ATAC Resources Ltd.
Financial Statements
December 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ATAC Resources Ltd.

We have audited the accompanying consolidated financial statements of ATAC Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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, these consolidated financial statements present fairly, in all material respects, the financial position of ATAC Resources Ltd. 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

March 29, 2017

A member of Nexia International

ATAC Resources Ltd.
Consolidated Statements of Financial Position
As at December 31, 2016 and 2015

	Note	**December 31, 2016**	December 31, 2015
		$	$
Assets			
Current assets			
Cash and cash equivalents	3	14,628,414	15,938,120
Receivables and prepayments	4	74,365	106,380
Marketable securities	5	1,469,165	59,302
		16,171,944	16,103,802
Non-current assets			
Marketable securities	5	1	1
Prepaid exploration expenditures		5,670	6,416
Mineral property interests	7	96,985,836	93,280,105
		96,991,507	93,286,522
Total assets		**113,163,451**	109,390,324
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		103,521	98,468
Accounts payable to related parties	10	105,144	52,545
Flow-through share premium liability	14	31,395	-
		240,060	151,013
Non-current liabilities			
Deferred income tax liability	11	12,722,993	11,901,575
Total liabilities		**12,963,053**	12,052,588
Shareholders' equity			
Share capital	8	116,011,508	113,055,372
Contributed surplus	8	4,853,086	15,609,330
Deficit		(20,664,196)	(31,326,966)
Total shareholders' equity		**100,200,398**	97,337,736
Total liabilities and shareholders' equity		**113,163,451**	109,390,324
Nature of operations and going concern	1		
Commitment	14		

Approved on behalf of the Board of Directors on March 29, 2017:

"Bruce J. Kenway" **Director** *"Glenn R. Yeadon"* **Director**

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

ATAC Resources Ltd.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2016 and 2015

	Number of shares	Share capital	Contributed surplus	Deficit	Total shareholders' equity
	#	$	$	$	$
January 1, 2015	117,794,577	113,055,372	16,033,105	(30,774,935)	98,313,542
Share-based payments	-	-	815,386	-	815,386
Re-allocated on expiry of options	-	-	(1,220,046)	1,220,046	-
Re-allocated on cancellation of options	-	-	(19,115)	19,115	-
Loss and comprehensive loss for the year	-	-	-	(1,791,192)	(1,791,192)
December 31, 2015	117,794,577	113,055,372	15,609,330	(31,326,966)	97,337,736
January 1, 2016	117,794,577	113,055,372	15,609,330	(31,326,966)	97,337,736
Share-based payments	-	-	577,909	-	577,909
Re-allocated on expiry of options	-	-	(6,987,325)	6,987,325	-
Re-allocated on cancellation of options	-	-	(4,338,600)	4,338,600	-
Re-allocated on exercise of options		8,228	(8,228)	-	-
Exercise of options	27,500	8,525	-	-	8,525
Private placement shares issued	5,000,000	3,250,000	-	-	3,250,000
Premium on flow-through shares issued	-	(150,000)	-	-	(150,000)
Share issue costs	-	(160,617)	-	-	(160,617)
Loss and comprehensive loss for the year	-	-	-	(663,155)	(663,155)
December 31, 2016	**122,822,077**	**116,011,508**	**4,853,086**	**(20,664,196)**	**100,200,398**

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

ATAC Resources Ltd.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2016 and 2015

	Note	**December 31, 2016**	December 31, 2015
Expenses		**$**	$
Accounting, audit and legal	10	125,132	108,668
Consulting fees	10	42,000	42,000
Flow-through taxes	14	-	10,900
General administrative expenses		73,087	38,014
Insurance		45,286	45,252
Investor relations and shareholder information		112,045	129,337
Management, administration and corporate development fees	10	340,937	420,061
Office rent	10	42,000	42,000
Property examination costs	10	361	116,640
Salaries and benefits	10	79,001	-
Share-based payments	8	577,909	815,386
Transfer agent and filing fees		18,525	28,304
Net loss from operating expenses		**(1,456,283)**	(1,796,562)
Interest income		142,512	210,417
Gain on disposition of mineral property interests	7	1,674,999	-
Loss on marketable securities	5	(265,137)	(25,897)
Income (loss) for the year before income taxes		**96,091**	(1,612,042)
Deferred income tax expense	11	(759,246)	(179,150)
Loss and comprehensive loss for the year		**(663,155)**	(1,791,192)
Loss per share			
Weighted average number of common shares outstanding			
- Basic #	**9**	**121,137,077**	117,794,577
- Diluted #	**9**	**121,137,077**	117,794,577
Basic loss per share $	**9**	**(0.00)**	(0.02)
Diluted loss per share $	**9**	**(0.00)**	(0.02)

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

ATAC Resources Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015

	Note	**December 31, 2016**	December 31, 2015
		$	$
Operating activities			
Loss and comprehensive loss for the year		(663,155)	(1,791,192)
Adjustments for:			
Share-based payments		577,909	815,386
Gain on disposition of mineral property interests		(1,674,999)	-
Loss on marketable securities		265,137	25,897
Interest income		(142,512)	(210,417)
Deferred income tax expense		759,246	179,150
Net change in non-cash working capital items	12	11,547	8,000
		(866,827)	(973,176)
Financing activities			
Issue of common shares for cash		3,258,525	-
Share issue costs		(217,050)	-
		3,041,475	-
Investing activities			
Interest received		142,512	210,417
Mineral property acquisition costs		(217,898)	(119,101)
Prepaid exploration expenditures		(15,492)	(5,397)
Deferred exploration and evaluation expenditures		(3,393,476)	(3,599,357)
		(3,484,354)	(3,513,438)
Decrease in cash and cash equivalents		**(1,309,706)**	(4,486,614)
Cash and cash equivalents, beginning of year		**15,938,120**	20,424,734
Cash and cash equivalents, end of year		**14,628,414**	15,938,120

Supplemental cash flow information 12

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

1. Nature of operations and going concern

ATAC Resources Ltd. (the "Company" or "ATAC") was incorporated under the laws of the Province of British Columbia, Canada. Head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. Its main business activity is the acquisition, exploration and evaluation of mineral property interests located in Canada. The consolidated financial statements ("financial statements") of the Company as at December 31, 2016 and December 31, 2015 and for the years then ended comprise the Company and its subsidiaries. Its common shares trade on the TSX Venture Exchange ("TSX-V").

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition of the mineral property interests.

These financial statements are prepared on the basis that the Company will continue as 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 operations. As an exploration stage company, the Company does not have revenues and historically has recurring operating losses. As at December 31, 2016, the Company had working capital of $15,931,884 (December 31, 2015 - $15,952,789) and shareholders' equity of $100,200,398 (December 31, 2015 - $97,337,736). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements, it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently by the Company and its subsidiaries.

All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

Effective January 1, 2016 the Company's operating expenses are being further detailed in the body of the Consolidated Statement of Loss and Comprehensive Loss. Administrative and management fees, insurance expense, office rent, and transfer agent and filing fees, that were previously included in office and administration expense, are now shown as separate line items. Investor relations fees have been removed from investor relations expense and are included with the administrative and management fees under the new heading "management, administrative and corporate development fees". Investor relations has been renamed – "investor relations and shareholder information". The new presentation provides greater detail and presents the various operating fees as a single amount separate from non-fee expenses. The comparative figures for the year ended December 31, 2015 have been restated to reflect the new presentation.

2. Significant accounting policies (continued)

(b) Principles of consolidation

These financial statements include the financial statements of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Company, and are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. When applicable, the financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Company has an obligation, or has made payments on behalf of the investee. The Company has no associates requiring equity accounting.

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. When applicable, the financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation and its share of any revenues and expenses from the joint operation.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment, to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Financial instruments

The Company classifies its financial instruments in the following categories: as FVTPL, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

(i) Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at FVTPL and loans and receivables.

A financial asset is classified as FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. On initial recognition material transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

The Company's marketable securities are classified as FVTPL. Marketable securities held in companies with an active market are classified as current assets at fair value. Marketable securities held in non-public companies without an active market are classified as non-current assets and are valued at fair value. In situations where fair value is indeterminable or impracticable to determine, the shares are recorded at cost. This may occur when non-public company shares are received as payment for mineral property interests. In such situations cost is determined by reference to the issue price of similar shares issued by the non-public entity for cash, at or near the time of issue of the investment shares, and in similar volumes. When, at future measurement dates fair value is still indeterminable, or impracticable, cost is used as the measure of fair value. When there is evidence of impairment the shares are written-down to expected realizable value.

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial assets

Warrants are classified as derivative financial assets and are recorded at FVTPL. Warrants without an active market that are received as attachments to common share units are initially recorded at nominal amounts. At the time of purchase the total unit cost is allocated in full to each common share. Subsequent value is determined at measurement date using a valuation technique, such as the Black-Scholes option pricing model, or when the valuation technique input variables are not reliable, using the intrinsic value, which is equal to the higher of the market value of the underlying security, less the exercise price of the warrant, or zero. The Company does not own warrants as at December 31, 2016.

(iii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(d) Mineral property interests

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Mineral property interests that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements.

2. Significant accounting policies (continued)

(d) Mineral property interests (continued)

Proceeds received from a partial sale or option of any interest in a property are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the year the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the year the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned or inactive for a prolonged period, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds estimated reserves, an impairment provision is recorded.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset could be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(ii) Non-financial assets

Non-financial assets are reviewed quarterly by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed in note 2(d) above.

2. Significant accounting policies (continued)

(f) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from contributed surplus.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

(g) Flow-through share private placements

As an incentive to complete private placements the Company may issue common shares, which by agreement are designated as flow-through shares. Such agreements require the Company to spend the funds from these placements on qualified exploration expenditures and renounce the expenditures and income tax benefits to the flow-through shareholders, resulting in no exploration deductions for tax purposes to the Company.

The shares are usually issued at a premium to the trading value of the Company's common shares. The premium is a reflection of the value of the income tax benefits that the Company must pass on to the flow-through shareholders. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability.

The deferred income tax liability and reversal of the flow-through share premium liability are recorded on a pro-rata basis as the required exploration expenditures are completed.

(h) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed from contributed surplus and credited to deficit.

2. Significant accounting policies (continued)

(i) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted at each reporting date for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged to profit or loss as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interests.

(j) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(k) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, which calculation proved to be anti-dilutive.

2. Significant accounting policies (continued)

(l) Use of estimates and critical judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) Option or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.

(ii) Recorded costs of flow-through share premium liabilities reflect the premium received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainly and requires the Company to assess the value of non-flow through shares. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.

(iii) The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

Judgments

(i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting date, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

(m) Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2017. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

Tentatively effective for annual periods beginning on or after January 1, 2018

• New standard IFRS 9 *Financial Instruments*

IFRS 9 adds new requirements for impairment of financial assets and makes changes to the classification and measurement of financial instruments. When complete, IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*

The Company has initially assessed that there will be no material reporting changes as a result of adopting the new standard, however, there may be enhanced disclosure requirements.

3. Cash and cash equivalents

Cash and cash equivalents consists of the following:

	December 31, 2016	December 31, 2015
	$	$
Bank and broker balances	2,691,927	227,504
Cashable investment certificates	11,936,487	15,710,616
	14,628,414	15,938,120

4. Receivables and prepayments

Receivables and prepayments consists of the following:

	December 31, 2016	December 31, 2015
	$	$
Sales tax recoverable	21,152	18,564
Yukon mineral exploration grant receivable	6,144	31,968
Prepaid expenses	47,069	55,848
	74,365	106,380

5. Marketable securities

Marketable securities consist of various common shares received on the option of mineral property interests as follows:

	Shares with an active market	**Shares without an active market**	**Warrants**	**Total**	**Total loss**
	$	**$**	**$**	**$**	**$**
Cost					
January 1, 2015	491,834	10,000	-	501,834	
Additions/disposals	-	-	-	-	
December 31, 2015	491,834	10,000	-	501,834	
Fair value					
January 1, 2015	85,199	1	-	85,200	
Unrealized loss	(25,897)	-	-	(25,897)	(25,897)
December 31, 2015	59,302	1	-	59,303	(25,897)
Cost					
January 1, 2016	491,834	10,000	-	501,834	
Additions	1,200,000	-	475,000	1,675,000	
December 31, 2016	1,691,834	10,000	475,000	2,176,834	
Fair value					
January 1, 2016	59,302	1	-	59,303	
Additions	1,200,000	-	475,000	1,675,000	
Unrealized loss	(163,475)	-	(101,662)	(265,137)	(265,137)
December 31, 2016	**1,095,827**	**1**	**373,338**	**1,469,166**	**(265,137)**

5. Marketable securities (continued)

The valuation of the shares with an active market has been determined in whole by reference to the bid price of the shares on the TSX-V or Toronto Stock Exchange ("TSX") at each year end date.

The shares without an active market are private company shares received as payment on optioned mineral property interests. The shares were written-down in 2008 to a carrying value of $1, as no active market existed or exists, and no value can be determined.

See note 7(b) for details of shares and warrants received on the sale of mineral property interests. The warrants received do not trade on an active market and were valued on receipt and at the year end using the Black-Scholes pricing model.

6. Subsidiary information

On July 14, 2010 two wholly-owned subsidiary companies, 0885802 B.C. Ltd. and 0885794 B.C. Ltd. were incorporated under the laws of the Province of British Columbia, Canada to facilitate the possible transfer to them of certain of the Company's mineral property interests. From incorporation to December 31, 2016, neither of the subsidiaries have had any transactions other than to issue nominal $1 share capital to the Company.

7. Mineral property interests

The Company's mineral property interests consist of various exploration stage properties located in the Yukon Territory, Canada. The properties have been grouped into those which are wholly-owned and those which are royalty or other interests. Properties which are in close proximity and could be developed as a single economic unit are grouped into projects.

	Wholly-owned	**Other interests**	**Total**
	$	**$**	**$**
January 1, 2015	89,583,690	1	89,583,691
Acquisitions/staking/assessments	119,101	-	119,101
Exploration and evaluation	3,577,313	-	3,577,313
December 31, 2015	**93,280,104**	**1**	**93,280,105**
January 1, 2016	93,280,104	1	93,280,105
Acquisitions/staking/assessments	217,898	-	217,898
Exploration and evaluation	3,487,834	-	3,487,834
Proceeds on disposition	-	(1,675,000)	(1,675,000)
Gain on disposition	-	1,674,999	1,674,999
December 31, 2016	**96,985,836**	**-**	**96,985,836**

7. Mineral property interests (continued)

Changes in the project carrying amounts for the years ended December 31, 2015 and December 31, 2016 are summarized as follows:

Year ended December 31, 2015

	January 1, 2015 $	Acquisitions / staking / assessments $	Exploration and evaluation $	December 31, 2015 $
Wholly-owned projects				
Rackla Gold				
- Nadaleen	57,739,231	97,030	1,683,385	59,519,646
- Rau	31,837,181	-	1,792,392	33,629,573
	89,576,412	**97,030**	**3,475,777**	**93,149,219**
Connaught	1	21,099	73,880	94,980
Idaho Creek	680	-	16,600	17,280
Panorama	4,082	972	11,056	16,110
Rosy	2,515	-	-	2,515
Total	**89,583,690**	**119,101**	**3,577,313**	**93,280,104**
Other interests				
Dawson Gold	1	-	-	1
Total all projects	**89,583,691**	**119,101**	**3,577,313**	**93,280,105**

Exploration and evaluation expenditures on the projects consisted of the following:

Year ended December 31, 2015	Nadaleen $	Rau $	Others $	Total $
Assays	75,662	126,437	34,895	236,994
Drilling	318,322	463,263	-	781,585
Field	313,708	251,298	12,772	577,778
Helicopter and fixed wing	368,862	302,314	-	671,176
Labour	525,540	444,382	58,234	1,028,156
Resource, engineering and environmental studies	-	121,663	-	121,663
Survey and consulting	10,440	32,475	25,933	68,848
Travel and accommodation	70,851	50,560	1,670	123,081
	1,683,385	1,792,392	133,504	3,609,281
Less: Yukon mineral exploration grant	-	-	(31,968)	(31,968)
Total	**1,683,385**	**1,792,392**	**101,536**	**3,577,313**

7. Mineral property interests (continued)

Year ended December 31, 2016	January 1, 2016 $	Acquisitions / staking / assessments $	Exploration and evaluation $	Option proceeds $	Gain on disposition $	December 31, 2016 $
Wholly-owned projects						
Rackla Gold						
- Nadaleen	59,519,646	158,809	2,164,768	-	-	61,843,223
- Rau	33,629,573	-	1,298,320	-	-	34,927,893
	93,149,219	**158,809**	**3,463,088**	**-**	**-**	**96,771,116**
Connaught	94,980	-	11,289	-	-	106,269
Idaho Creek	17,280	1,597	613	-	-	19,490
Panorama	16,110	-	-	-	-	16,110
Rosy	2,515	57,492	12,844	-	-	72,851
Total	**93,280,104**	**217,898**	**3,487,834**	**-**	**-**	**96,985,836**
Other interests						
Dawson Gold	1	-	-	(1,675,000)	1,674,999	-
Total all projects	**93,280,105**	**217,898**	**3,487,834**	**(1,675,000)**	**1,674,999**	**96,985,836**

Exploration and evaluation expenditures on the projects consisted of the following:

Year ended December 31, 2016	Nadaleen $	Rau $	Others $	Total $
Assays	97,948	96,259	3,473	197,680
Drilling	536,946	64,283	-	601,229
Field	245,830	146,011	2,175	394,016
Helicopter and fixed wing	538,534	176,204	4,898	719,636
Labour	564,385	408,236	19,443	992,064
Resource, engineering and environmental studies	2,386	338,733	-	341,119
Survey and consulting	102,365	32,420	-	134,785
Travel and accommodation	76,374	36,174	900	113,448
	2,164,768	1,298,320	30,889	3,493,977
Less: Yukon mineral exploration grant	-	-	(6,143)	(6,143)
Total	**2,164,768**	**1,298,320**	**24,746**	**3,487,834**

7. Mineral property interests (continued)

(a) Wholly-owned projects

The Company's wholly owned projects are comprised of the rights to explore various mineral claims located in the Yukon Territory, which are at various stages of exploration. They are not subject to any option or sale agreements, except as noted below.

(i) Rackla Gold project

The Rackla Gold project consists of a 100% interest in the Rau (ACX, AT, BT, EX, GF, Gam, PH, Q, R, Rau, RR, S, T and WH mineral claims), Jam, Mouse, Sten (Dale, EN, IS, OS, ST, and Sten mineral claims) and Stoked (HO, Rae and Stoked mineral claims) mineral properties located in the Mayo Mining District, Yukon Territory.

Cash and common shares totaling $165,600 have been received under previous option agreements.

(ii) Connaught project

The Connaught project consists of a 100% interest in the CN, NC and OM mineral claims located in the Dawson Mining District, Yukon Territory.

Cash and common shares totaling $252,500 were received in 2009 for a 50% sale of the project, which was repurchased in 2012 by issuing common shares having a value of $182,250.

(iii) Idaho Creek project

The Idaho Creek project consists of a 100% interest in the Idaho mineral claims located in the Whitehorse Mining District, Yukon Territory.

Cash and common shares totaling $269,413 have been received under previous option agreements.

(iv) Panorama project

The Panorama project consists of a 100% interest in the Aussie mineral claims located in the Dawson Mining District, Yukon Territory. The claims are subject to a 3% net smelter return royalty ("NSR") on all commercial production from the claims.

Cash and common shares totaling $328,400 have been received under previous option agreements.

(v) Rosy project

The Rosy project consists of a 100% interest in the Rosy mineral claims and Sam mineral claims located in the Whitehorse Mining District, Yukon Territory. The Company incurred $57,492 in staking costs and $1,635 in exploration expenditures in 2016 on the Sam mineral claims.

The Company has been approved to receive financial assistance from the Yukon Government on its Rosy claims, which will reimburse the Company for one-half of its 2016 qualified exploration expenditures on the claims, to a maximum of $6,143. The Company has accrued the maximum amount of $6,143, which has been recorded as a reduction of current year exploration expenditures.

Cash and common shares totaling $167,000 have been received under previous option agreements.

7. Mineral property interests (continued)

(b) Other interests

Joint exploration property - Dawson Gold project

The Dawson Gold project consisted of a 50% interest in the DM and Nit mineral claims located in the Dawson and Whitehorse Mining Districts, Yukon Territory, and the GG, SH and TL mineral claims located in the Dawson Mining District, Yukon Territory.

The other 50% interest was sold to Arcus Development Group Inc. ("Arcus"), under an option agreement which completed in 2012. Under the agreement the Company received $185,000 and 1,000,000 Arcus common shares, and Arcus completed a $3,500,000 exploration program.

By an agreement dated August 2, 2016, the Company sold its 50% interest in the Dawson Gold project to Arcus. Under the agreement the Company received 10,869,910 common shares and 5,000,000 share purchase warrants of Arcus, resulting in the Company owning 15.7% of the outstanding common shares, or 18.5% on a fully diluted basis as at December 31, 2016. The share purchase warrants permit the Company to purchase an additional 5,000,000 common shares of Arcus at a price of $0.20 per share for a five-year period ending August 19, 2021. The warrants cannot be exercised if it results in the Company owning more than 20% of Arcus. The Company retains a 1% NSR in the properties.

On closing, the Arcus common shares had a value of $1,200,000 and the warrants had a value of $475,000 using the Black-Scholes pricing model, resulting in a gain of $1,674,999.

Royalty interests

The Company has a 1% NSR on the Golden Revenue, Nitro, Seymour and Dawson Gold properties located in the Dawson and Whitehorse Mining District, Yukon Territory.

8. Share capital

The authorized share capital of the Company consists of unlimited common shares without par value, and unlimited Class "A" preferred shares with a par value of $1.00 each. All issued shares are fully paid.

Transactions for the issue of share capital during the year ended December 31, 2016:

(a) On April 22, 2016, the Company completed a flow-through brokered private placement consisting of the issue of 5,000,000 common shares at a price of $0.65 each for gross proceeds of $3,250,000. The flow-through shares were issued at a premium to the trading value of the Company's common shares, which is a reflection of the value of the income tax write-offs that the Company will renounce to the flow-through shareholders. The premium was determined to be $150,000 and has been recorded as a reduction of share capital. An equivalent flow-through share premium liability was recorded which is being reversed pro-rata as the required exploration expenditures are completed (see note 14).

The Underwriters were paid commissions and expenses of $194,300, and legal and filing fees amounted to $22,750. The total share issue costs of $217,050, net of deferred tax benefits of $56,433 have been shown as a reduction of share capital.

(b) The Company issued 27,500 common shares on the exercise of options for proceeds of $8,525. In addition, $8,228 representing the fair value of the options on initial vesting was re-allocated from contributed surplus to share capital.

Transactions for the issue of share capital during the year ended December 31, 2015:

There were no transactions for the issue of share capital during the year ended December 31, 2015.

8. Share capital (continued)

Common share rights

The Company has a "Rights Plan" under which one right is issued for each issued and outstanding common share of the Company. Each right entitles the holder to purchase from the Company one common share at a price equal to one-half the market price for each common share of the Company, subject to certain anti-dilutive adjustments. The rights are exercisable only if the Company receives an unacceptable take-over bid as defined in the rights agreement. The original Rights Plan was replaced with a new Rights Plan at the June 2014 annual shareholders' meeting and will remain in effect until the annual shareholders' meeting in 2017. As at December 31, 2016, there were 122,822,077 rights outstanding (December 31, 2015 – 117,794,577).

Stock options

The Company has an incentive stock option plan (the "Plan"), under which the maximum number of stock options issued cannot exceed 10% of the Company's currently issued and outstanding common shares. The exercise period for any options granted under the Plan cannot exceed ten years. The exercise price of options granted under the Plan cannot be less than the "discounted market price" of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less a discount of from 15% to 25%), unless otherwise agreed to by the Company and accepted by the TSX-V.

A participant who is not a consultant conducting investor relations activities, who is granted an option under the plan with exercise prices at or above "Market Price" will have their options vest immediately, unless otherwise determined by the Board of Directors. A participant who is granted an option under the plan with exercise prices below "Market Price" will become vested with the right to exercise one-sixth of the option upon conclusion of every three months subsequent to the grant date. A participant who is a consultant conducting investor relations activities who is granted options under the plan will become vested with the right to exercise one-quarter of the options upon conclusion of every three months subsequent to the grant date.

A summary of the status of the Company's stock options as at December 31, 2016 and December 31, 2015 and changes during the years then ended is as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of year	9,197,000	1.62	8,557,000	1.77
Granted	2,720,000	0.35	1,800,000	0.75
Exercised	(27,500)	0.31	-	-
Expired/cancelled	(3,389,500)	2.54	(1,160,000)	1.40
Options outstanding, end of year	**8,500,000**	**0.85**	9,197,000	**1.62**

8. Share capital (continued)

Stock options (continued)

As at December 31, 2016, the Company has stock options outstanding and exercisable as follows:

	Options outstanding #	Options exercisable #	Exercise price $	Expiry date
(1)	1,840,000	1,840,000	1.80	January 29, 2018
(2)	2,195,000	2,195,000	0.75	February 3, 2019
(3)	1,800,000	1,800,000	0.75	January 23, 2020
	2,415,000	1,811,250	0.31	January 21, 2021
	250,000	125,000	0.76	June 7, 2021
	8,500,000	**7,771,250**		

(1) 10,000 of these options were subsequently cancelled.
(2) 40,000 of these options were subsequently cancelled.
(3) 40,000 of these options were subsequently cancelled.

The following table summarizes information about the stock options outstanding at December 31, 2016:

Range of prices $	Options #	Weighted average remaining life years	Weighted average exercise price $
0.31	2,415,000	4.06	0.31
0.75 - 0.76	4,245,000	2.64	0.75
1.80	1,840,000	1.08	1.80
	8,500,000	**2.71**	**0.85**

During the year ended December 31, 2016, 2,720,000 stock options (2015 – 1,800,000) were granted to Officers, Directors, related company employees and consultants. The Company has recorded the fair value of all options granted during the years using the Black-Scholes option pricing model. Share-based payment costs were calculated using the following weighted average assumptions: expected life of options - five years (2015 - five years), stock price volatility – 75.90% (2015 - 87.51%), no dividend yield (2015 - nil), and a risk-free interest rate yield – 0.70% (2015 - 0.79%). The fair value is particularly impacted by the Company's stock price volatility, determined using data from the previous five years.

Using the above assumptions, the fair value of options granted during the year ended December 31, 2016, was $0.21 per option (2015 - $0.44), for a total of $583,089 (2015 - $795,965). The total share-based payment expense for the year ended December 31, 2016 was $577,909 (2015 - $815,386), which is presented as an operating expense, and includes only options that vested during the years.

During the year ended December 31, 2016, 1,185,000 options exercisable at $1.80 per option (2015 - 1,030,000 at $1.40 per option and 100,000 at $1.49 per option), expired unexercised. As a result, the original stock based compensation of $6,987,325 (2015 - $1,220,046) has been reversed from contributed surplus and credited to deficit.

During the year ended December 31, 2016, 2,204,500 stock options (2015 – 30,000), were cancelled. As a result, the original stock based compensation of $4,338,600 (2015 - $19,115) has been reversed from contributed surplus and credited to deficit.

8. Share capital (continued)

Warrants

As an incentive to complete private placements the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at December 31, 2016 and December 31, 2015 and changes during the years then ended is as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
	#	$	#	$
Warrants outstanding, beginning of year	-	-	1,890,720	2.70
Expired	-	-	(1,890,720)	2.70
Warrants outstanding, end of year	**-**	**-**	-	-

Contributed surplus

Contributed surplus includes the accumulated fair value of stock options recognized as share-based payments and the fair value of finders' warrants issued on private placements. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants expire, or are exercised or cancelled.

9. Loss per share

The calculation of basic and diluted loss per share for year ended December 31, 2016 was based on the loss attributable to common shareholders of $663,155 (2015 - $1,791,192) and a weighted average number of common shares outstanding of 121,137,077 (2015 – 117,794,577).

All stock options were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

10. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the years ended December 31, 2016 or December 31, 2015.

As of September 1, 2016, Graham Downs, the CEO began receiving a salary of $18,750 per month directly from the Company. He was previously employed by Archer, Cathro & Associates (1981) Limited ("Archer Cathro") which charged the Company for his monthly services. All other key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

10. Related party payables and transactions (continued)

During the year ended December 31, 2016, 1,650,000 stock options (2015 - 975,000) were granted to key management personnel and Directors having a fair value on issue of $380,905 (2015 - $431,148). Of the new options, 1,400,000 are exercisable at $0.31 each until January 21, 2021 and vest over a one-year period ending January 21, 2017. The other 250,000 options are exercisable at $0.76 each until June 7, 2021 and vest over a one-year period ending June 7, 2017.

During the year ended December 31, 2016, 1,245,000 management personnel and Director stock options (2015 – nil), exercisable at $3.00 each until March 23, 2017, having a fair value on issue of $2,490,000, were surrendered and cancelled.

The Company transacted with the following related parties:

(a) Archer Cathro is a geological consulting firm that is a related party through its management contracts, which confer significant influence over operations. Charges are for property location, acquisition, exploration, management, accounting and office rent and administration. The charges by Archer Cathro include the services of Graham Downs until August 31, 2016. The charges by Archer Cathro also include the services of Julia Lane, who is the Vice President of Exploration, and a minority shareholder of Archer Cathro.

(b) Glenn Yeadon is a Director and the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp."), which provides the Company with legal services.

(c) Larry Donaldson is the Company's CFO. He is a partner of Donaldson Grassi, Chartered Professional Accountants, a firm in which he has significant influence. Donaldson Grassi provides the Company with accounting and tax services.

(d) Douglas Goss is a Director and the Company's Chairman of the Board. He controls Douglas O. Goss Professional Corporation ("D. Goss Corporation"), which provides consulting services to the Company.

(e) Ian Talbot is the Company's COO. He provides the Company with management services.

(f) Robert Carne is a Company Director. He controls Carvest Holdings Ltd. ("Carvest"), which provides geological consulting services to the Company.

(g) Helmut Wober was a Company Director. He provided the Company with engineering services as requested.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Transactions year ended December 31, 2016 $	Transactions year ended December 31, 2015 $	**Balances outstanding December 31, 2016 $**	Balances outstanding December 31, 2015 $
Archer, Cathro				
- geological services	1,243,011	1,387,379	66,103	-
- office and administration	401,593	405,750	19,613	30,780
	1,644,604	1,793,129	85,716	30,780
Carvest Holdings Ltd. (1)	24,805	72,125	-	-
Yeadon Law Corp.	50,972	30,516	2,767	3,334
Donaldson Grassi	40,400	39,400	10,000	12,000
Graham Downs	79,001	-	-	-
D. Goss Corporation	42,000	42,000	3,675	3,675
Ian Talbot	40,688	40,469	2,986	2,756
Helmut Wober - engineering	-	2,320	-	-
	1,922,470	2,019,959	**105,144**	52,545

(1) Includes geological services of $21,470 (2015 - $51,970) and other services of $3,335 (2015 - $20,155).

All related party balances are unsecured and are due within thirty days without interest.

10. Related party payables and transactions (continued)

The transactions with the key management personnel and Directors are included in operating expenses as follows:

(b) Accounting, audit and legal
- Includes the legal services of the Company's Secretary, Glenn Yeadon, charged to the Company by Yeadon Law Corporation.
- Includes the accounting services of Company's CFO, Larry Donaldson, charged to the Company by Donaldson Grassi.

(c) Consulting fees
- Includes only the consulting fees paid to Director, Douglas Goss, charged to the Company by D. Goss Corporation.

(d) Management, administration and corporate development fees
- Includes the services of Company's President and CEO, Graham Downs, which were charged to the Company by Archer Cathro to August 31, 2016.
- Includes the services of Company's COO, Ian Talbot.
- Includes the administrative services of Director, Robert Carne, charged to the Company by Carvest Holding Ltd.
- Includes charges by Archer Cathro for administrative and investor relations personnel.

(e) Salaries and benefits
- Includes only the salaries and benefits of the Company's President and CEO, Graham Downs, effective from September 1, 2016.

(f) Rent
- Charged by Archer Cathro

(g) Property Examination Costs
- Includes charges by Archer Cathro for exploration personnel.

11. Income Taxes

Income tax expense for the years ended December 31, 2016 and 2015 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	December 31, 2016	December 31, 2015
	$	$
Income (loss) before income taxes	96,091	(1,612,042)
Statutory Canadian corporate tax rate	26.0%	26.0%
Anticipated income tax (expense) recovery	(24,984)	419,131
Change in tax resulting from:		
Unrecognized items for tax purposes	(184,724)	(215,370)
Tax benefits renounced on flow-through expenditures	(549,538)	(382,911)
Net deferred income tax expense	**(759,246)**	(179,150)

11. Income Taxes (continued)

The significant components of the Company's deferred income tax liability are as follows:

	December 31, 2016	December 31, 2015
	$	$
Unrealized losses on marketable securities	91,997	57,529
Mineral property interests	(16,365,271)	(15,457,741)
Unclaimed investment tax credits	872,395	872,395
Non-capital loss carry forwards	2,529,454	2,429,792
Capital loss carry forwards	42,697	42,697
Share issue costs	105,735	153,753
Net deferred income tax liability	**(12,722,993)**	(11,901,575)

As at December 31, 2016 the Company has non-capital loss carry forwards of approximately $9,729,000 of which $7,000 will expire in 2028, $471,000 in 2029, $1,175,000 in 2030, $1,666,000 in 2031 and $6,410,000 thereafter.

As at December 31, 2016 the Company has unused capital losses of $328,437, which have no expiry date and can only be used to reduce future income from capital gains.

As at December 31, 2016 the Company has unclaimed resource and other deductions in the amount of $34,042,489 (December 31, 2015 - $33,827,255), which may be deducted against future taxable income.

As at December 31, 2016 there are share issue costs totaling $406,673 (December 31, 2015 - $591,362), which have not been claimed for income tax purposes.

As at December 31, 2016 the Company has unused investment tax credits totaling $1,178,912, (December 31, 2015 - $1,178,912), which have not been claimed for income tax purposes. $957,999 of the tax credits expire in 2032 and $220,913 in 2033.

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

12. Supplemental cash flow information

Changes in non-cash operating working capital during the years ended December 31, 2016 and December 31, 2015 were comprised of the following:

	December 31, 2016	December 31, 2015
	$	$
Receivables and prepayments	6,191	14,896
Accounts payable and accrued liabilities	18,861	(6,220)
Accounts payable to related parties	(13,505)	(676)
Net change	**11,547**	8,000

12. Supplemental cash flow information (continued)

The Company incurred non-cash financing and investing activities during the years ended December 31, 2016 and December 31, 2015 as follows:

	December 31, 2016 $	December 31, 2015 $
Non-cash financing activity:		
Share capital reduced by flow-through share premium	**(150,000)**	-
Non-cash investing activities:		
Marketable securities acquired on sale of mineral property interests	(1,675,000)	-
Mineral property sale proceeds received by marketable securities	1,675,000	-
Deferred exploration expenditures included in accounts payable and related party payables	114,998	52,883
Deferred exploration expenditures included in Yukon mineral exploration grant receivable	(6,143)	(31,968)
	108,855	20,915

During the year ended December 31, 2016 and December 31, 2015 no amounts were paid for interest or income tax expenses.

13. Financial risk management

Capital management

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at December 31, 2016 is comprised of shareholders' equity of $100,200,398 (December 31, 2015 - $97,337,736).

The Company currently has no source of revenues. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional financing from equity markets.

Financial instruments - fair value

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, accounts payable and accrued liabilities, and accounts payable to related parties.

The carrying value of accounts payable and accrued liabilities and accounts payable to related parties approximated their fair value because of the short-term nature of these instruments.

13. Financial risk management (continued)

Financial instruments - fair value (continued)

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

	Level 1	Level 2	Level 3	Total
	$	$	$	$
December 31, 2016				
Cash and cash equivalents	14,628,414	-	-	14,628,414
Marketable securities	1,095,827	373,338	1	1,469,166
	15,724,241	**373,338**	**1**	**16,097,580**
December 31, 2015				
Cash and cash equivalents	15,938,120	-	-	15,938,120
Marketable securities	59,302	-	1	59,303
	15,997,422	-	1	15,997,423

Financial instruments- risk

The Company's financial instruments can be exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and market and currency risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash and cash equivalents. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal accounts receivable exposure, and its various refundable credits are due from Canadian governments.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable feature of its cash equivalents. For the year ended December 31, 2016 every 1% fluctuation in interest rates up or down would have impacted income (loss) for the year, up or down, by approximately $139,000 (2015 - $168,000) before income taxes.

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

(d) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the December 31, 2016 value of marketable securities every 10% increase or decrease in the share prices of these companies would have impacted income (loss) for the year, up or down, by approximately $147,000 (2015 - $6,000) before income taxes.

14. Commitment

On April 22, 2016 the Company completed a private placement of flow-through shares for gross proceeds of $3,250,000 (see note 8(a)). A flow-through share premium liability of $150,000 was recorded on the issue. The Company must spend the funds on qualified exploration programs no later than December 31, 2017, and renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2016. This will increase the timing differences between the book value of the Company's mineral property interests and the carrying value for tax purposes resulting in a deferred income tax liability which will be recorded as the flow-through funds are expended. Approximately $2,570,000 of the funds have been spent as at December 31, 2016, which increased the Company's deferred income tax liability by $668,143, reduced the flow-through share premium liability pro-rata by $118,605, and increased deferred income tax expense by $549,538.

Under the look-back rules permitted by Canadian tax authorities the Company has until December 31, 2017 to spend the remaining $680,000 flow-through funds. Any funds spent after February 1, 2017 will be charged a floating rate interest tax, which is currently set at 1% per annum. Flow-through interest taxes paid in 2015 amounted to $10,900.