

ARROWSTAR RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(unaudited - Expressed in Canadian Dollars)

NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The condensed consolidated interim financial statements of the Company for the first quarter ended March 31, 2017 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these unaudited condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim condensed financial statements by an entity's auditor.

ARROWSTAR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	March 31, 2017	December 31, 2016
ASSETS		
Current		
Cash (Note 3)	\$ 8,578	\$ 1,226
Marketable securities (Note 4)	3,500	2,100
Receivables (Note 5)	1,820	2,047
Prepaid expenses	<u>-</u>	<u>2,090</u>
	13,898	7,463
Exploration and evaluation assets (Note 6)	303,657	303,657
Deposit (Note 6)	<u>4,000</u>	<u>4,000</u>
	<u>\$ 321,555</u>	<u>\$ 315,120</u>

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

Current		
Accounts payable and accrued liabilities (Note 7)	\$ 260,835	\$ 249,647
Due to related parties (Note 7)	<u>36,912</u>	<u>-</u>
	297,747	249,647
Shareholders' deficiency		
Share capital (Note 9)	19,433,636	19,433,636
Reserve (Note 9)	3,153,169	3,153,169
Deficit	<u>(22,562,997)</u>	<u>(22,521,332)</u>
	<u>23,808</u>	<u>65,473</u>
	<u>\$ 321,555</u>	<u>\$ 315,120</u>

Nature of operations and going concern (Note 1)

On behalf of the Board:

"Phillip Thomas" Director _____
"Blaine Bailey" Director

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

ARROWSTAR RESOURCES LTD.**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTH PERIOD ENDED MARCH 31**

(Unaudited - Expressed in Canadian Dollars)

	2017	2016
EXPENSES		
Administration fees	\$ -	\$ 197
Consulting fees	14,231	-
Foreign exchange loss	323	319
Insurance	7,051	2,604
Investor relations	-	280
Office	3,339	227
Professional fees	9,541	14,709
Property investigation	-	797
Rent	1,638	989
Regulatory fees	<u>6,942</u>	<u>6,264</u>
	<u>(43,065)</u>	<u>(26,386)</u>
Gain on settlement of accounts payable	-	2,710
Unrealized gain/(loss) on marketable securities (Note 4)	<u>1,400</u>	<u>200</u>
	<u>(41,665)</u>	<u>(23,476)</u>
Loss and comprehensive loss for the year	<u>\$ (41,665)</u>	<u>\$ (23,476)</u>
Loss per common share		
-Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding		
-Basic and diluted	<u>21,924,921</u>	<u>9,464,921</u>

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

ARROWSTAR RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31
(Unaudited - Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (41,665)	\$ (23,476)
Items not affecting cash:		
Gain on settlement of debt	-	(2,710)
Share-based compensation	-	-
Unrealized (gain)/loss on marketable securities	(1,400)	(200)
Changes in non-cash working capital items:		
Increase (decrease) in receivables	227	(887)
Increase in prepaid expenses	2,090	1,806
Increase in accounts payable and accrued liabilities	11,188	9,321
Net cash used in operating activities	<u>(29,560)</u>	<u>(16,146)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Related party loan	<u>36,912</u>	-
Net cash provided by financing activities	<u>36,912</u>	-
Change in cash during the period	7,352	(16,146)
Cash, beginning of period	<u>1,226</u>	<u>17,491</u>
Cash, end of period	<u>\$ 8,578</u>	<u>\$ 1,345</u>
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	-	-

Supplemental disclosure with respect to cash flows (Note 10)

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

ARROWSTAR RESOURCES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**

(Expressed in Canadian Dollars)

	Share Capital		Reserve	Deficit	Total
	Number of shares	Amount			
Balance, December 31, 2015	9,464,921	\$ 18,728,826	\$ 2,998,897	\$ (22,612,118)	\$ (884,395)
Loss and comprehensive loss	-	-	-	(23,476)	(23,476)
Balance, March 31, 2016	9,464,921	18,728,826	2,998,897	(22,635,594)	(907,871)
Shares issue for cash:					
Private placement – units	6,900,000	345,000	-	-	345,000
Share issue costs	-	(10,390)	-	-	(10,390)
Shares issue for non-cash:					
Property acquisition	1,500,000	187,500	-	-	187,500
Share issue in settlement of debt	4,060,000	182,700	-	-	182,700
Share-based compensation	-	-	154,272	-	154,272
Loss for the period	-	-	-	114,262	114,262
Balance, December 31, 2016	21,924,921	19,433,636	3,153,169	(22,521,332)	65,473
Loss for the period	-	-	-	(41,665)	(41,665)
Balance, March 31, 2017	21,924,921	\$ 19,433,636	\$ 3,153,169	\$ (22,562,997)	\$ 23,808

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

ARROWSTAR RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

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 March 31, 2017, the Company has working capital deficit of \$283,849, (2016 – \$242,184) and an accumulated deficit of \$22,562,997 (2016 - \$22,521,332). 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 condensed consolidated interim 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**Basis of presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as investment held-for-trading, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting. These condensed interim consolidated financial statements are prepared in Canadian dollars, which is also the Company’s functional currency.

Approval of consolidated financial statements

The condensed interim consolidated financial statements for the three months ended March 31, 2017 were reviewed, approved and authorized for issue by the Audit Committee on May 25, 2017.

These consolidated financial statements of the Company include the balances of its subsidiary, Arrowstar Arizona Resources Ltd. for the period ended March 31, 2017, 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.

ARROWSTAR RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

All intercompany transactions and balances are eliminated on consolidation.

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

3. CASH

The Company’s cash consists of the following:

	March 31, 2017	December 31, 2016
Cash held with banks	\$ 6,910	\$ 1,131
Cash held with banks in foreign currencies	1,668	95
Total	\$ 8,578	\$ 1,226

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 March 31, 2017 to their fair market value of \$3,500 (December 31, 2016 – \$2,100).

5. RECEIVABLES

	March 31, 2017	December 31, 2016
GST receivable	\$ 1,820	\$ 2,047

6. EXPLORATION AND EVALUATION ASSETS

As at March 31, 2017, the Company holds a reclamation deposit on a previously written-off exploration and evaluation asset in the amount of \$4,000 (2016 - \$4,000).

ARROWSTAR RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

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

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, March 31, 2017 and December 31, 2016	\$ 303,657

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 a wholly-owned USA subsidiary of the Company which is currently in the process of being incorporated. 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,

ARROWSTAR RESOURCES LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

MARCH 31, 2017

(Expressed in Canadian Dollars)

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

- 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 as follows:

- 1,500,000 common shares upon receipt by the Company of TSX-V approval on the Transaction (issued).
- 1,000,000 common shares upon completion of Phase 1 exploration requirements (issued Note 14).
- 1,000,000 common shares upon completion of Phase 2 exploration requirements.
- 1,500,000 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.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31-Mar 2017	December 31, 2016
Trade payables	\$ 240,326	\$ 226,947
Accrued liabilities	20,510	20,000
	<u>\$ 260,836</u>	<u>\$ 246,947</u>

8. RELATED PARTY

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 period ended March 31, 2017 was:

	2017	2016
Short-term benefits paid or accrued:		
Consulting fees - CFO	<u>\$ 10,500</u>	<u>\$ -</u>

Accounts payable and accrued liabilities as at March 31, 2017 included \$79,938 (December 31, 2016 - \$69,081) owed to directors and companies controlled by a director or officer.

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 (CDN\$9,912) 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 \$10,000 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.

ARROWSTAR RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

Authorized – Unlimited common shares without par value

Please refer to the Condensed Consolidated Interim Statement of Changes in Shareholders' Deficiency for a summary of changes in share capital and reserves for the period ended March 31, 2017 and the year ended December 31, 2016.

Share issuances

During the three months ended March 31, 2017 and March 31, 2016 there was no share issuance.

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.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2015	-	-
Options granted	1,500,000	0.125
Options forfeited	<u>(200,000)</u>	0.125
As at March 31, 2017 and 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 March 31, 2017 was 4.24 (December 31, 2016 –4.48) years.

Stock options outstanding are as follows:

Number of Options	Exercise Price	Expiry Date
1,500,000	\$ 0.125	June 24, 2021

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:

ARROWSTAR RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

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

	March 31, 2017	December 31, 2016
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 \$Nil (2016 - \$0.125).

Warrants

The following common shares purchase warrants entitle the holder thereof to purchase one common share for each warrant. Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2015	2,480,500	0.15
Warrants granted	<u>6,900,000</u>	0.085
As at December 31, 2016 and March 31, 2017	<u>9,380,500</u>	\$ 0.10

The weighted average remaining contractual life of warrants outstanding at March 31, 2017 was 1.67 (December 31, 2016 – 1.92) 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

There were no significant non-cash transactions during the period ended March 31, 2016 and March 31, 2017.

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:

	March 31, 2017		
	Canada	USA	Total
Exploration and evaluation assets	\$ -	\$ 303,657	\$ 303,657
Cash	8,578	-	8,578
Others	9,320	-	9,320
Total Assets	\$ 17,898	\$ 303,657	\$ 321,555

ARROWSTAR RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

11. SEGMENTED INFORMATION (cont'd...)

	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

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, deposit, 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 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.

Liquidity risk

As of March 31, 2017, the Company had cash balance of \$8,578 (December 31, 2016 - \$1,226) to settle current liabilities of \$297,747 (December 31, 2016 - \$249,647). All the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms and the Company's amounts due to related parties are due as per contracts. 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 \$3,500 (December 31, 2016 - \$2,100).

ARROWSTAR RESOURCES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

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

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. The Company has minimal balances denominated in USD, and is therefore minimally exposed to foreign currency risk.

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. CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity (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 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.

14. SUBSEQUENT EVENTS

The Company issued 1,000,000 common shares as the Company completed its Phase 1 exploration requirements on the Secret Pass property.