

**Shoshoni Gold Ltd.**

**Financial Statements**

**For the years ended  
February 28, 2017 and February 29, 2016**

**(Expressed in Canadian dollars)**

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**(Expressed in Canadian dollars)**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Shoshoni Gold Ltd.**

We have audited the accompanying financial statements of Shoshoni Gold Ltd., which comprise the statements of financial position as at February 28, 2017 and February 29, 2016, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, the financial statements present fairly, in all material respects, the financial position of Shoshoni Gold Ltd. as at February 28, 2017 and February 29, 2016, 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 financial statements which indicates the material uncertainties that may cast significant doubt on the ability of Shoshoni Gold Ltd. to continue as a going concern.

***"Wolrige Mahon LLP"***

CHARTERED PROFESSIONAL ACCOUNTANTS  
June 28, 2017  
Vancouver, B.C.

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**Shoshoni Gold Ltd.****Statements of Financial Position  
(Expressed in Canadian dollars)**

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As at	February 28, 2017	February 29, 2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 460	\$ 5
GST recoverable	7,765	6,341
	8,225	6,346
<b>Exploration and evaluation assets (note 6)</b>	1	2,271,720
<b>Reclamation bond (note 7)</b>	16,825	16,825
	\$ 25,051	\$ 2,294,891
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 10)	\$ 243,569	\$ 324,221
Subscriptions received in advance	8,000	23,000
Asset retirement obligation (note 8)	16,825	16,825
Advances from Directors (note 10)	37,812	37,812
Loans payable (note 11)	47,045	41,491
	353,251	443,349
<b>Shareholders' Equity</b>		
<b>Share capital (note 9)</b>	16,929,566	16,653,435
<b>Contributed surplus</b>	2,393,875	2,388,506
<b>Deficit</b>	(19,651,641)	(17,190,399)
	(328,200)	1,851,542
	\$ 25,051	\$ 2,294,891

**Nature of Operations and Going Concern (note 1)**  
**Commitment (note 8)**

**Approved on Behalf of the Board of Directors:**

*"Glen Macdonald"*

Director

*"Carol MacDonald"*

Director

See Accompanying Notes

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**Shoshoni Gold Ltd.****Statements of Comprehensive Loss  
(Expressed in Canadian dollars)**

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<b>For the year ended</b>	<b>February 28, 2017</b>	<b>February 29, 2016</b>
<b>Expenses</b>		
Consulting	\$ 89,500	\$ 67,500
Depreciation	-	862
Legal and accounting	24,170	8,326
Management fees (note 10)	-	28,875
Office and miscellaneous	23,829	21,466
Property investigation	12,095	30,000
Regulatory and transfer agent fees	14,929	16,966
Write down of exploration and evaluation assets (note 6)	2,296,719	49,050
<b>Comprehensive loss for the year</b>	<b>\$ (2,461,242)</b>	<b>\$ (223,045)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.33)</b>	<b>\$ (0.07)</b>
<b>Weighted average number of shares outstanding</b>	<b>7,353,612</b>	<b>3,206,105</b>

See Accompanying Notes

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**Shoshoni Gold Ltd.****Statements of Changes in Equity  
(Expressed in Canadian dollars)**

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	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
Balance February 28, 2015	3,206,150	\$ 16,653,435	\$ 2,388,506	\$ (16,967,354)	\$ 2,074,587
Loss for the year	-	-	-	(223,045)	(223,045)
Balance February 29, 2016	3,206,150	16,653,435	2,388,506	(17,190,399)	1,851,542
Loss for the year	-	-	-	(2,461,242)	(2,461,242)
Private Placement	5,800,000	276,131	5,369	-	281,500
Balance February 28, 2017	9,006,150	\$ 16,929,566	\$ 2,393,875	\$ (19,651,641)	\$ (328,200)

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See Accompanying Notes

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**Shoshoni Gold Ltd.****Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

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<b>For the year ended</b>	<b>February 28, 2017</b>	<b>February 29, 2016</b>
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Loss for the year	\$ (2,461,242)	\$ (223,045)
Add items not affecting cash:		
Depreciation	-	862
Write down of exploration and evaluation assets	2,296,719	49,050
Changes in non-cash working capital		
GST recoverable	(1,424)	(2,815)
Prepaid expenses and advances	-	7,664
Accounts payable and accrued liabilities	(105,652)	101,870
	(271,599)	(66,414)
<b>Financing activities</b>		
Loans received	5,554	34,491
Shares issued	266,500	-
Advances from Directors	-	31,947
	272,054	66,438
<b>Investing activity</b>		
Deferred exploration and evaluation asset costs	-	-
	-	-
<b>Net increase (decrease) in cash</b>	<b>455</b>	<b>24</b>
<b>Cash (bank indebtedness), beginning of year</b>	<b>5</b>	<b>(19)</b>
<b>Cash (bank indebtedness), end of year</b>	<b>\$ 460</b>	<b>\$ 5</b>
<b>Supplemental cash flow information</b>		
Amount allocated from prepaid expense to exploration and evaluation asset	\$ -	\$ 3,500
Exploration and evaluation asset expenditures in accounts payable	\$ 25,000	\$ 26,540
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See Accompanying Notes

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
(Expressed in Canadian dollars)**

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**February 28, 2017 and February 29, 2016**

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**1. Nature of Operations and Going Concern**

Shoshoni Gold Ltd. (the "Company") was incorporated April 23, 1985, under the Company Act of British Columbia, and extra-provincially registered in the Northwest Territories. The Company's principal activity is the exploration of resource properties. The Company's corporate office and principal place of business is 701 - 595 Howe Street, Vancouver, British Columbia, Canada. During the year ended February 28, 2017, the Company completed a 10 for 1 share consolidation. All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation during the period.

The financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of amounts shown as resource properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The existence of these matters give rise to material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

Although the Company has taken steps to verify title to resource properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**2. Basis of Presentation****a) Statement of Compliance**

The financial statements for the Company for the years ending February 28, 2017 and February 29, 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

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

**b) Basis of Measurement**

These financial statements have been prepared on a historical cost basis except for financial instruments classified as FVTPL which are stated at their fair value.

In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
(Expressed in Canadian dollars)**

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**February 28, 2017 and February 29, 2016**

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**2. Basis of Presentation** (continued)

## c) Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Financial results as determined by actual events could differ from these estimates.

The estimates and underlying assumptions are continuously evaluated and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant areas requiring the use of management estimates include impairment of exploration and evaluation properties; reclamation and environmental obligations; determining the provision for deferred income taxes and contingencies reported in the notes to the financial statements.

Areas of significant judgment include the classification of financial instruments, the classification of exploration and evaluation expenditures and the assessment of going concern, which requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

**3. Significant Accounting Policies**

The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Financial instruments

## 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 and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company has classified its cash as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. The effective interest 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 reclamation bonds are classified as loans-and-receivables, the Company as no assets classified as held-to-maturity.

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
(Expressed in Canadian dollars)**

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**February 28, 2017 and February 29, 2016**

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**3. Significant Accounting Policies (continued)**a) Financial instruments (continued)

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered prolonged. The Company has no assets classified 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.

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

## Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

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 method. The Company's accounts payable and accrued liabilities, subscriptions received in advance, loans payable, and advances from Directors 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 unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss. The Company has no liabilities classified as FVTPL.

b) Exploration and evaluation expenditures

## Pre-exploration costs

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

## Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur. The costs are accumulated in cost centres by well, field or exploration area and not depreciated pending determination of technical feasibility and commercial viability.

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

**3. Significant Accounting Policies (continued)**

b) Exploration and evaluation expenditures (continued)

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

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment or expensed to exploration and evaluation impairments.

Exploration and evaluation expenditures are classified as intangible assets.

c) Equipment and furniture

Equipment and furniture are recorded at cost, less accumulated depreciation and accumulated impairment losses. Equipment and furniture are amortized using the declining-balance method at an annual rate of 30%.

d) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's 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. The impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Asset retirement obligations

The Company recognizes the fair value of a legal or constructive liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of comprehensive loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
(Expressed in Canadian dollars)**

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**February 28, 2017 and February 29, 2016**

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**3. Significant Accounting Policies (continued)**f) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments.

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

## Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

## Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until qualifying expenditures are incurred.

**3. Significant Accounting Policies (continued)**

g) Share based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

h) Loss per share

Basic income per common share is computed by dividing the net income for the year by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

i) Income taxes

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

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
(Expressed in Canadian dollars)**

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**February 28, 2017 and February 29, 2016**

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**3. Significant Accounting Policies (continued)**i) Income taxes (continued)

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

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

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

k) Accounting Policies to be Adopted

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2017 unless otherwise stated. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 15 Revenue recognition: The IASB issued IFRS 15, Revenue from Contracts with Customers in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

IFRS 16 Leases: IFRS 16 replaces IAS 17 and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
(Expressed in Canadian dollars)**

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**February 28, 2017 and February 29, 2016**

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**4. Risk Management and Financial Instruments**

## Fair value of financial instruments

The fair values of cash, accounts payable and accrued liabilities, subscriptions received in advance, loans payable, and advances from Directors approximate their carrying values as the financial assets and liabilities have a short-term to maturity.

## Fair Value Hierarchy

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 –quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 –inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – unobservable inputs for the asset or liability.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

February 28, 2017	Level 1	Level 2	Level 3
Assets:			
Cash	\$ 460	\$ -	\$ -

  

February 29, 2016	Level 1	Level 2	Level 3
Assets:			
Cash	\$ 5	\$ -	\$ -

**Financial Instrument Risks**

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

**a) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk by holding cash. This risk is minimized by holding the investments in large Canadian financial institutions or with Canadian governments. The Company has minimal accounts receivable exposure, and its various refundable credits are due from Canadian governments. The Company's maximum exposure to credit risk is the carrying value of cash.

#### **4. Risk Management and Financial Instruments (continued)**

##### **Financial Instrument Risks (continued)**

###### **b) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by management of its working capital to ensure its expenditures will not exceed available resources. At February 28, 2017, the Company has a working capital deficiency of \$345,026.

###### **c) 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.

###### **i) Interest rate risk**

The Company has cash balances. The interest earned on cash approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates.

###### **ii) Currency risk**

Currency risk is the risk that assets and liabilities held in currencies other than the functional currency will fluctuate, resulting in a foreign exchange gain or loss. The Company's operations are currently all within Canada, and accordingly the Company does not have significant currency risk.

###### **iii) 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 earnings 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 earnings and economic value due to commodity price movements and volatilities. The Company's ability to raise capital to fund exploration and evaluation activities is subject to risks associated with fluctuations in the market price of gold and copper. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

#### **5. Capital Management**

The Company includes equity, comprising of issued common shares and share purchase warrants, contributed surplus and deficit, in the definition of capital.

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 mineral properties. 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.

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
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**5. Capital Management (continued)**

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will attempt to raise additional funds as needed, while the Company has been successful in the past there is no assurance it will be able to raise funds in this manner in the future. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or 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. There were no changes in the Company's approach to capital management during the year ended February 28, 2017. The Company is not subject to externally imposed capital requirements.

**6. Exploration and Evaluation Assets**

<b>February 29, 2016</b>					
	<b>Opening</b>	<b>Additions</b>		<b>Write-down</b>	<b>Total</b>
		<b>Cash/ payable</b>	<b>Shares</b>		
<b>Acquisition Costs</b>					
Kirkland Creek	\$ 449,830	\$ 25,000	\$ -	\$ -	\$ 474,830
ZPG Property	32,500	-	-	(32,500)	-
	482,330	25,000	-	(32,500)	474,830
<b>Deferred Exploration</b>					
Kirkland Creek	1,796,890	-	-	-	1,796,890
ZPG Property	11,510	5,040	-	(16,550)	-
	1,808,400	5,040	-	(16,550)	1,796,890
	<b>\$ 2,290,730</b>	<b>\$ 30,040</b>	<b>\$ -</b>	<b>\$ (49,050)</b>	<b>\$ 2,271,720</b>
<b>February 28, 2017</b>					
	<b>Opening</b>	<b>Additions</b>		<b>Write-down</b>	<b>Total</b>
		<b>Cash</b>	<b>Shares</b>		
<b>Acquisition Costs</b>					
Kirkland Creek	\$ 474,830	\$ 25,000	\$ -	\$ (499,829)	\$ 1
<b>Deferred Exploration</b>					
Kirkland Creek	1,796,890	-	-	(1,796,890)	-
	<b>\$ 2,271,720</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ (2,296,719)</b>	<b>\$ 1</b>

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
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**6. Exploration and Evaluation Assets (continued)****Kirkland Creek Property Claims**

The Company has negotiated the purchase of the Kirkland Creek Property, located 120 kilometers northwest of Whitehorse, Yukon, in the Ashihik Lake region. The property originally was comprised of 144 claims totaling approximately 7,300 acres. The Company paid the vendor 2,000,000 common shares for a 100% interest in the property. The vendor will retain a 3% net smelter royalty ("NSR") on any mineral production from the property. Effective November 2010 an advance royalty of \$25,000 is payable annually, the Company has paid \$175,000 cumulatively to February 29, 2016. The Company has the right to purchase up to 2% of the 3% NSR for \$1,000,000 per percentage point. On May 7, 2007, the Company announced that it had expanded the property by staking an additional 36 claims (1,830 acres) adjoining the original 144-claim block. The Company has allowed some of the claims it considers to be of lesser importance to lapse. The Kirkland Creek property now consists of 40 contiguous claims.

During the year ended February 28, 2017, as a result of applying IFRS 6, the Company has been forced to write down this property by \$2,296,719 to a nominal amount of \$1 as a result of not meeting the criteria for expenditures on the property. Under IFRS 6 where substantial expenditures are neither budgeted nor planned there is an indicator of impairment, and where fair value cannot be determined the property is written down to a nominal amount.

**ZPG Property**

The Company had entered into an option agreement with WPC Resources Inc. ("WPC") to earn a 60% interest in the ZPG property in Lander County, Nevada. Pursuant to the agreement by December 31, 2015 the Company will make expenditures and incur exploration expenditures as follows:

- a) Cash payment of \$25,000 on signing (paid);
- b) Cash payment of \$50,000 no later than five business days prior to the commencement of drilling a second drill hole over 300 metres in length on the property; and
- c) \$500,000 of exploration expenditures, to include no less than two drill holes over 300 metres in length.

Further exploration costs, to a minimum cumulative expenditure of USD 660,000 will be incurred 60% by the Company and 40% by WPC.

The property is subject to an underlying 3% Net Smelter Royalty of which one-half (1.5%) may be purchased for US \$1,500,000.

During the year-ended February 29, 2016, the Company abandoned the property and wrote off \$49,050 to profit or loss.

**7. Reclamation Bond**

The bond posted during fiscal 2008 by the Company in anticipation of the drilling on the Sunrise Natural Gas Lands is held in trust for the Company until such time as any required reclamation has been completed. The funds do not bear interest, and fair value is not readily determinable.

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
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**8. Asset Retirement Obligation**

	<b>Sunrise</b>	<b>Kirkland</b>	<b>Total</b>
<b>Balance February 29, 2016 and February 28, 2017</b>	<b>\$ 16,825</b>	<b>\$ -</b>	<b>\$ 16,825</b>

**9. Share Capital****a) Authorized**

Unlimited common shares without par value.

**b) Share issuances**

On June 6, 2016 the Company completed the first tranche of a private placement and issued 4,220,000 units for total gross proceeds of \$211,000. Each unit consists of one common share and one transferable share purchase warrant, each warrant is exercisable into one additional common share at a price of \$0.05 for a period of 36 months from the date of issue. As part of this placement, the Company paid a finders' fee of \$2,600 in cash.

On June 28, 2016 the Company completed the second tranche of the placement and issued 1,580,000 units for total gross proceeds of \$79,000. Each unit consists of one common share and one transferable share purchase warrant, each warrant is exercisable into one additional common share at a price of \$0.05 for a period of 36 months from the date of issue. As part of this placement, the Company paid a finders' fee of \$5,900 in cash. In addition, the Company issued 118,000 agent warrants with the same terms as the financing. The Company has estimated the fair value of the agent warrants to be \$5,369 based on the Black-Scholes option pricing model. The assumptions used for included a risk-free interest rate of 1.65%, an expected life of 3 years and an annualized volatility rate of 194%.

**c) Options outstanding**

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The essential elements of the 2015 Stock Option Plan ("Plan") provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

There were no options issued or outstanding during the years ended February 28, 2017 and February 29, 2016.

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
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**February 28, 2017 and February 29, 2016**

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**9. Share Capital (continued)****d) Warrants outstanding**

The changes in warrants during the year ended February 28, 2017 are as follows:

	Number of warrants	Weighted average exercise price
<b>Balance, February 28, 2015 and February 29, 2016</b>	-	-
Warrants issued	5,918,000	\$ 0.05
<b>Balance, February 28, 2017</b>	<b>5,918,000</b>	<b>\$ 0.05</b>

Details of warrants outstanding at February 28, 2017 are as follows:

Number of Shares	Exercise price	Expiry Date
4,220,000	\$ 0.05	June 6, 2019
1,580,000	\$ 0.05	June 28, 2019
118,000	\$ 0.05	June 28, 2019
<b>5,918,000</b>		

**10. Related Party Transactions**

The following amounts were paid or accrued to directors or companies controlled by directors of the Company for services provided for the years ended February 28, 2017 and February 29,:

	<u>2017</u>	<u>2016</u>
Management fees	\$ nil	\$ 28,875
Accounting and legal fees	\$ 6,750	\$ nil

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

Amounts due to directors and former directors of the Company as at February 28, 2017 of \$67,689 (2016 - \$219,577) were included in accounts payable and accrued liabilities. Amounts due to related parties do not bear interest, are unsecured and are classified as current due to their nature and expected time of repayment.

Advances received from directors as at February 28, 2017 of \$37,812 (2016 - \$37,812) include an amount of \$4,065 (2016 - \$4,065) which bears interest at 10% per annum and was repayable in full on December 16, 2014, \$406 of interest (2016 - \$406) has been accrued as at year end. Other loans from Directors bear no interest and have no fixed repayment dates.

**11. Loans Payable**

Loans payable as at February 28, 2017 includes various loans totaling \$47,045 (2016 - \$41,491), bear interest ranging from Nil to 20% compounded monthly and are repayable on demand. As at February 28, 2017, included in the amount, the Company had accrued interest of \$11,108 (2016 - \$5,554) on these loans.

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**Shoshoni Gold Ltd.****Notes to the Financial Statements  
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**February 28, 2017 and February 29, 2016**

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**12. Income Taxes**

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

	<b>February 28, 2017</b>	February 29, 2016
Loss before income taxes	<b>\$ (2,461,242)</b>	\$ (223,045)
Income tax recovery at statutory rates	<b>\$ (639,923)</b>	\$ (57,992)
Non-deductible items for tax purposes	-	-
Non-capital losses expired	-	-
Tax benefits not recognized (recognized)	<b>639,923</b>	57,992
	<b>\$ -</b>	\$ -

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

	<b>February 28, 2017</b>	February 29, 2016
Deferred income tax assets		
Equipment and furniture	<b>\$ 5,791</b>	\$ 5,791
Resource properties	<b>2,124,946</b>	1,529,925
Net capital losses available	<b>10,942</b>	10,942
Non-capital losses available for future periods	<b>910,597</b>	863,724
Share issue costs	<b>2,509</b>	1,863
	<b>3,054,785</b>	2,412,425
Tax benefits not recognized	<b>(3,054,785)</b>	(2,412,425)
	<b>\$ -</b>	\$ -

At February 28, 2017 the Company has tax losses of approximately \$3,502,295 available for carry-forward to reduce future years' income taxes, expiring up to 2037. In addition the Company has available mineral resource related expenditure pools totaling approximately \$8,156,000 which may be deducted against future taxable income on a discretionary basis.

2026	\$ 197,299
2027	294,153
2028	294,400
2029	306,559
2030	301,227
2031	417,624
2032	397,356
2033	507,328
2034	275,866
2035	149,902
2036	180,300
2037	180,281
	<b>\$ 3,502,295</b>

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts.