GOLDREACH RESOURCES

Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years Ended March 31, 2017 and 2016

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gold Reach Resources Ltd.,

We have audited the accompanying consolidated financial statements of Gold Reach Resources Ltd., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of comprehensive loss, cash flows, and changes in equity for the year 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gold Reach Resources Ltd. as at March 31, 2017 and 2016 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred significant losses since inception and is also dependent upon its ability to secure new sources of financing to fund on-going operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

CHARTERED PROFESSIONAL ACCOUNTANTS

De Visser Gray LLP

Vancouver, Canada
July 28, 2017

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)
For the Years Ended March 31, 2017 and 2016

	As at March 31, 2017	As at March 31, 2016
ASSETS		
Current		
Cash and cash equivalents	$ 246,554	$ 216,485
GST receivable	4,255	9,690
Other receivable (Note 6)	11,185	68,272
Prepaid expenses	23,434	33,225
Total Current Assets	285,428	327,672
Exploration and evaluation costs (Notes 5 and 6)	21,467,905	21,392,173
Equipment and camp buildings (Note 7)	70,957	122,753
Total Non-Current Assets	21,538,862	21,514,926
Total Assets	$ 21,824,290	$ 21,842,598
LIABILITIES		
Current		
Trade and other payables (Note 8)	$ 130,971	$ 265,544
Total Current Liabilities	130,971	265,544
Settlement payable (Note 9)	110,000	-
Deferred income tax liability (Note 14)	458,000	622,000
Total Non-Current Liabilities	568,000	622,000
Total Liabilities	698,971	887,544
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	34,382,068	33,684,393
Contributed surplus (Note 10)	4,546,661	4,286,857
Deficit	(17,803,410)	(17,016,196)
Total Shareholders' Equity	21,125,319	20,955,054
Total Liabilities and Shareholders' Equity	$ 21,824,290	$ 21,842,598

Corporate information and going concern (Note 1)

Signed on behalf of the Board by:

"Shane Ebert" Director
"Jim Pettit" Director

See accompanying notes to the consolidated financial statements

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(expressed in Canadian dollars)
For the Years Ended March 31, 2017 and 2016

	For the Years Ended March 31,	
	2017	**2016**
EXPENSES		
Amortization	$ 51,796	$ 63,087
Investor relations	44,060	218,468
Management and administration fees (Note 9)	325,915	706,316
Office	38,971	53,357
Professional fees	150,274	169,132
Rent	44,671	41,412
Share-based payments (Note 9)	255,804	191,260
Transfer agent and filing fees	20,989	22,604
Travel and promotion	20,469	136,063
	(952,949)	(1,601,699)
OTHER INCOME:		
Investment income	1,735	12,484
Tax recovery	-	109,948
Part XII.6 tax recovery	-	16,279
LOSS BEFORE INCOME TAXES	(951,214)	(1,462,988)
INCOME TAX RECOVERY (Note 14)	164,000	378,000
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ (787,214)	$ (1,084,988)
LOSS PER SHARE - BASIC	$ (0.02)	$ (0.03)
LOSS PER SHARE - DILUTED	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	45,485,264	39,575,012

See accompanying notes to the consolidated financial statements.

GOLD REACH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)
For the Years Ended March 31, 2017 and 2016

	For the years Ended March 31, 2017	2016
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	$ (787,214)	$ (1,084,988)
Items not affecting cash:		
Share-based payments	255,804	191,260
Amortization	51,796	63,087
Deferred income taxes	(164,000)	(378,000)
	(643,614)	(1,208,641)
Changes in non-cash working capital items:		
Taxes receivable	5,435	4,166
Other receivables	57,087	-
Prepaid expenses	9,791	(21,399)
Trade and other payables	(134,573)	197,030
Settlement payable	110,000	-
Cash used in operating activities	(595,874)	(1,028,844)
INVESTING ACTIVITIES		
Exploration and evaluation costs	(86,917)	(493,916)
BC mining exploration tax credits	11,185	335,712
Acquisition of equipment	-	(5,334)
Cash used in investing activities	(75,732)	(163,538)
FINANCING ACTIVITIES		
Proceeds from share issuance	719,250	966,380
Share issue costs	(17,575)	(21,928)
Cash provided by financing activities	701,675	944,452
NET DECREASE IN CASH	30,069	(247,930)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	216,485	464,415
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 246,554	$ 216,485

See accompanying notes to the consolidated financial statements

GOLD REACH RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in Canadian dollars)

For the Years Ended March 31, 2017 and 2016

	Number of Shares		Capital Stock		Contributed Surplus		Deficit		Total Equity
Balance, April 1, 2016	42,134,374	$	33,684,393	$	4,286,857	$	(17,016,196)	$	20,955,054
Issued for cash – non-flow through shares	4,666,666		700,000		-		-		700,000
Exercise of stock options	175,000		19,250		-		-		19,250
Share issue costs	-		(21,575)		4,000		-		(17,575)
Stock based compensation	-		-		255,804		-		255,804
Net loss and comprehensive loss for the period	-		-		-		(787,214)		(787,214)
Balance, March 31, 2017	46,976,040	$	34,382,068	$	4,546,661	$	(17,803,410)	$	21,125,319
Balance, April 1, 2015	36,585,090	$	32,652,855	$	4,095,597	$	(15,931,208)	$	20,817,244
Issued for cash – non-flow through shares	2,050,000		512,500		-		-		512,500
Issued for cash – non-flow through shares	2,669,884		453,880		-		-		453,880
Issued for debt	829,400		87,086		-		-		87,086
Share issue costs	-		(21,928)		-		-		(21,928)
Stock based compensation	-		-		191,260		-		191,260
Net loss and comprehensive loss for the period	-		-		-		(1,084,988)		(1,084,988)
Balance, March 31, 2016	42,134,374	$	33,684,393	$	4,286,857	$	(17,016,196)	$	20,955,054

See accompanying notes to consolidated financial statements

1. CORPORATE INFORMATION AND GOING CONCERN

The Company is engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the mineral properties and the discovery, development and sale of ore reserves.

The Company was incorporated under the Business Corporations Act of British Columbia by Certificate of Incorporation dated November 29, 1965. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol GRV-V, as a Tier 2 mining issuer.

The address of the Company's corporate office and principal place of business is Suite 888 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1G5.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. However, there are currently material uncertainties in respect to these assumptions which cast significant doubt as to the Company's ability to continue as a going concern. The Company has incurred losses since inception, has no recurring source of revenue and has an accumulated deficit of $17,803,410 at March 31, 2017. The Company will need to raise sufficient funds in order to finance ongoing exploration, development and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The audited annual consolidated financial statements of the Company for the year ending March 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on July 28, 2017.

2. BASIS OF PREPARATION (continued)

(b) Basis of Presentation and Measurement

These consolidated financial statements have been prepared on a historical cost basis and include the accounts of the Company and its wholly-owned subsidiary, Ootsa Ventures Ltd. All material intercompany accounts and transactions have been eliminated.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiary's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements unless otherwise indicated.

(a) Cash and cash equivalents

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restrictions or penalties, and all short-term highly-liquid investments with original maturities to the holder of three months or less, and which can be converted into known amounts of cash.

(b) Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Exploration and Evaluation Expenditures (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation costs for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation costs are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

The Company may qualify for refundable tax credits based on qualifying exploration work incurred. Such amounts are accrued as receivable when they can be readily estimated, with such recoveries offsetting the exploration costs incurred.

(c) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation costs are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income/expense in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Equipment (continued)

Depreciation

The Company provides for depreciation using the following method and annual rates:

Office equipment	declining balance method	30%
Camp vehicles and equipment	declining balance method	20-30%
Camp buildings/septic	5 year straight line	20%
Bridge	10 year straight line	10%

Additions during the year are depreciated at one-half the annual rate. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(f) Share-based Payment Transactions

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Share-based Payment Transactions (continued)

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(g) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss/income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income Taxes (continued)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) Basic and Diluted Loss per Share:

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Potentially dilutive common shares related to warrants and options outstanding totaling 11,695,972 at March 31, 2017 (March 31, 2016 – 9,687,125) were not included in the computation of diluted loss per share because their effect was anti-dilutive.

(i) Financial Instruments

<u>Financial Assets</u>

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired as either financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, held to maturity investments (“HTM”), or available for sale financial assets (“AFS”), as appropriate. There are no financial assets designated as FVTPL, HTM or AFS.

All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for loans and receivables is as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade and other payables. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

The Company has classified its financial instruments as follows:

- Cash and cash equivalents and other receivables are classified as loans and receivables.
- Trade and other payables are classified as other liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

<u>Flow-through Shares</u>

The Company will from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes this liability and recognizes this premium as other income, offsetting any deferred expense associated with the Company's expenditure of the flow-through proceeds.

<u>Valuation of equity units issued in private placements</u>

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 most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement were determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the related amount is reclassified as share capital.

If the warrants are issued as share issuance costs, the fair value will be recorded as contributed surplus using the Black-Scholes option pricing model. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in contributed surplus.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) New standards, interpretations and amendments

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements:

- IFRS 9 Financial Instruments

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

- IFRS 16 Leases

  IFRS 16 Leases is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. This standard has a proposed effective date of January 1, 2019. The Company is a lessee in respect of its office lease and this new standard will apply. However, the Company's leasing activity is incidental to its operations and the associated costs, and differences in their treatment arising under the new standard, are minor. Accordingly, the Company has determined that the adoption of this new standard will have a minor but not significant effect on its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss/income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Costs

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Title to Mineral Property Interests

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.

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

c) British Columbia Mining Exploration Tax Credits ("BCMETC") Claim

The Company has calculated the amount of the BCMETC claim as receivable on the assumption that the Company will receive the full BCMETC claim similar to refunds claimed and received in previous years. The Company anticipates the receipt of a refund for the BCMETC claim in the upcoming year and considers the entire amount collectible.

5. RECLAMATION BONDS

Included in Mineral Exploration and Evaluation Costs as at March 31, 2017, is the Company's aggregate of reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of $169,900 (March 31, 2016 - $169,900).

The bonds cover the future site restoration costs with respect to the Seel and Ox Lake Claims, collectively known as the Ootsa Property. All or part of the $169,900 can be recovered subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

The bonds have not been discounted from their future value because the Company estimates the bonds may be settled within two years and the discounting cost being considered immaterial. The Company believes that the amount of the bonds includes sufficient risk premium.

6. MINERAL PROPERTIES

Ootsa Property

As at March 31, 2017, the Company owned a 100% interest in the Ootsa Property, located in central British Columbia, comprised of 123 mineral claims totalling 72,691.2 hectares.

Details of this property interest are as follows:

- 14 claims totalling 575 hectares, known as the Ox claims, are subject to a 2% Net Smelter Returns ("NSR") royalty. The purchase agreement with the vendor, Silver Standard Resources Inc., ("Silver") entitles the Company to purchase 50% of the 2% NSR from Silver at any time by the payment to Silver of $500,000. The Company may purchase the remaining 1% NSR at any time by payment to Silver of an additional $1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.

- There are four claims totalling 3,028 hectares, known as the Seel claims, which are subject to a 1% NSR. The Company is entitled at any time to purchase 50% of this 1% NSR for $1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.

- Two additional claims known as the Swing claims (the "Captain Mine") totalling 384 hectares, purchased in March 2014, are subject to a 2% NSR. The purchase agreement with the vendor entitles the Company to purchase 50% of the 2% NSR from the vendor at any time by the payment to the vendor of $500,000 or the Company may purchase the entire 2% NSR at any time by payment to the vendor of $1,000,000.

- The Troitsa Peak claim totalling 211 hectares purchased in December 2014 is subject to a 1% NSR, half of which can be bought back at any time by the Company for $500,000.

- During the year ended March 31, 2016 the Company staked an additional four claims totalling 306 hectares.

- On July 22, 2016, the Company staked an additional two claims totalling 76.79 hectares.

- On August 5, 2016, the Company purchased one claim for the total consideration of $3,000 adding to the Troitsa Peak claims a total of 76.79 hectares.

- The Company now owns mineral rights to 72,691.2 hectares comprised of 123 claims. Of these claims, 104 (70,676 hectares) have had sufficient exploration work completed to remain valid until July 2, 2025, while 19 claims (2,015 hectares) expire on November 2, 2019.

6. MINERAL PROPERTIES (continued)

Auro Property

In March 2012, the Company sold all of the Company's mineral interests known as the Auro and Auro South properties ("Properties") to New Gold Inc. Under the terms of the purchase agreement, the Company retains a 2% NSR.

British Columbia Mineral Tax Credits ("BCMETC")

Certain qualified exploration costs incurred by the Company entitles it for refundable tax credits as part of an exploration incentive plan offered by the Province of British Columbia. In April 2016 the Company filed a BCMETC claim with the Canada Revenue Agency seeking $68,272 in qualified refundable tax credits for the year ended March 31, 2016. The Company accrued $68,272 at March 31, 2016 and collected the full amount during August 2016. In July 2017, the Company filed a BCMETC claim with the Canada Revenue Agency seeking $11,185 in qualified refundable tax credits for the year ended March 31, 2017. The Company has accrued $11,185 at March 31, 2017, as it considers the entire amount to be collectable.

(expressed in Canadian dollars)

6. MINERAL PROPERTIES (continued)

Expenditures on mineral property acquisition and deferred exploration and development costs in relation to the Ootsa Property are as follows:

	For the year ended March 31, 2017	2016
Property acquisition costs:		
Balance, beginning of the year	$ 1,147,036	$ 1,145,566
Cash costs	3,134	1,470
Balance, end of the year	1,150,170	1,147,036
Deferred exploration and evaluation costs:		
Balance, beginning of the year	20,245,137	19,856,675
Incurred during the year:		
Barge	700	180
Preliminary economic assessment	-	263,075
Geology	6,750	199,335
Consulting fees – First Nations	40,000	10,000
Field costs	6,979	2,094
Travel	7,772	2,611
Assaying	13,496	916
Camp costs	5,008	11,615
Fuel	78	389
Insurance	-	515
Exploration tax credit recovery	(11,185)	(103,984)
Wages and related expenses	3,000	1,716
Total expenditures during the year	72,598	388,462
Balance, end of the year	20,317,735	20,245,137
Total deferred costs, end of the year	$ 21,467,905	$ 21,392,173

(expressed in Canadian dollars)

7. EQUIPMENT AND CAMP BUILDINGS

	Office Equipment	Camp Vehicles and Equipment	Camp Buildings/ Septic	Bridge	Total
Cost					
Balance at March 31, 2015	$ 36,190	$ 122,575	$ 178,838	$ 32,855	$ 370,458
Additions	5,334	-	-	-	5,334
Disposals	-	-	-	-	-
Balance at March 31, 2016	$ 41,524	$ 122,575	$ 178,838	$ 32,855	$ 375,792
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at March 31, 2017	$ 41,524	$ 122,575	$ 178,838	$ 32,855	$ 375,792
Depreciation and impairment					
	$ 19,855	$ 76,631	$ 85,252	$ 8,214	$ 189,952
Additions	11,483	12,552	35,767	3,285	63,087
Disposals	-	-	-	-	-
Balance at March 31, 2016	$ 31,338	$ 89,183	$ 121,019	$ 11,499	$ 253,039
Additions	3,711	9,032	35,769	3,284	51,796
Disposals	-	-	-	-	-
Balance at March 31, 2017	$ 35,049	$ 98,215	$ 156,788	$ 14,783	$ 304,835
Carrying amounts – NBV					
At March 31, 2016	$ 10,186	$ 33,392	$ 57,819	$ 21,356	$ 122,753
At March 31, 2017	$ 6,475	$ 24,360	$ 22,050	$ 18,072	$ 70,957

8. TRADE AND OTHER PAYABLES

The Company's trade and other payables on March 31, 2017 are as follows:

	As at March 31, 2017	As at March 31, 2016
Trade payables	$ 4,971	$ 70,435
Amounts due to related parties (Note 9)	-	3,192
Management fees accrued (Note 9)	110,000	25,917
Bonus payable (Note 9)	-	150,000
Accrued expenses	16,000	16,000
	$ 130,971	$ 265,544

Trade payables are comprised principally of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

9. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2017 the following amounts were paid and or accrued to related parties. All comparative amounts are for the year ended March 31, 2016.

(a) Management wages and director fees of $244,063 (2016 - $427,483) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.

(b) Consulting and geological fees of $5,500 (2016 – $24,975) were paid to Companies controlled by directors or officers of the Company.

(c) Administration fees of $23,325 (2016 - $44,925) were paid to Companies controlled by directors or officers of the Company.

(d) Included in accounts payable and accrued liabilities at March 31, 2017 is $Nil (2016 - $29,109) owing to the senior management and directors of the Company for unpaid management fees, as well as $Nil (2016 - $150,000) for an unpaid management bonus.

(e) Pursuant to a settlement agreement, effective June 27, 2016, the Company is obligated to pay its former President & CEO the following amounts bearing no interest:
(i) $110,000 on July 15, 2016 – paid;
(ii) $110,000 on June 27, 2017– included in accounts payable and accrued liabilities;
(iii) $110,000 on June 27, 2018– included in long term liabilities.

These payment dates are subject to acceleration in the event the Company has raised additional $3,000,000 equity capital during the twelve months ended June 27, 2017 with immediate payment of all the then remaining settlement amounts due upon the closing of at least $3,000,000 in additional equity capital. Of the aggregate $330,000 settlement amount, $195,381 had been accrued at March 31, 2016.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors.

The Company incurred the following transactions with companies controlled by directors of the Company.

(expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (continued)

	For the year ended March 31,			
		2017		**2016**
Management fees – mineral property costs	$	5,500	$	24,975
Professional fees - administration		23,325		44,925
Management and administration		244,063		427,483
Management bonus		-		150,000
	$	272,888	$	647,383

Key management personnel compensation:				
Management fees	$	272,888	$	647,383

Non-key management personnel compensation:				
Directors' fees	$	3,000	$	-

Key management personnel compensation comprised of:				
Short term employee benefits	$	272,888	$	647,383
Share-based payments		222,401		179,859
	$	495,289	$	827,242

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized: Unlimited number of common shares without par value.

(b) Issued and fully paid:

	Number of Shares		**Amount**
Balance – March 31, 2015	36,585,090	$	32,652,855
Issued for cash – non flow through	2,050,000		512,500
Issued for cash – non flow through	2,669,884		453,880
Issued for debt	829,400		87,087
Less: share issue costs	-		(21,929)
Balance – March 31, 2016	42,134,374	$	33,684,393
Issued for cash – non flow through	4,666,666		700,000
Exercise of options	175,000		19,250
Less: value of options exercised	-		(4,000)
Less: share issue costs	-		(17,575)
Balance – March 31, 2017	46,976,040	$	34,382,068

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Transactions during the Year Ended March 31, 2017

i. On July 19, 2016, the Company completed a non-brokered private placement comprised of 4,666,666 units at a purchase price of $0.15 per unit for gross proceeds of $700,000. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.22 per share at any time on or before July 19, 2019. Each warrant is subject to accelerated expiry provisions such that if at any time after the date of Closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of $0.40 per share for 10 consecutive trading days, the Company may give notice to the holders that each warrant will expire 30 days from the date of providing such notice.

   The Company paid a finder's fee of $12,880 cash and issued 42,934 finder warrants with each finder warrant entitling the holder to acquire one additional common share of the Company at an exercise price of $0.22 per share at any time on or before July 19, 2019.

Transactions during the Year Ended March 31, 2016

i. On May 14, 2015 the Company completed a non-brokered private placement comprised of 2,050,000 units at a purchase price of $0.25 per unit for gross proceeds of $512,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of $0.40 for five years from the closing date. Each warrant is subject to accelerated expiry provisions such that if at any time after the date of Closing of the private placement, the Company's common shares trade on the TSX Venture Exchange at or above a weighted average trading price of $0.75 per share for 10 consecutive trading days, the Company may give notice to the holders that each warrant will expire 30 days from the date of providing such notice.

ii. On October 26, 2015 the Company completed the first tranche of its non-brokered private placement and issued 2,669,884 units at a purchase price of $0.17 per unit for gross proceeds of $453,880. Each unit consisted of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of $0.22 for a 24 month exercise period, subject to abridgement of the exercise period (after the expiry of the 4 month hold period) with 30 days' notice to holders in the event that the ten-day volume weighted price of the shares exceeds $0.40.

iii. On March 14, 2016 the Company issued 829,400 common shares to a senior officer of the Company for consideration of $87,087 in settlement of unpaid accrued management salary.

(expressed in Canadian dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Share Purchase Warrants:

A continuity schedule of outstanding share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2015	1,269,500	$0.95
Issued - Unit Offering	2,050,000	$0.40
Issued – Unit Offering	2,669,884	$0.22
Expired	(500,000)	$0.80
Balance, March 31, 2016	5,489,384	$0.40
Issued - Unit Offering	2,333,333	$0.22
Expired	(499,500)	$0.80
Balance, March 31, 2017	7,323,217	$0.32

As at March 31, 2017 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
250,000	$1.50	October 12, 2017
20,000	$1.50	January 3, 2019
2,050,000	$0.40	May 14, 2020
2,669,884	$0.22	October 26, 2017
2,333,333	$0.22	July 19, 2019
7,323,217		

(expressed in Canadian dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Agents' warrants

A continuity schedule of outstanding agents' warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2015	79,920	$0.72
Issued	-	-
Balance, March 31, 2016	79,920	$0.72
Issued	42,934	$0.22
Expired	(79,920)	$0.72
Balance, March 31, 2017	42,934	$0.22

As at March 31, 2017 outstanding agent's warrants are:

Number of Warrants	Exercise Price	Expiry Date
42,934	$0.22	July 19, 2019

(e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise. 'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

(f) Stock options:

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant.

The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant.

The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV).

(expressed in Canadian dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

A summary of the Company's option transactions for the year ended March 31, 2017 and March 31, 2016 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance, March 31, 2015	3,506,509	$0.86	2.09
Granted	152,000	$0.32	
Granted	205,000	$0.32	
Granted	145,000	$0.19	
Granted	1,100,000	$0.11	
Cancelled	(604,754)	$0.85	
Expired	(385,934)	$0.48	
Balance, March 31, 2016	4,117,821	$0.79	2.63
Granted	1,305,000	$0.155	
Granted	793,000	$0.12	
Expired	(30,000)	$0.50	
Expired	(170,000)	$0.65	
Expired	(70,000)	$0.70	
Expired	(923,000)	$0.60	
Expired	(66,000)	$0.60	
Exercised	(175,000)	$0.11	
Cancelled	(452,000)	$0.36	
Balance, March 31, 2017	4,329,821	$0.44	3.41

The weighted average share price of options exercised, as at the date of exercise, during the year ended March 31, 2017 was $0.11.

(expressed in Canadian dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock options (continued):

As at March 31, 2017 outstanding vested stock options are:

Number of Options	Exercise Price	Expiry Date
150,000	$0.83	June 12, 2017
173,429	$1.50	June 27, 2017
92,950	$1.41	October 31, 2017
393,359	$1.20	March 5, 2018
127,510	$1.30	September 3, 2018
249,573	$1.30	October 28, 2018
20,000	$0.75	July 17, 2019
100,000	$0.19	July 10, 2020
925,000	$0.11	March 11, 2021
1,305,000	$0.155	September 29, 2021
793,000	$0.12	January 17, 2022
4,329,821		

The Black-Scholes model inputs for options granted during the year ended March 31, 2017 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
September 29, 2016	September 29, 2021	$0.155	$0.155	0.50	5 years	1.178	0
January 17, 2017	January 17, 2022	$0.14	$0.12	0.74	5 years	1.150	0

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes for future volatility due to publicly available information.

(expressed in Canadian dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(g) Contributed Surplus:

During the year ended March 31, 2017 $259,804 (2016 - $191,260) was recorded as stock-based compensation related to the granting of 2,098,000 incentive stock options (2016 – 1,602,000) and 42,934 finder's warrants (2016 – Nil). Of this amount, $255,804 has been included as an expense in the Consolidated Statement of Comprehensive Loss and $4,000 has been included in share issue costs on the Consolidated Statement of Financial Position.

A continuity of contributed surplus is as follows:

	For the Year Ended March 31,			
		2017		**2016**
Balance, beginning of period	$	4,286,857	$	4,095,597
Stock-based compensation - expensed		255,804		191,260
Stock-based compensation - share issue costs		4,000		-
Balance, end of period	$	4,546,661	$	4,286,857

11. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

All financial instruments are included on the Company's balance sheet and measured at either fair value or amortized cost.

The Company's financial assets consist of cash and cash equivalents and amounts receivable, which are designated as loans and receivables and measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are designated as other financial liabilities and measured at amortized cost.

The carrying values of the Company's financial instruments measured at amortized costs approximate their fair values due to their short-term nature.

The capital of the Company consists of shareholders' equity - $21,141,319 (March 31, 2016 - $20,955,054).

(expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK (continued)

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. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth.

12. SEGMENTED INFORMATION

During the year ended March 31, 2017 and March 31, 2016 the Company operated in one reportable operating segment, being the acquisition, exploration and development of mineral properties in British Columbia. Administrative expenses and working capital balances are located in Canada.

13. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

<u>During the year ended March 31, 2017:</u>

The Company incurred share issue costs of $4,000 in relation to an issuance of 42,934 finder's warrants with an exercise price of $0.22 and a July 19, 2019 expiry.

<u>During the year end March 31, 2016:</u>

On March 14, 2016 the Company issued 829,400 common shares to a senior officer of the Company for consideration of $87,087 in settlement of unpaid accrued management salary.

14. INCOME TAXES

	For the year ended March 31, 2017	2016
Current expense	$ -	$ -
Deferred tax expense (recovery)	(164,000)	(378,000)
	$ (164,000)	$ (378,000)

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There is no tax charge arising for the Company for the year.

(expressed in Canadian dollars)

14. INCOME TAXES (continued)

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

	For the year ended March 31, 2017	2016
Loss before income taxes	$ (951,000)	$ (1,463,000)
Income taxed at statutory rates – 26.00% (2016 – 26.00%)	(247,000)	(380,000)
Non-deductible expenses	79,000	22,000
Tax basis of exploration costs renounced	-	-
Share issuance costs	(6,000)	(6,000)
Previously-unrecognized deferred tax liabilities	10,000	(14,000)
Deferred tax expense (recovery)	$ (164,000)	$ (378,000)

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities as at March 31, 2017 and 2016 are summarized as follows:

	March 31, 2017	March 31, 2016
Non-capital losses	$ 1,366,000	$ 1,197,000
Undeducted financing costs	17,000	23,000
Capital assets and other	86,000	72,000
	1,469,000	1,292,000
Exploration and evaluation costs	(1,927,000)	(1,914,000)
Deferred tax liability	$ (458,000)	$ (622,000)

As at March 31, 2017, the Company has estimated non-capital losses of $5,253,344 which expire from 2033 to 2037, for tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

The potential benefits of these carry-forward non-capital losses, and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

Flow-through Shares

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

During the year ended March 31, 2017, the Company received $Nil (2016 - $Nil) from the issue of flow-through shares. These amounts will not be available to the Company for future deduction from taxable income.

(expressed in Canadian dollars)

14. INCOME TAXES (continued)

Funds raised in connection with the flow-through shares must be spent on qualified mineral exploration and are restricted to Canadian Exploration Expenditures as defined in the Canadian Income Tax Act. The expenditures are renounced in favour of investors subscribing for flow-through shares and the amounts are not available to the Company for income tax purposes.

15. COMMITMENTS AND CONTINGENCIES

Effective with a commencement date of October 1, 2016, the Company is committed to an operating lease on its office premises expiring on September 30, 2021. The Company's lease commitments for the total annual basic lease rate and operating costs are as follows:

2018	47,626
2019	48,984
2020	50,347
2021	51,714
2022	26,290