ARROWSTAR RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Arrowstar Resources Ltd.

We have audited the accompanying consolidated financial statements of Arrowstar Resources Ltd., which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of income (loss) and comprehensive income (loss), cash flows, and changes in shareholders' deficiency 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 Arrowstar 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.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

April 25, 2017

ARROWSTAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Expressed in Canadian Dollars)

	2016	2015
ASSETS		
Current		
Cash (Note 3)	$ 1,226	$ 17,491
Marketable securities (Note 4)	2,100	550
Receivables (Note 5)	2,047	3,682
Prepaid expenses	2,090	3,933
	7,463	25,656
Exploration and evaluation assets (Note 6)	303,657	-
Deposit (Note 6)	4,000	4,000
	$ 315,120	$ 29,656
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 249,647	$ 914,051
Shareholders' deficiency		
Share capital (Note 9)	19,433,636	18,728,826
Reserves (Note 9)	3,153,169	2,998,897
Deficit	(22,521,332)	(22,612,118)
	(65,473)	(884,395)
	$ 315,120	$ 29,656

Nature of operations and going concern (Note 1)
Subsequent event (Note 15)

On behalf of the Board:

"Phillip Thomas" Director *"Blaine Bailey"* Director

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

ARROWSTAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2016	2015
EXPENSES		
Administration fees	$ -	$ 832
Consulting fees	166,174	207,664
Foreign exchange (gain) loss	(1,157)	17,465
Insurance	20,746	10,868
Investor relations	2,489	895
Office	22,007	2,394
Professional fees	57,685	68,329
Property investigation	14,152	19,011
Rent	8,347	3,527
Regulatory fees	23,692	21,823
Share-based payments (Note 9)	154,272	1,964
Travel	8,256	18,270
	(476,663)	(373,042)
Gain on settlement of accounts payable (Note 9)	565,899	87,697
Unrealized gain/(loss) on marketable securities (Note 4)	1,550	(550)
	567,449	(87,147)
Income (loss) and comprehensive income (loss) for the year	$ 90,786	$ (285,895)
Income (loss) per common share		
-Basic and diluted	$ 0.01	$ (0.03)
Weighted average number of common shares outstanding		
-Basic and diluted	16,453,798	9,118,331

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

ARROWSTAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ 90,786	$ (285,895)
Items not affecting cash:		
Share-based payments	154,272	1,964
Unrealized (gain)/loss on marketable securities	(1,550)	550
Gain on settlement of accounts payable	(565,899)	(87,697)
Changes in non-cash working capital items:		
Decrease in receivables	1,635	11,055
(Increase) decrease in prepaid expenses	1,843	(70)
Increase in accounts payable and accrued liabilities	84,195	232,459
Net cash used in operating activities	(234,718)	(127,634)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of units	345,000	9,030
Share issuance costs	(10,390)	(750)
Net cash provided by financing activities	334,610	8,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(116,157)	-
Net cash used in investing activities	(116,157)	-
Change in cash during the year	(16,265)	(119,354)
Cash, beginning of year	17,491	136,845
Cash, end of year	$ 1,226	$ 17,491

Supplemental disclosure with respect to cash flows (Note 10)

ARROWSTAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

	Share Capital		Reserves				
	Number of shares	Amount	Options	Warrants	Subscriptions received in advance	Deficit	Total
Balance, December 31, 2014	6,984,421	$ 18,580,746	$ 2,902,733	$ 94,200	$ 139,800	$ (22,326,223)	$ (608,744)
Shares issued for:							
Private placement – units	2,480,500	148,830	-	-	(139,800)	-	9,030
Share issue costs	-	(750)	-	-	-	-	(750)
Share-based compensation	-	-	1,964	-	-	-	1,964
Loss for the year	-	-	-	-	-	(285,895)	(285,895)
Balance, December 31, 2015	9,464,921	18,728,826	2,904,697	94,200	-	(22,612,118)	(884,395)
Shares issued for:							
Private placement – units	6,900,000	345,000	-	-	-	-	345,000
Share issue costs	-	(10,390)	-	-	-	-	(10,390)
Shares issued for non-cash:							
Property acquisition	1,500,000	187,500					187,500
Shares issued in settlement of debt	4,060,000	182,700					182,700
Share-based compensation	-	-	154,272	-	-	-	154,272
Income for the year	-	-	-	-	-	90,786	90,786
Balance, December 31, 2016	21,924,921	$ 19,433,636	$ 3,058,969	$ 94,200	$ -	$ (22,521,332)	$ (65,473)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Arrowstar Resources Ltd. (the "Company") was incorporated on October 14, 1987 under the laws of British Columbia. The Company's head office address is Suite 2300 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The Company is listed on the TSX Venture exchange ("TSX-V") under the symbol AWS. To date, the Company has not earned operating revenue.

The Company is in the process of acquiring exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

As at December 31, 2016, the Company has a working capital deficit of $242,184 (2015 – $888,395) and an accumulated deficit of $22,521,332 (2015 - $22,612,118). The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with IAS 1 'Presentation of Financial Statements' ("IAS 1") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on April 25, 2017.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements of the Company include the balances of its subsidiary, Arrowstar Arizona Resources Ltd. for the year ended December 31, 2016, which was a wholly owned subsidiary incorporated in the state of Arizona USA.

The Company consolidates its subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency transactions

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and marketable securities are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. The Company's deposit is classified as held to maturity. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At December 31, 2016, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2016, the Company has not classified any financial liabilities as FVTPL.

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

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

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include the fair value of financial instruments, deferred income taxes, evaluating the potential impairment of exploration and evaluation assets, and share-based payments.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS marketable securities, impairment losses previously recognized through profit and loss are not reversed through profit and loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

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.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserve to share capital.

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

Share-based payments to non-employees, who are not providing similar services to employees, are measured at a the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured, and are recorded at the date the goods or services are received.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the year in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no rehabilitation obligations as at December 31, 2016 and 2015.

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.

The Company had no other provisions as at December 31, 2016 and 2015.

Income taxes

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Deferred income taxes are 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 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 financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

- IFRS 15 *Revenue from Contracts with Customers*: New standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*, effective for annual periods beginning on or after January 1, 2018

(Expressed in Canadian Dollars)

3. CASH

The Company's cash consists of the following:

	December 31, 2016	December 31, 2015
Cash held with banks	$ 1,131	$ 17,315
Cash held with banks in foreign currencies	95	176
Total	$ 1,226	$ 17,491

4. MARKETABLE SECURITIES

On November 8, 2011, the Company received 10,000 shares in Dunnedin Ventures Inc. (formerly Ocean Park Ventures Corp.) as part of a property option agreement. The shares were valued at $45,000 on receipt and have been re-valued at December 31, 2016 to their fair market value of $2,100 (2015 – $550).

5. RECEIVABLES

	December 31, 2016	December 31, 2015
GST receivable	$ 2,047	$ 3,682

6. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2016, the Company holds a reclamation deposit on a previously written-off exploration and evaluation asset in the amount of $4,000 (2015 - $4,000).

The Company's capitalized acquisition and exploration expenditures on its exploration and evaluation assets are as follows:

	U.S.A. Secret Pass
Balance, December 31, 2015	**$ -**
Acquisition costs	
Acquisition costs – shares	187,500
Land administration	29,627
Total acquisition costs	217,127
Deferred exploration costs	
Report preparation	6,995
Geological consulting	35,058
Geophysical	2,229
Field	39,361
Environmental	2,887
Total exploration costs	86,530
Total expenditures for the period	303,657
Balance, December 31, 2016	**$ 303,657**

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Secret Pass Property – U.S.A.

The Company entered into an Assignment Agreement with Performance Acquisitions LLC ("Performance") who had entered into an option agreement, the "Tin Cup Option Agreement" with NJB Mining Inc. ("NJB") pursuant to which Performance has the option (the "Option") to acquire a one hundred percent (100%) right, title and interest in and to the Secret Pass Concessions situated in the State of Arizona, USA. Performance has assigned all of its rights and obligations (the "Assignment") in the Tin Cup Option Agreement to the Company. The Company will pay consideration of five million common shares to Performance as detailed below.

In order to maintain the Tin Cup Option Agreement, the following payment and work commitments will be due to NJB.

- Issue to NJB 5% of any shares issued to Performance as a result of optioning the property to a third party.
- Payment of US$150,000 on the earlier of commencement of commercial production or March 21, 2018 (being the second anniversary date of the Tin Cup Option Agreement).
- Annual payment of all tenement and BLM filing fees.
- Phase 1 exploration expenditure of US$200,000. The Company will vest a 25% interest in the property at the completion of Phase 1.
- Phase 2 exploration expenditure of US$400,000, whereupon the Company will vest an additional 15% interest in the property for an aggregate interest of 40%. The Company has eighteen months from the date of this agreement, March 21, 2016, to complete Phase 1 and 2. The Company will forfeit its aggregate interest if the Company decides not to go into commercial production.
- If the Company intends to go into commercial production it will be responsible for all costs including drilling, resource estimation, preliminary economic assessment, prefeasibility study, bankable feasibility study and mine permitting. The Company will retain its 40% interest once commercial production commences.
- A royalty of 15% will be paid in favour of NJB on net profits until US$6,000,000 has been paid. Once US$6,000,000 has been paid, the Company will have earned a 100% interest in the property subject to a reduced royalty of 5% for the balance of the mine life.
- The Company has the option to acquire the remaining 5% royalty, but the terms under which it can be purchased have not yet been agreed.

As consideration for the Assignment of the Option, the Company will issue an aggregate of 5,000,000 common shares of the Company to Performance and NJB as follows:

- 1,425,000 common shares to Performance and 75,000 common shares to NJB upon receipt by the Company of TSX-V approval on the Transaction (issued).
- 950,000 common shares to Performance and NJB common shares to NJB upon completion of Phase 1 exploration requirements.
- 950,000 common shares to Performance and 50,000 common shares to NJB upon completion of Phase 2 exploration requirements.
- 1,425,000 common shares to Performance and 75,000 common shares to NJB within 14 days of the earlier of the 18-month anniversary of this agreement, March 29, 2016 or the approval from the Arizona Bureau of Land Management of the production plan to commence mining and production.

(Expressed in Canadian Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016	December 31, 2015
Trade payables	$ 229,647	$ 904,051
Accrued liabilities	20,000	10,000
	$ 249,647	$ 914,051

8. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the years ended December 31was:

	2016	2015
Short-term benefits paid or accrued:		
Consulting fees	$ 78,700	$ 207,664
Deferred exploration costs	38,678	-
	117,378	207,664
Share-based payments	133,505	1,965
Total remuneration	$ 250,883	$ 209,629

Accounts payable and accrued liabilities as at December 31, 2016 included $69,081 (2015 - $612,104) owed to a director and companies controlled by a director or officer. The Company settled debt of $573,442, owed to directors and companies controlled by a director or officer, by issuing 3,190,000 common shares of the Company. The shares were valued on the trading price of the date of issuance of $0.045per share.

9. SHARE CAPITAL AND RESERVES

Authorized – Unlimited common shares without par value

Please refer to the Statement of Changes in Shareholders' Deficiency for a summary of changes in share capital and reserves for the years ended December 31, 2016 and 2015.

During fiscal 2016 the Company settled debt of $698,245, owed to creditors, by issuing 4,060,000 common shares of the Company. The shares were valued on the trading price of the date of issuance of $0.045 per share. The Company also settled $51,145 on debt owed to creditors by paying cash of $4,500. In connection with the debt settlements the Company recognized a gain $565,899 on the statement of income (loss) and comprehensive income (loss).

During fiscal 2016 the Company issued 6,900,000 units at a price of $0.05 per unit for gross proceeds of $345,000. Each unit consists of one common share and one transferrable share purchase warrant with each warrant entitling the holder to purchase an additional common share for a period of two years at a price of $0.085 per share in the first year of exercise and $0.12 per share in the second year of exercise.

During fiscal 2016 the Company issued 1,500,000 common shares for the Tin Cup property acquisition, at $0.125 per share.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

During fiscal 2015, the Company issued 2,480,500 units at a price of $0.06 per unit for gross proceeds of $148,830 of which $139,800 was received and recorded as subscriptions received in advance as of December 31, 2014. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.15 for a period of five years.

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to directors, senior officers, employees, management company employees, and consultants to acquire up to 10% of the issued and outstanding common shares. Under the plan, the maximum issuance in any 12 month period is limited for any consultant or person providing investor relations services to 2%, for insiders to 10% and for any other person to 5%. The exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of five years. Options issued for investor relations services will be subject to a vesting schedule of at least 12 months whereby no more than 25% of the options granted may vest within any three-month period. All other vesting terms are determined by the Board of Directors.

As at December 31, 2016, the Company had 1,300,000 stock options outstanding.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2014	507,000	$ 1.00
Options cancelled	(507,000)	1.00
As at December 31, 2015	-	-
Options granted	1,500,000	0.125
Options forfeited	(200,000)	0.125
As at December 31, 2016	1,300,000	$ 0.125
Number of options currently exercisable	1,300,000	$ 0.125

The weighted average remaining contractual life of options outstanding at December 31, 2016 was 4.48 (December 31, 2015 – Nil) years.

Stock options outstanding are as follows:

Number of Options	Exercise Price	Expiry Date
1,300,000	$ 0.125	June 24, 2021

The Company recorded $154,272 (2015 - $1,964) in share-based payments for the year ended December 31, 2016.

The Company uses the fair value method for determining share-based payments for all options granted. The fair value was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd…)

	December 31, 2016	**December 31, 2015**
Expected life (years)	5.00	-
Interest rate	0.63%	-
Volatility	174.22%	-
Dividend yield	-	-

The weighted average fair value of options granted during the period was $0.12 (2015 - $Nil).

Warrants

As at December 31, 2016, the Company had share purchase warrants outstanding enabling the holders to acquire common shares as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2014	-	$ -
Warrants granted	2,480,500	0.15
As at December 31, 2015	2,480,500	0.15
Warrants granted	6,900,000	0.085
As at December 31, 2016	9,380,500	$ 0.10

The weighted average remaining contractual life of warrants outstanding at December 31, 2016 was 1.92 (December 31, 2015 – 4.14) years.

Warrants outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
2,480,500	$ 0.15	February 20, 2020
6,900,000	$ 0.085/0.12	June 21, 2017/ 2018

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended December 31, 2016 consist of the following:

- $187,500 for shares issued for exploration and evaluation assets.
- $182,700 for shares issued for debt settlement.

Significant non-cash transactions during the year ended December 31, 2015 consist of the following:

- the accrual of $219,194 of exploration and evaluation assets included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

11. SEGMENTED INFORMATION

The business of the Company is the acquisition, exploration and development of mineral properties which is considered one business segment.

Geographic information is as follows:

				December 31, 2016		
		Canada		**USA**		**Total**
Exploration and evaluation assets	$	-	$	303,657	$	303,657
Cash		1,226		-		1,226
Others		10,237		-		10,237
Total Assets	$	11,463	$	303,657	$	315,120

				December 31, 2015		
		Canada		**USA**		**Total**
Exploration and evaluation assets	$	-	$	-	$	-
Cash		17,491		-		17,491
Others		12,165		-		12,165
Total Assets	$	29,656	$	-	$	29,656

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

The fair value of cash and marketable securities are measured at Level 1 of the fair value hierarchy. The carrying value of receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Liquidity risk

As of December 31, 2016, the Company had cash balance of $1,226 (2015 - $17,491) to settle current liabilities of $249,647 (2015 - $914,051). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company will need to raise additional funds through equity or debt to continue its operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Amounts exposed to market risk include marketable securities of $2,100 (2015 - $550).

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars. Amounts exposed to foreign currency risk include cash of US$71 as of December 31, 2015 (2014 -US$127).

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2016	2015
Income (loss) before income taxes	$ 90,786	$ (285,895)
Expected income tax (recovery)	$ 24,000	$ (74,000)
Change in statutory, foreign tax, foreign exchange rates and other	4,000	(3,000)
Permanent difference	(30,000)	-
Share issue costs	(3,000)	-
Adjustment to prior years provision versus statutory tax returns	(145,000)	18,000
Expiry of non-capital losses	61,000	-
Change in unrecognized deductible temporary differences	89,000	59,000
Total income tax expense (recovery)	$ -	$ -

(Expressed in Canadian Dollars)

13. INCOME TAXES (cont'd…)

The Canadian income tax rate declined/increased during the year due to changes in the law that reduced/increased corporate income tax rates in Canada/British Columbia.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2016	2015
Deferred tax Assets (liabilities)		
Allowable capital losses	$ 224,000	$ 150,000
Exploration and evaluation assets	1,132,000	1,363,000
Marketable securities	3,000	3,000
Property and equipment	4,000	4,000
Share issue costs	2,000	3,000
Non-capital losses	2,119,000	1,872,000
	3,484,000	3,395,000
Unrecognized deferred tax assets	(3,484,000)	(3,395,000)
Net deferred tax liability	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	December 31, 2016	Expiry dates	December 31, 2015	Expiry dates
Exploration and evaluation assets	$ 4,332,000	No expiry date	$ 5,229,000	No expiry date
Property and equipment	16,000	No expiry date	16,000	No expiry date
Share issue costs	9,000	2035 to 2038	11,000	2035 to 2038
Marketable securities	23,000	No expiry date	24,000	No expiry date
Allowable capital losses	863,000	No expiry date	576,000	No expiry date
Investment tax credits	7,000	2017 - 2036	7,000	2020 - 2033
Non-capital losses available for future periods - Canada	8,149,000	2017 - 2036	7,200,000	2016 - 2036

Tax attributes are subject to review and potential adjustment by tax authorities.

14. CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' deficiency, consisting of issued common shares, stock options and warrants.

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

The Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient

14. CAPITAL MANAGEMENT (cont'd…)

economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

15. SUBSEQUENT EVENT

The Company entered into loan agreements with Panopus PLC ("Panopus"), a company controlled by Phil Thomas, CEO and director of the Company. The loans are summarized as follows:

- On January 3, 2017, Panopus extended a USD$7,500 unsecured loan to the Company repayable within six months. On maturity the Company is required to repay the principal plus interest of US$563.
- On January 27, 2017, Panopus extended a $20,000 unsecured loan to the Company repayable within six months. On maturity the Company is required to repay the principal plus interest of $1,500.
- On March 29, 2017, Panopus extended a non-interest bearing $17,000 unsecured loan to the Company repayable within six months. On maturity the Company is required to repay the principal plus interest of $1,275.