SG SPIRIT GOLD INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

MORGAN & COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
SG Spirit Gold Inc.

We have audited the accompanying consolidated financial statements of SG Spirit Gold Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, cash flows and changes in 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.

Auditor's 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 SG Spirit Gold Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Vancouver, Canada — *"Morgan & Company LLP"*

May 1, 2017 — Chartered Professional Accountants

SG SPIRIT GOLD INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	DECEMBER 31, 2016	DECEMBER 31, 2015
ASSETS		
Current assets		
Cash	**$ 93,177**	$ -
Amounts receivable	**936**	2,877
Total current assets	**94,113**	2,877
Equipment (Note 4)	**-**	1,082
Total assets	**$ 94,113**	$ 3,959
LIABILITIES		
Current liabilities		
Bank Indebtedness	**$ -**	$ 431
Accounts payable and accrued liabilities	**106,668**	480,992
Loans payable (Note 8)	**-**	35,537
Total liabilities	**106,668**	516,960
DEFICIENCY		
Share capital (Note 5)	**5,358,192**	4,689,253
Reserves (Note 5)	**2,070,121**	2,027,276
Deficit	**(7,440,868)**	(7,229,530)
Total deficiency	**(12,555)**	(513,001)
Total liabilities and deficiency	**$ 94,113**	$ 3,959

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved on behalf of the Board

Director *"Richard W. Grayston"*
Richard W. Grayston

Director *"Mark Ferguson"*
Mark Ferguson

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

SG SPIRIT GOLD INC.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	YEARS ENDED DECEMBER 31, 2016	2015
Expenses		
Consulting fees	**$ 28,500**	$ 1,211
Depreciation (Note 4)	**1,082**	360
Filing fees	**8,434**	3,924
Interest	**1,225**	1,837
Management fees (Note 7)	**23,000**	20,000
Office	**1,683**	9,896
Professional fees	**78,067**	3,698
Share based compensation	**42,845**	-
Transfer agent fees	**6,861**	-
Travel	**21,568**	-
Loss before other income (expenses)	**(213,265)**	(40,926)
Other income (expenses)		
Gain on accounts payable written-off	**-**	3,024
Recovery of taxes	**1,927**	-
Realized loss – marketable securities	**-**	(25,000)
	1,927	(21,976)
Net loss for the year	**(211,338)**	(62,902)
Unrealized gain – marketable securities	**-**	5,000
Comprehensive loss for the year	**$ (211,338)**	$ (57,902)
Basic and diluted loss per share	**$ (0.02)**	$ (0.07)
Weighted average number of common shares outstanding	**11,758,561**	951,457

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

SG SPIRIT GOLD INC.
Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)

	YEARS ENDED DECEMBER 31, 2016	2015
Cash provided by (used for):		
Operating activities		
Net loss for the year	**$ (211,338)**	$ (62,902)
Items not affecting cash		
Depreciation	**1,082**	360
Share based compensation	**42,845**	-
Gain on accounts payable written-off	**-**	(3,024)
Realized loss – marketable securities	**-**	25,000
Interest on loans payable	**-**	1,837
Changes in non-cash working capital:		
Amounts receivable	**1,941**	(1,985)
Prepaid expenses	**-**	1,110
Accounts payable and accrued liabilities	**(374,324)**	(38,285)
	(539,794)	(77,889)
Investing activity		
Proceeds from sale of marketable securities	**-**	45,000
	-	45,000
Financing activities		
Proceeds from private placement	**605,000**	-
Proceeds from warrants exercised	**80,000**	-
Share issue costs	**(16,061)**	-
Loan repayments	**(38,037)**	(1,000)
Loan advancements	**2,500**	34,700
	633,402	33,700
Change in cash during the year	**93,608**	811
Bank Indebtedness, beginning of the year	**(431)**	(1,242)
Cash (bank indebtedness), end of the year	**$ 93,177**	$ (431)

Supplemental disclosures with respect to cash flows (Note 6)

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

SG SPIRIT GOLD INC.
Consolidated Statements of Changes in Deficiency
(Expressed in Canadian Dollars)

	NUMBER OF SHARES	SHARE CAPITAL	RESERVES	ACCUMULATED OTHER COMPREHENSIVE LOSS	DEFICIT	TOTAL DEFICIENCY
Balance at December 31, 2014	951,457	$ 4,689,253	$ 2,027,276	$ (5,000)	$ (7,166,628)	$ (455,099)
Unrealized gain – marketable securities	-	-	-	5,000	-	5,000
Net loss for the year	-	-	-	-	(62,902)	(62,902)
Balance at December 31, 2015	951,457	4,689,253	2,027,276	-	(7,229,530)	(513,001)
Shares issued in private placement (Note 5)	12,100,000	605,000	-	-	-	605,000
Share issue costs	-	(16,061)	-	-	-	(16,061)
Warrants exercised (Note 5)	800,000	80,000	-	-	-	80,000
Share based compensation	-	-	42,845	-	-	42,845
Net loss for the year	-	-	-	-	(211,338)	(211,338)
Balance, December 31, 2016	**13,851,457**	**$ 5,358,192**	**$ 2,070,121**	**$ -**	**$ (7,440,868)**	**$ (12,555)**

1. NATURE OF OPERATIONS AND GOING CONCERN

SG Spirit Gold Inc. (the "Company") is an exploration stage company whose common shares trade on the TSX Venture Exchange and is in the business of identification, acquisition and exploration of mineral interests. All of the Company's exploration and evaluation assets are located in Canada. The address of the Company's registered office is 2200 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

These financial statements were authorized for issue on May 1, 2017 by the directors of the Company.

At the date of the consolidated financial statements, the Company has not identified a known body of commercial grade minerals on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

Management is targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur.

These consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. The Company has incurred operating losses and at December 31, 2016, had a cumulative deficit of $7,440,868 (2015 - $7,229,530) and a working capital deficiency of $12,555 (2015 - $514,083). The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Further discussion of liquidity risk is included in Note 11.

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, or available-for-sale, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 0970990 B.C. Ltd. and SG Spirit Subco LLC, both wholly owned subsidiaries in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial operating policies of an enterprise so as to obtain benefits from its activities.

All intercompany balances and transactions have been eliminated on consolidation.

Details of the Company's subsidiaries are as follows:

Name	Place of incorporation	Interest %	Principal activity
0970990 B.C. Ltd.	British Columbia, Canada	100%	Inactive subsidiary
SG Spirit Subco LLC	Delaware, USA	100%	Inactive subsidiary

2. BASIS OF PRESENTATION *(continued)*

Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses. Actual results could differ from those estimates

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Critical Judgments in Applying Accounting Policies

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the consolidated financial statements include, but are not limited to, the following:

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or less deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

All financial instruments are classified into one of five categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale ("AFS"), (4) financial assets held-to-maturity, and (5) other financial liabilities. All financial instruments and derivatives are recognized in the statement of financial position at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities which are recognized at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Fair value through profit or loss financial instruments are measured at fair value and changes in fair value are recognized in net income/loss. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income/loss until the instrument is sold or impaired.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash	FVTPL	Fair value
Loans payable	Loans and receivables	Amortized cost
Bank Indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Company classifies financial instruments measured at fair value according to the following hierarchy based on the reliability of inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of loans payable, accounts payable and accrued liabilities, and bank indebtedness approximate their fair values due to their short terms to maturity.

Cash has been measured at fair value using Level 1 inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Cash Equivalents and Bank Indebtedness

The Company considers all highly liquid short-term investments with a maturity of three months or less to be cash equivalents. At December 31, 2016 and 2015, the Company had $Nil in cash equivalents.

Exploration and Evaluation Assets

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying, drilling, and payments made to contractors during the exploration phase. Costs not directly attributed 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 a part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which may 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.

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 operations and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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 assets 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future Reclamation Costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of reclamation of mineral interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

For the years presented, the Company does not have any significant future reclamation costs.

Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Income Tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of offset within fiscal jurisdictions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The Company recognizes share-based payments based on the estimated fair value of the options. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based payments and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

Flow-Through Shares

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included into income at the same time the qualifying expenditures are made.

Foreign Currency Translation

The functional currency and the reporting currency of the Company, and its subsidiary, is the Canadian dollar. Transactions denominated in foreign currency are translated into Canadian dollars at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date, while non-monetary assets and liabilities are translated at historical rates. Any gains or losses resulting from translation have been included in the statement of operations and comprehensive loss.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the following rate:

Booth display	20% declining balance

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment *(continued)*

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of operations and comprehensive loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Impairment of Long-lived Assets

At each financial position reporting date, the carrying amounts of the Company's long-lived 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, which is the present value of future cash flows expected to be derived from 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 the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. 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 loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount 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.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in equity (deficiency) which results from transactions and events from sources other than the Company's shareholders. Comprehensive income (loss) includes the unrealized holding gains and losses from available-for-sale marketable securities which are not included in net income (loss) until realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2017, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

The Company anticipates that the application of these standards, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 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 characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

New Standard Adopted

The following new accounting standard was adopted as of January 1, 2016 and did not have a material impact on the consolidated financial statements of the Company:

Amendments to IAS 1 Presentation of Financial Statements

The amendments are designed to encourage companies to apply professional judgement to determine what information to disclose in the financial statements. In addition, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendment is effective for annual periods beginning on or after January 1, 2016.

(Expressed in Canadian Dollars)

4. EQUIPMENT

The following table summarizes the changes in the Company's equipment for the years ended December 31, 2016 and 2015:

		Booth Display
Cost		
As at December 31, 2015 and 2014	$	7,504
Disposals		(7,504)
As at December 31, 2016		-
Accumulated Depreciation		
As at December 31, 2014	$	6,062
Depreciation for the year		360
As at December 31, 2015		6,422
Depreciation for the year		1,082
Disposals		(7,504)
As at December 31, 2016	$	-
Net Book Value		
As at December 31, 2015	$	1,082
As at December 31, 2016	**$**	**-**

5. SHARE CAPITAL AND RESERVES

Authorized

Unlimited common shares without par value

Common Shares Issued

On February 9, 2016, the Company completed a non-brokered private placement of 12,100,000 units at a price of $0.05 per unit for gross proceeds of $605,000. Each unit consists of one common share of the Company and one share purchase warrant entitling the holder to acquire an additional share at a price of $0.10 per share for a period of 5 years. The Company paid $16,061 in share issue costs related to this private placement.

During 2016, 800,000 warrants were exercised resulting in the issuance of 800,000 common shares at $0.10 per share.

There were no common shares issued during the year ended December 31, 2015.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES *(continued)*

Warrants

Details of common share purchase warrants outstanding at December 31, 2016 are as follows:

	2016 Outstanding Warrants	2015 Outstanding Warrants	Exercise price	Expiry date
Share purchase warrants				
Issued	11,300,000	Nil	$ 0.10	February 9, 2021

Common share purchase warrant transactions during the years ended December 31, 2016 and 2015 are as follows:

	2016			2015		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding - beginning of year	-	$ -	$ -	-	$ -	$ -
Issued	12,100,000	0.10	-	-	-	-
Exercised	(800,000)	0.10	-	-	-	-
Outstanding - end of year	11,300,000	$ 0.10	$ -	-	$ -	$ -

The weighted average remaining contractual life of the issued and outstanding warrants at December 31, 2016 was 4.09 years.

Share-based Payments

The Company has a Rolling Stock Option Plan (the “Plan”), which follows the policies of the TSX Venture Exchange regarding stock option awards granted to employees, directors and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan. Options granted under the Plan have a maximum term of 5 years. The vesting terms are at the discretion of the Board of Directors.

On February 9, 2016, the Company granted 1,300,000 incentive stock options to directors and officers. The incentive stock options have an exercise price of $0.08 per share, expire one year from the date of grant and vest immediately. The estimated fair value, $0.03 per share, was calculated for the options using the Black-Scholes model based on the following assumptions: risk-free interest rate of 0.41%, expected life of 5 years, no annual dividend, expected volatility of 177% and a forfeiture rate of Nil. These options were cancelled on September 30, 2016.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES *(continued)*

Share-based Payments *(continued)*

On November 30, 2016, the Company approved the issuance of 520,000 options to consultants at an exercise price of $0.14. These options were granted for a period of five years and vest immediately. The estimated fair value, $0.12 per share, was calculated for the options using the Black-Scholes model based on the following assumptions: risk-free interest rate of 1.00%, expected life of 5 years, no annual dividend, expected volatility of 150% and a forfeiture rate of 30%.

During the year ended December 31, 2016, the Company recognized $42,845 (2015 - $Nil) in share based compensation relating to this grant.

As at December 31, 2016, the Company had stock options issued to a consultant of the Company outstanding as follows:

Date of grant	Number of options issued	Exercisable	Exercise price	Expiry date	Weighted average remaining contractual life
November 30, 2016	520,000	520,000	$ 0.14	November 30, 2021	4.92 years

6. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2016, the Company paid interest in the amount of $1,225 (2015 - $Nil).

There were no non-cash transactions affecting cash flows from operating, investing, and financing activities during the year ended December 31, 2016.

During the year ended December 31, 2015, the Company had an unrealized gain on marketable securities of $5,000, which was the only non-cash transaction affecting cash flows from operating, investing, and financing activities.

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, the Company incurred $30,500 (2015 - $20,000) in management fees, including $10,000 in resignation bonuses, payable to directors, former directors or companies controlled by directors or former directors. At December 31, 2016, the Company owed a director and former directors or companies controlled by former directors amounts totalling $25,475 (2015 - $4,200) in respect of these fees, which is included in accounts payable and accrued liabilities.

Key management personnel comprise the Company’s Board of Directors and executive officers. No remuneration was paid to key management personnel during the years ended December 31, 2016 and 2015 other than as indicated above.

(Expressed in Canadian Dollars)

8. LOANS PAYABLE

Loans payable in the amount of $Nil (2015 - $35,537) were unsecured and bore interest at 10% per annum. The lender had the option to be repaid in cash or shares of the Company. The Company repaid all loans in cash during the year ended December 31, 2016.

9. INCOME TAXES

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	Years ended December 31, 2016	2015
Basic statutory and provincial income tax rate	**26%**	26%
Net loss for the year	**$ (211,338)**	$ (62,902)
Expected income tax recovery	**$ (55,000)**	$ (16,000)
Expiry of loss carryforward	**-**	130,000
Change in tax rates and other	**8,000**	(8,000)
Change in unrecognized deferred tax assets	**47,000**	(106,000)
Income tax recovery	**$ -**	$ -

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

	December 31, 2016	2015
Deferred income tax assets (liabilities):		
Non-capital losses available for future period	**$ 958,000**	$ 915,000
Share issue costs	**3,000**	-
Equipment	**2,000**	1,000
Exploration and evaluation assets	**70,000**	70,000
Allowable capital losses	**4,000**	4,000
	1,037,000	990,000
Unrecognized deferred tax assets	**(1,037,000)**	(990,000)
Net deferred tax asset	**$ -**	$ -

(Expressed in Canadian Dollars)

9. INCOME TAXES *(continued)*

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	December 31, 2016	Expiry	December 31, 2015	Expiry
Property and equipment	**$ 6,000**	No expiry	$ 5,000	No expiry
Share issue costs	**13,000**	2021	-	-
Non-capital losses available for future periods	**3,685,000**	2026-2036	3,518,000	2026-2035
Exploration and evaluation assets	**268,000**	No expiry	268,000	No expiry
Investment tax credit	**1,000**	2021-2034	1,000	2021-2034
Allowable capital losses	**15,000**	No expiry	15,000	No expiry

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

10. CAPITAL MANAGEMENT

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern, including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash to be its manageable capital. The Company's policy is to maintain sufficient cash and deposit balances to cover operating and exploration costs over a reasonable future period. The Company accesses capital markets as necessary and may also acquire additional funds where advantageous circumstances arise.

The Company currently has no externally-imposed capital requirements. There was no change to the Company's approach to capital management during the period.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2016, the Company's financial instruments consist of cash, bank indebtedness, accounts payable and accrued liabilities, and loans payable.

The Company's financial instruments are exposed to the following risks:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a large Canadian financial institution in interest bearing accounts.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Credit Risk *(continued)*

The Company's receivables consist mainly of Goods and Services Tax receivable due from the Government of Canada, and as such the Company does not believe there is significant credit risk with respect to amounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 10 to the consolidated financial statements.

As at December 31, 2016, the Company does not have the cash resources to settle all its current liabilities. The Company will need to raise additional funds through equity or debt to continue with its operations.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices and foreign exchange rates.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Price Risk

The Company is not exposed to price risk.

Currency Risk

As at December 31, 2016, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As a result, the Company does not believe it is exposed to any significant currency risk.

12. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the identification, acquisition and exploration of mineral interests in Canada.

13. SUBSEQUENT EVENTS

a) On February 10, 2017, the Company entered into a definitive amalgamation agreement (the "Definitive Agreement") with Northern Lights Marijuana Company Limited ("DOJA"), pursuant to which the Company proposes to acquire all of the issued and outstanding securities of DOJA.

   In accordance with the terms of the Definitive Agreement DOJA, will amalgamate with a wholly-owned subsidiary of the Company, following which the resulting amalgamated entity will continue as a wholly-owned subsidiary of the Company. In consideration for the completion of this transaction, the current holders of DOJA class "A" voting common shares will be issued one-and-eight-tenths (1.8) common shares of the Company in exchange for every share of DOJA they hold. Existing convertible securities of DOJA will be exchanged for convertible securities of the Company, on substantially the same terms, and applying the same exchange ratio.

   On April 28, 2017, the Company and DOJA agreed to amend the terms of the Definitive Agreement. Completion of the acquisition of DOJA is now subject to, among other things, the Company completing a consolidation of its issued and outstanding share capital on a three-for-one basis, DOJA completing a financing for gross proceeds of at least $3,000,000 on or before May 31, 2017, receipt of any required shareholder, regulatory and third party consents, the Canadian Securities Exchange having conditionally accepted the listing of the Company's common shares, the TSX Venture Exchange having consented to the voluntary delisting of the Company's common shares and the satisfaction of other customary closing conditions.

   After the amalgamation process is complete, the Company will change its name to DOJA Cannabis Company Limited. The acquisition is expected to close in June, 2017.

b) On March 29, 2017, the Company appointed a syndicate of agents to sell by way of private placement up to 13,333,333 subscription receipts of the Company at a price of $0.75 per subscription receipt for aggregate gross proceeds of up to $10,000,000. Concurrently with the closing of the transaction contemplated in the Definitive Agreement, each subscription receipt will be automatically exchanged into "Units" of the Company. Each Unit shall consist of one (1) common share of the Company and one-half of one common share purchase warrant. Each whole warrant shall entitle the holder to acquire one (1) additional common share of the Company at an exercise price of $1.25 for a period of 24 months from the date of issuance.

c) Subsequent to year end 260,000, options and 1,100,000 warrants were exercised at $0.14 and $0.10 per share respectively for proceeds of $146,400.