ended December 31, 2016 and 2015 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2014	77,738,602	$ 0.49
Expired	(3,500,566)	$ 0.23
Exercised	(32)	$ 0.50
Outstanding and exercisable, December 31, 2016 and 2015	74,238,004	$ 0.50

As at December 31, 2016, 74,238,004 warrants outstanding have an exercise price of $0.50 per share and will expire October 20, 2019, and have a remaining life of 3.91 (2015 – 4.91) years.

d) Options

The Company has a "rolling" stock option plan (the "Plan") that allows the Company to grant options to its employees, directors, consultants and officers. Under the terms of the Plan, the exercise price of each option will not be lower than the lowest exercise price permitted by the applicable stock exchange. The Plan allows for a maximum of 10% of outstanding shares to be issued.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or officer, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of twelve months after the date of death and the expiration of the option period.

Expressed in Canadian dollars

4. SHARE CAPITAL (Continued)

d) Options (continued)

During the year ended December 31, 2016, the Company granted 500,000 stock options to a newly appointed director with an exercise price of $0.05 per option and an expiry date of April 11, 2021. These options vest immediately. There were no options exercised during the year. During the year ended December 31, 2015, the Company granted options to directors, consultants and officers. These option are vested 25% at the grant date and 25% each six months thereafter. The fair value of the options is valued using the Black-Scholes option pricing model using the assumptions listed in the following table for the years ended December 31, 2016 and 2015.

	2016	2015
Risk-free interest rate	0.69%	0.68%
Expected life of options	5 years	5 years
Annualized volatility	210%	190 %
Dividend rate	0.00%	0.00%

During the year ended December 31, 2016, the weighted average fair value of the options granted was $0.04 (2015 - $0.05) and the share-based payment incurred to account for the vested options is $36,122 (2015 - $173,287.)

Options activity for the years ended December 31, 2016 and 2015 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2014	7,883,867	$ 0.37
Expired	(7,883,867)	$0.37
Granted	4,950,000	$0.10
Cancelled/forfeited	(1,100,000)	$0.10
Outstanding, December 31, 2015	3,850,000	$0.10
Granted	500,000	$0.05
Outstanding, December 31, 2016	4,350,000	$0.09
Exercisable, December 31, 2016	4,100,000	$0.10

As at December 31, 2016 and 2015, the following stock options were outstanding:

		Number of Options	
Expiry Date	Exercise Price	**2016**	**2015**
February 5, 2020	$ 0.10	3,350,000	3,350,000
June 8, 2020	$ 0.10	500,000	500,000
April 11, 2021	$ 0.05	500,000	-

The remaining contractual life of the options as at December 31, 2016 was 3.27 (2015 – 4.15) years.

Expressed in Canadian dollars

5. RESOURCE PROPERTIES

	Pyramid	Contact	Other	Total
	$	$	$	$
Balance, December 31, 2014	4,001,208	7,442,877	254,635	11,698,720
Annual option fees	149,154	-	-	149,154
Annual renewal	-	43,416	-	43,416
Effect of change in foreign exchange	-	762,831	26,098	788,929
Provision for impairment	-	(8,249,124)	(280,733)	(8,529,857)
Balance, December 31, 2015	4,150,362	-	-	4,150,362
Annual option fees and maintenance of permits	483,713	-	-	483,713
Balance, December 31, 2016	4,634,075	-	-	4,634,075

a) Pyramid property, Alaska

The Company, through an amalgamation with Full Metal, acquired its interest in the Pyramid Project in 2014. Full Metal has an option agreement ("Pyramid Agreement") with The Aleut Corporation ("TAC"), an Alaska Regional Native Corporation for the acquisition of a 100% interest in subsurface mineral rights covering the Pyramid project. There were no changes of the terms of agreement since the year ended December 31, 2015.

The Company incurred $483,713 (2015 - $192,570) annual option fees for 2016. During 2016, the Company issued 1,687,500 common shares to TAC with the fair value of $135,000 (US$100,000) to extinguish a US$80,000 option payment in 2017 and US$20,000 incentive for TAC to take shares instead for the payment.

The commitment related to the Pyramid property is as follows:

1) Pay the following cash payments:

Date (on or before)	Amount (USD)$	
January 1, 2011	35,000	(paid)
January 1, 2012	40,000	(paid)
January 1, 2013	45,000	(paid)
January 1, 2014	50,000	(paid)
January 1, 2015	55,000	(paid)
January 1, 2016	60,000	(paid)
January 1, 2017	60,000	(shares issued in lieu of cash)
Total	345,000	

In addition to the cash payment above, the Company agrees that during the option period, the Company will pay US$20,000 per period noted above for the rights to use materials on the property.

Expressed in Canadian dollars

5. RESOURCE PROPERTIES (Continued)

a) Pyramid property, Alaska (continued)

2) Incur $4,500,000 of exploration expenditures by December 31, 2016.

Date	Annual expenditures (USD)$	
December 31, 2010	300,000	(incurred)
December 31, 2011	300,000	(incurred)
December 31, 2012	400,000	(incurred)
December 31, 2013	500,000	(incurred)
December 31, 2014	1,000,000	(incurred)
December 31, 2015	1,000,000	(incurred)
December 31, 2016	1,000,000	(incurred)
Total	4,500,000	

At any time prior to December 31, 2016, the Company may enter into a mining lease with TAC. Upon entry into the mining lease, the Company will make annual advanced royalty payments escalating from US$25,000 in the first year to US$400,000 on the sixteenth anniversary and subsequent years. In the event of the Company delivering a feasibility study, the Company will transfer 100,000 of its own common shares to TAC, subject to approval from the TSX Venture Exchange. Upon commencement of commercial production, the Company will pay a net smelter return (“NSR”) royalty to TAC of 2.5% for all commodities, except for gold and other precious metals. For gold and other precious metals, the Company will pay a sliding scale NSR royalty of 2% to 5% depending on the price of gold.

The Company has not entered into a mining lease with TAC as at December 31, 2016.

Option agreement with Antofagasta Minerals

On August 6, 2010, Full Metal entered into an option agreement with Antofagasta Minerals to explore the Pyramid property claims. Antofagasta Minerals can earn an initial 51% interest by fulfilling the following:

1) Pay a total of US$200,000 by August 20, 2014 (received); and
2) Incur a total of US$6,000,000 in exploration expenditures by August 20, 2014 (incurred).

During the year ended May 31, 2013, Antofagasta Minerals completed all required cash payments and exploration expenditures, and therefore earned a 51% interest in the Pyramid property. All exploration expenditures were incurred by the Company and subsequently reimbursed by Antofagasta Minerals. The schedule of Pyramid mineral property costs does not include these costs.

Antofagasta Minerals can further earn an additional 14% interest for a total aggregate 65% interest by preparing and delivering at its sole cost, a scoping study costing a minimum of US$4,000,000 in expenditures within two years of earning 51% initial interest. Antofagasta Minerals can then earn an additional 15% interest for a total aggregate 80% interest by funding at its sole cost a feasibility study on the Pyramid property project within two years after obtaining the additional 15% interest. Antofagasta Minerals is also required to reimburse the Company for certain of its obligations relating to the Aleut Agreement – Pyramid, the Shumagin Letter Agreement and the TDX Agreement (collectively, the “Property Agreements”).

5) RESOURCE PROPERTIES (Continued)

a) Pyramid property, Alaska (continued)

Reacquisition of Antofagasta Minerals' interest

On March 5, 2014 (the "Assignment Date"), Full Metal reacquired the 51% interest in the Pyramid property (the "Assignment Agreement") previously earned by Antofagasta Minerals under the 2010 option agreement discussed above. Total consideration is comprised of the following:

1) US$3,000,000 due on or before the fifth anniversary of the Assignment Date ("First Assignment Payment"); and
2) US$2,500,000 due upon completion of a positive, bankable feasibility study ("Second Assignment Payment").

i. Certain provisions in the Assignment Agreement, if triggered, would require the First Assignment Payment to become due and payable within 15 days after the occurrence of an accelerating event. The accelerating event is defined in the Assignment Agreement as not maintaining in good standing, one or all of, the Property Agreements, with the term "good standing" having a meaning as defined in each of the Property Agreements in regard to the terms and conditions of default.

ii. Shumagin Agreement – Pyramid Surface Rights:

On August 5, 2011, Full Metal and Shumagin Corporation, an Alaska Native Village Corporation, signed an agreement for a surface rights mining Exploration Agreement and Option to Lease in respect of the Pyramid property. The agreement terms include annual cash payments totaling US$290,000 through December 31, 2016 (US$70,000 paid, US$50,000 of which was paid by Antofagasta Minerals).

As at December 31, 2016, a payable of $107,416 (US$ 80,000) as such has been accrued. The Company has updated the agreement terms for surface rights.

iii. TDX Agreement – Pyramid Surface Rights:

On July 15, 2010, Full Metal and TDX Pyramid LLC ("TDX Pyramid"), an affiliate of an Alaska Native Village Corporation, signed an Exploration Agreement with Option to Lease covering surface lands at the Pyramid property. Under this agreement, the Company must make an initial option payment of US$15,000 (paid by Antofagasta Minerals) upon the effective date of the agreement, and annual cash payments totaling US$171,000 over seven years, of which US$52,000 has been paid from 2012 through 2014 (paid by Antofagasta Minerals). At any time prior to December 31, 2016, the Company may enter into a Lease Agreement with TDX Pyramid. On or before the effective date of the lease and then on or before each anniversary during the term of the lease until there is commercial production, the Company shall pay to TDX Pyramid an annual rental equal to 10% of the fair market value of the lease area.

The Company terminated the surface right agreement during 2016 with US$100,000 of which $40,000 was paid in fiscal 2016 and the remaining was paid in early 2017.

5. RESOURCE PROPERTIES (Continued)

b) Contact Property, Nevada

The Company owns a 100% interest in the Contact property located in Elko County, Nevada.

The Company has deposited $2,685 (2015 - $2,768) with the Bureau of Land Management, Nevada, for potential reclamation costs.

Due primarily to the Company's planned future activities on the Contact property, as at December 31, 2015, indicators of impairment existed leading to a test of recoverable amount of the Contact property, which resulted in an impairment loss of $8,249,124. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the property at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than $nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

c) Realization of assets

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are allowed to lapse.

d) Other properties

The Company has staked additional mineral exploration projects in Nevada and Idaho. The projects are at a grass-roots stage. As at December 31, 2015, the Company decided to terminate these projects, fully wrote-down these properties, and recorded an impairment loss of $280,733 (2014 - $Nil) determined in accordance with Level 3 of the fair value hierarchy.

e) Title to resource properties

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Expressed in Canadian dollars

5. RESOURCE PROPERTIES (Continued)

f) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

6. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Company incurred the following transactions with key management members and the directors of the Company:

	Nature	2016 $	2015 $
Key management	Rent	18,000	6,000
Key management	Consulting fees	252,000	172,667
Key management	Share-based payments	17,463	115,710
Directors other than key management	Share-based payments	16,253	32,390

Included in the Company's due to related party is an amount owing to key management members of $26,231 (2015 - $24,418). The amount payable to related party has the same terms as the Company's trade payable, which is unsecured and non-interesting-bearing.

7. PROPERTY AND EQUIPMENT

Cost	Exploration Equipment	Furniture and Equipment	Vehicles	Total
December 31, 2014	$ 478,038	$ 785	$ 29,745	$ 508,568
Disposals	(478,038)	-	(29,745)	(507,783)
December 31, 2015	-	785	-	785
Amortization	-	-	-	-
December 31, 2016	$ -	$ 785	$ -	$ 785

Accumulated Amortization	Exploration Equipment	Furniture and Equipment	Vehicles	Total
December 31, 2014	$ 430,234	$ 216	$ 17,356	$ 447,806
Additions	-	313	-	313
Disposals	(430,234)	-	(17,356)	(447,590)
December 31, 2015	-	529	-	529
Additions	-	256	-	256
December 31, 2016	$ -	$ 785	$ -	$ 785

Carrying Value	Exploration Equipment	Furniture and Equipment	Vehicles	Total
December 31, 2015	$ -	$ 256	$ -	$ 256
December 31, 2016	$ -	$ -	$ -	$ -

7. PROPERTY AND EQUIPMENT (Continued)

During the year ended December 31, 2016, the Company sold a vehicle for total proceeds of US$25,000 that were fully depreciated. The Company received US$10,000 cash, $1,000 rent credits and US$14,000 promissory note. The promissory note was paid through the issuance of a five-year note receivable bearing interest at 4% per annum for US$14,000, with blended monthly payments of $257.

As at December 31, 2016, the note receivable balance is $15,141. During the year ended December 31, 2016, $434 in interest related to the note receivable was paid.

During the year ended December 31, 2015, the Company sold various exploration equipment and vehicles. As a result, the Company had a gain of $134,441 (proceeds of $14,709) arising from disposition of the properties and equipment. As at December 31, 2015, the Company had a receivable of $186,840 in connection with these dispositions.

8. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company will depend on additional debt/equity financing to pay for administrative costs and exploration expenditures in the future. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

Expressed in Canadian dollars

9. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the statutory income tax rate of 26% (2015 - 26%) to income before income taxes. The reasons for the differences are as follows:

	2016 $	2015 $
Loss before income tax	(634,728)	(9,118,808)
Statutory income tax rate	26%	26%
	(165,029)	(2,370,890)
Items not deductible for tax purposes	9,392	45,055
Change in timing differences	39,716	(1,313,110)
Unrecognized tax benefits	115,921	3,638,945
Total income taxes	-	-

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2016 and 2015 are presented below:

	2016	2015
Deferred income tax assets		
Non-capital losses	$ 519,333 $	$ 28,923
Deferred income tax liability		
Property and equipment	-	(28,923)
Resource properties	(519,333)	-
Net deferred income tax liabilities	$ - $	$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets have been met.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2016	2015
Resource properties	$ 16,208,740	$ 22,321,654
Non-capital losses	8,550,491	12,531,251
Property and equipment	488	43,780
Share issuance cost	89,912	134,869
Capital losses	41,845	7,281
Unrecognized deductible temporary differences	$ 24,891,476	$ 35,038,835

As at December 31, 2016, the Company has US non-capital losses of approximately $7.2 million that may be applied to reduce future US taxable income. The Company also has Canadian non-capital losses of approximately $3.3 million that may be applied to reduce future Canadian taxable income expiring in 2036.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to a number of financial and market risks, including credit, interest rate, liquidity and commodity risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities. There was no change in the management of the financial risks compared to the prior year.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents. The Company mitigates its exposure to credit loss associated with cash and cash equivalents by placing its cash and cash equivalents in a major financial institution. As at December 31, 2016, the Company had cash equivalents of $2,300 in term deposits (2015 - $2,300).

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts, which are available on demand. The Company manages its liquidity risk mainly through raising funds from private placements and amounts from related parties.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

At December 31, 2016, the Company had cash and cash equivalents of $47,316 (2015 - $114,773) available to apply against short-term business requirements and current liabilities of $235,590 (2015 - $52,137). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of year-end.

Commodity risk

The Company is subject to commodity price risk arising from the fluctuation of metal price beyond the Company's control. The Company may have difficulties to identify and acquire economically viable projects for the Company to invest in if metal prices are depressed in an extended period.

Interest rate risk

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As of December 31, 2016 and 2015, the Company has no interest-bearing debt with long-term maturities, and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.

Expressed in Canadian dollars

10. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2016 and 2015, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	2016	2015
Cash	US$ 1,964	US$ 36,966
Other receivables	11,856	135,000
Accounts payable and accrued liabilities	-	(2,556)
Due to related party	-	-
	US$ 13,820	US$ 169,410
Canadian dollar equivalent	$ 18,556	$ 234,464

A 5% (2015 - 5%) change in the US dollar against the Canadian dollar at December 31, 2016 would result in a change of approximately $927 (2015 - $11,723) in comprehensive loss.

Fair value

Financial assets and liabilities that are recognized on the statement of financial position at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are: Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company does not have financial instruments measured at fair value.

The Company's financial instruments consists of cash and cash equivalents, other receivable (net of GST receivable), accounts payable and accrued liabilities, and due to related parties. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

Expressed in Canadian dollars

11. SUPPLEMENTAL CASH FLOW INFORMATION

	2016	2015
Non-cash transactions during the year:		
Common shares issued for resource property's option payments	$ 135,000	$ -
Common shares issued for debt settlement	$ 153,134	$ -
Resource properties included in accounts payable and accrued liabilities	$ 187,978	$ -
Resource properties included in prepaid expenses and deposit	$ -	$ 79,470
Equipment proceeds included in accounts receivable	$ -	$ 186,840
Collection of receivable related to disposition of equipment	$ 203,972	$ 10,500
Due to related parties settled by disposition of equipment	$ -	$ 10,500

12. EVENTS AFTER THE REPORTING DATE

In February 2017:

a) The Company issued an unsecured convertible loan in the amount of $400,000 with the Company's CEO. The loan can be converted into common shares of the Company at $0.08 per share within two years at the option of the lender.

b) The Company issued 500,000 common shares to the Company's CEO and 400,000 common shares to a consultant for a settlement of accounts payable of $50,000 and $40,000, respectively.

c) The Company granted 6,650,000 incentive stock options with an exercise price of $0.10 per share to officers, directors, consultants and advisors. These options can be exercised for a period of five years from the date of grant, are subject to the policies of the CSE and contain vesting provisions whereby 25% of the options vest six months from date of grant and 25% every six months thereafter.