



**SEGO RESOURCES INC.**

Financial Statements

June 30, 2017 and 2016

(Stated in Canadian Dollars)

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF SEGO RESOURCES INC.**

We have audited the accompanying financial statements of Sego Resources Inc., which comprise the statements of financial position as at June 30, 2017 and 2016 and the statements of comprehensive loss, changes in shareholders' equity and 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.

*Auditors' 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 auditors' 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 Sego Resources Inc. as at June 30, 2017 and 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 2 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
October 27, 2017

**Vancouver**  
7th Floor 355 Burrard St  
Vancouver, BC V6C 2G8  
**T:** 604 687 1231  
**F:** 604 688 4675

**Langley**  
305 – 9440 202 St  
Langley, BC V1M 4A6  
**T:** 604 282 3600  
**F:** 604 357 1376

**Nanaimo**  
201 – 1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
**T:** 250 755 2111  
**F:** 250 984 0886

Sego Resources Inc.  
 Statements of Financial Position  
 June 30, 2017 and 2016  
 (Stated in Canadian Dollars)

	Note	2017	2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 29,010	\$ 8,077
Receivables		2,070	1,925
BC Mining Exploration tax credit receivable	6	1,189	9,642
Prepaid expenses and deposits		4,396	3,687
		36,665	23,331
<b>Non-current assets</b>			
Reclamation deposits	4	10,000	10,000
Rent deposit		2,000	2,000
Equipment	5	-	4,115
Exploration advance	6	50,000	-
Exploration and evaluation assets	6, 9	3,706,776	3,675,356
		3,768,776	3,691,471
<b>TOTAL ASSETS</b>		<b>\$ 3,805,441</b>	<b>\$ 3,714,802</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 59,409	\$ 55,626
Due to related parties	9	136,650	446,225
<b>TOTAL LIABILITIES</b>		<b>196,059</b>	<b>501,851</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	6,274,952	5,774,210
Reserves		377,899	477,619
Deficit		(3,043,469)	(3,038,878)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,609,382</b>	<b>3,212,951</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 3,805,441</b>	<b>\$ 3,714,802</b>

Approved on behalf of the Board on October 27, 2017:

"J. Paul Stevenson"  
 Director

"Brent Petterson"  
 Director

The accompanying notes form an integral part of these financial statements

Sego Resources Inc.  
 Statements of Comprehensive Loss  
 For the years ended June 30, 2017 and 2016  
 (Stated in Canadian Dollars)

	Note	2017	2016
<b>Expenses</b>			
Accounting and audit fees	9	\$ 40,830	\$ 40,500
Consulting fees	9	13,700	17,000
Depreciation	5	4,115	8,645
Filing fees		10,951	6,979
Insurance		-	2,504
Legal		7,442	7,216
Management fees	9	36,000	36,000
Marketing		10,000	-
Office and miscellaneous		7,368	10,348
Rent		11,682	11,393
Telephone	9	7,800	7,800
Transfer agent		7,836	4,172
<b>Net loss and comprehensive loss</b>		<b>\$ (157,724)</b>	<b>\$ (152,557)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.002)</b>	<b>\$ (0.002)</b>
<b>Weighted average number of common shares outstanding</b>		<b>73,751,978</b>	<b>63,507,458</b>

The accompanying notes form an integral part of these financial statements

Sego Resources Inc.  
 Statements of Changes in Shareholders' Equity  
 For the years ended June 30, 2017 and 2016  
 (Stated in Canadian Dollars)

	Note	Share capital		Reserves	Deficit	Total
		Number of shares	Amount			
<b>Balance at June 30, 2016</b>		<b>64,772,827</b>	<b>\$ 5,774,210</b>	<b>\$ 477,619</b>	<b>\$ (3,038,878)</b>	<b>\$ 3,212,951</b>
Reclassification on expiry of options and warrants		-	-	(153,133)	153,133	-
Shares issued for debt	8	7,857,500	392,875	-	-	392,875
Private placements	8	3,430,000	123,400	48,100	-	171,500
Less: share issue costs	8	-	(15,533)	5,313	-	(10,220)
Net loss and comprehensive loss		-	-	-	(157,724)	(157,724)
<b>Balance at June 30, 2017</b>		<b>76,060,327</b>	<b>\$ 6,274,952</b>	<b>\$ 377,899</b>	<b>\$ (3,043,469)</b>	<b>\$ 3,609,382</b>

	Note	Share capital		Reserves	Deficit	Total
		Number of shares	Amount			
<b>Balance at June 30, 2015</b>		<b>62,897,827</b>	<b>\$ 5,737,647</b>	<b>\$ 726,066</b>	<b>\$ (3,134,768)</b>	<b>\$ 3,328,945</b>
Reclassification on expiry of options and warrants		-	-	(248,447)	248,447	-
Private placements	8	1,875,000	37,500	-	-	37,500
Less: share issue costs	8	-	(937)	-	-	(937)
Net loss and comprehensive loss		-	-	-	(152,557)	(152,557)
<b>Balance at June 30, 2016</b>		<b>64,772,827</b>	<b>\$ 5,774,210</b>	<b>\$ 477,619</b>	<b>\$ (3,038,878)</b>	<b>\$ 3,212,951</b>

The accompanying notes form an integral part of these financial statements

Sego Resources Inc.  
Statements of Cash Flows  
For the years ended June 30, 2017 and 2016  
(Stated in Canadian Dollars)

	2017	2016
<b>Operating Activities</b>		
Net loss	\$ (157,724)	\$ (152,557)
Adjustments for non-cash items		
Depreciation	4,115	8,645
Changes in non-cash working capital balances:		
Receivables	(145)	1,145
Prepaid expenses and deposits	(709)	(142)
Accounts payable and accrued liabilities	3,783	(3,816)
Due to related parties	75,453	119,101
<b>Net cash flows used in operating activities</b>	<b>(75,227)</b>	<b>(27,624)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares, net of share issue costs	161,280	36,563
<b>Net cash flows from financing activities</b>	<b>161,280</b>	<b>36,563</b>
<b>Investing Activities</b>		
Expenditures on exploration and evaluation assets	(24,762)	(13,635)
Exploration advance	(50,000)	-
BC Mining Exploration tax credit received	9,642	9,210
<b>Net cash flows used in investing activities</b>	<b>(65,120)</b>	<b>(4,425)</b>
Change in cash	20,933	4,514
Cash, beginning	8,077	3,563
<b>Cash, ending</b>	<b>\$ 29,010</b>	<b>\$ 8,077</b>

Supplemental cash flow information – Note 10

The accompanying notes form an integral part of these financial statements

**1. Corporate Information**

Sego Resources Inc. (the "Company") is an exploration stage company incorporated under the laws of the Province of British Columbia, Canada. Its business is the acquisition, exploration and evaluation of mineral properties. The Company is currently in the process of exploring and evaluating its Miner Mountain property located in the Similkameen Mining Division of British Columbia. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "SGZ".

The Company's head office and principal business address is #310 - 744 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1A5.

**2. Basis of Preparation**

***Statement of Compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue on October 27, 2017 by the directors of the Company.

***Going Concern***

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These 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 as a going concern.

At June 30, 2017, the Company has a working capital deficiency of \$159,394 (2016 - \$478,520) and an accumulated deficit of \$3,043,469 (2016 - \$3,038,878).

In addition, the Company has not generated revenue from operations and has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves and the Company's ability to obtain adequate financing to develop the reserves into profitable operations. These conditions indicate material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

The Company will have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

***Basis of Measurement***

These financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments, which are measured at fair value as explained in the Company's significant accounting policies set out in Note 3. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The Company has one operating segment, mineral exploration and evaluation. All of the Company's assets are located in Canada.

**2. Basis of Preparation (cont'd)**

***Use of accounting judgments, estimates and assumptions***

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

Preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the financial statements, as appropriate.

***Significant accounting judgments***

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

- The carrying value of the exploration and evaluation assets and the recoverability of the carrying value.

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

If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash-generating unit ("CGU"), or group of CGUs, level in the year the new information becomes available. If indicators of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment.

- Recoverability of deferred tax assets

In assessing the probability of realizing income tax assets, management makes judgment related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

- The going concern assumption

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**2. Basis of Preparation (cont'd)**

***Use of accounting judgments, estimate and assumptions (cont'd)***

*Significant accounting estimates and assumptions*

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

- Assumptions used in the calculation of the fair value assigned to share-based payments  
The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.
- Amount of mining exploration tax credit receivable  
The Company is entitled to refundable tax credits on qualified resource expenditures incurred in British Columbia. Management's judgment and estimates are applied in determining whether the resource expenditures are eligible for claiming such credits.

**3. Significant Accounting Policies**

These financial statements have, in management's opinion, been properly and consistently prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

- (a) Exploration and evaluation assets
  - (i) Exploration and evaluation expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to a property, and directly attributable general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement.

As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "mines under construction". No amortization is taken during the exploration and evaluation phase.

**3. Significant Accounting Policies (cont'd)**

(a) Exploration and evaluation assets (cont'd)

(ii) Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset. The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The Company does not have decommissioning liabilities as at June 30, 2017 and 2016.

(b) Impairment of assets

Assets that have an indefinite useful life are tested annually for impairment. At the end of each reporting period, the Company reviews the carrying amounts of its assets that are subject to amortization to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

**3. Significant Accounting Policies (cont'd)**

(c) Equipment

Equipment is stated at cost and amortized on a straight-line basis as follows:

Exploration equipment - 5 years

Additions during the year are amortized at one-half the annual rates.

When equipment is retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated amortization are removed from the accounts and any gain or loss is included in operations. The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

(d) Income taxes

Income tax expense, consisting of current and deferred tax expense, is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**3. Significant Accounting Policies (cont'd)**

(e) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. 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 share options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

Existing share options and share purchase warrants have not been included in the computation of diluted loss per share, as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(f) Share-based payment transactions

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes or another accepted option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in option reserves is transferred to share capital. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

**3. Significant Accounting Policies (cont'd)**

(g) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. A liability is recognized for the premium on the flow-through shares and is subsequently reversed as the Company incurs qualifying Canadian exploration expenses.

In circumstances where the Company has issued flow-through shares by way of a unit offering, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve first based on the fair value. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

(h) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred to share capital. For those warrants that expire, the recorded value is transferred to deficit.

(i) Mining exploration tax credits

The Company is eligible to receive mining exploration tax credits for certain qualifying work done on its exploration properties. The benefits related to such mining exploration tax credits are credited against exploration costs in the period in which the Company can reasonably estimate the amounts to be received and establish their ultimate recovery.

(j) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL"), held-to-maturity investments ("HTM"), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

**3. Significant Accounting Policies (cont'd)**

(j) Financial instruments (cont'd)

(i) Financial assets (cont'd)

- *Financial assets at fair value through profit or loss*

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

- *Held-to-maturity investments*

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. Reclamation deposits and rent deposit are classified as held-to-maturity.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. The Company has no assets classified as loans and receivables.

- *Available-for-sale financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income (loss) and classified as a component of equity.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income (loss) are included in profit or loss.

**3. Significant Accounting Policies (cont'd)**

(j) Financial instruments (cont'd)

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

- *Other financial liabilities*

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Other financial liabilities include accounts payable and due to related parties.

- *Derivative financial liabilities*

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. The Company has no derivative financial liabilities.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for assets or liabilities that are not based on observable market data.

(k) Accounting pronouncements issued but not yet effective

*IFRS 9 Financial Instruments*

Issued by the IASB July 2014; effective for annual periods beginning July 1, 2018:

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*.

**3. Significant Accounting Policies (cont'd)**

(k) Accounting pronouncements issued but not yet effective (cont'd)

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company is currently assessing the implications IFRS 9 will have on its financial statements.

**3. Significant Accounting Policies (cont'd)**

- (k) Accounting pronouncements issued but not yet effective (cont'd)

***Annual Improvements 2012-2014 Cycle***

Issued by the IASB December 2016; effective for annual periods beginning July 1, 2018:

The following standards have been revised to incorporate amendments issued by the IASB:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – The amendments remove some short-term exemptions for first-time adopters.
- IFRS 12 *Disclosure of Interests in Other Entities* – The amendments clarify that the disclosure requirements in the standard apply to interests in entities within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
- IAS 28 *Investments in Associates and Joint Ventures* – The amendments clarify that the election available to some types of investment entities to measure investees at fair value through profit or loss at initial recognition is applied on an investment-by-investment basis. The amendments also clarify that an entity that is not an investment entity decides on an investment-by-investment basis whether to retain the fair value measurements applied by its associates and joint ventures that are investment entities.

The Company does not expect these amendments will have a significant impact on its financial statements.

***Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)***

Issued by the IASB January 2016; effective for annual periods beginning July 1, 2017:

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities; and are effective for annual periods beginning on or after July 1, 2017 with earlier application is permitted.

**4. Reclamation Deposits**

The Company has pledged \$10,000 in two guaranteed investment certificates as site reclamation deposits. The deposits are refundable if there is no environmental disturbance to the Miner Mountain property. It is management's opinion that there has been minimal disturbance to the property to date.

Sego Resources Inc.  
Notes to the Financial Statements  
Years ended June 30, 2017 and 2016  
(Stated in Canadian Dollars)

**5. Equipment**

	<b>Computer Hardware</b>	<b>Computer Software</b>	<b>Exploration Equipment</b>	<b>Vehicle</b>	<b>Total</b>
<b>Cost:</b>					
June 30, 2015, 2016 and 2017	\$ 17,542	\$ 28,521	\$ 50,302	\$ 9,257	\$ 105,622
<b>Accumulated depreciation:</b>					
June 30, 2015	\$ 17,542	\$ 28,521	\$ 37,542	\$ 9,257	\$ 92,862
Depreciation expense	-	-	8,645	-	8,645
At June 30, 2016	17,542	28,521	46,187	9,257	101,507
Depreciation expense	-	-	4,115	-	4,115
June 30, 2017	\$ 17,542	\$ 28,521	\$ 50,302	\$ 9,257	\$ 105,622
<b>Net book value:</b>					
June 30, 2016	\$ -	\$ -	\$ 4,115	\$ -	\$ 4,115
<b>June 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**6. Exploration and Evaluation Assets**

**Miner Mountain Property**

On June 13, 2007, the Company entered into an option agreement to acquire a 100% interest in 38 mineral claims (which were subsequently consolidated into 12 mineral claims) situated in the Similkameen Mining Division of British Columbia for cash payments and common share issuances as follows:

- (a) Cash payments to the optionors of \$165,000 as follows:
- (i) \$30,000 within five business days from the date the agreement between both parties is approved by the TSX-V (approved July 2007) (paid);
  - (ii) \$60,000 on or before June 13, 2008 (paid); and
  - (iii) \$75,000 on or before June 13, 2009 (paid).
- (b) Issuance of 600,000 common shares to the optionors as follows:
- (i) 50,000 common shares within five business days of the approval date by the TSX-V (approved July 2007) (issued);
  - (ii) 100,000 common shares on or before June 13, 2008 (issued);
  - (iii) 150,000 common shares on or before June 13, 2009 (issued); and
  - (iv) 300,000 common shares upon preparation of a positive feasibility study on the property.

As part of the agreement, the optionors retain a 3% net smelter return ("NSR") royalty on the property. The Company has the right to buy back one-half of the NSR for the sum of \$1,500,000 at any time.

**6. Exploration and Evaluation Assets (cont'd)**

**Miner Mountain Property (cont'd)**

On June 16, 2011, the Company acquired a 100% interest in three additional mineral claims located in the Similkameen Mining Division of British Columbia for \$5,000 and the issuance of 50,000 common shares. As at June 30, 2017 and 2016, the Company's exploration and evaluation assets are comprised of property acquisition costs and deferred exploration costs on its Miner Mountain property:

<b>Balance, June 30, 2016</b>	<b>\$ 3,675,356</b>
Deferred exploration costs	
Camp and supplies	12,334
Engineering and geological (Note 9)	20,275
BC Mining Exploration tax credit	(1,189)
Net change during the year	31,420
<b>Balance, June 30, 2017</b>	<b>\$ 3,706,776</b>
<b>Balance, June 30, 2015</b>	<b>\$ 3,652,857</b>
Deferred exploration costs	
Camp and supplies	10,541
Engineering and geological (Note 9)	21,600
BC Mining Exploration tax credit	(9,642)
Net change during the year	22,499
<b>Balance, June 30, 2016</b>	<b>\$ 3,675,356</b>

At June 30, 2017, the Company had advanced \$50,000 to a drilling contractor.

**7. Financial Instruments**

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

There were no changes in the Company's objectives and processes in managing these risks during the years ended June 30, 2017 and 2016.

**7. Financial Instruments (cont'd)**

(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's cash is held in a Canadian financial institution. The Company has minimal credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of June 30, 2017 are \$196,059 (2016 - \$501,851). All of the contractual financial liabilities are current liabilities due in less than 90 days, and there are insufficient current assets to meet current obligations. Management will be required to raise funds to meet financial obligations as they fall due.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity price risk and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

Reclamation deposits are subject to floating interest rates whose fluctuation would not have a material effect on the value of these financial assets.

As at June 30, 2017 and 2016, the Company is not exposed to any other significant market risk.

*Fair value*

The fair values of the Company's accounts payable and amounts due to related parties approximate their carrying values due to the short-term nature of these instruments. The carrying amount of the reclamation deposits approximates its fair value as the stated rate approximates the market rate of interest. The Company's cash is classified at Level 1 of the fair value hierarchy. The Company has no financial instruments at Levels 2 or 3.

**8. Share Capital**

(a) Authorized

Unlimited Class A common shares without par value

(b) Issued

At June 30, 2017, there were 76,060,327 (2016 - 64,772,827) common shares issued and outstanding.

**8. Share Capital (cont'd)**

(c) Stock options

The Company has a stock option plan under which it may grant stock options of up to 20% of its issued and outstanding shares. The stock option plan provides for granting stock options to insiders, consultants and employees up to a limit of 5%, 2% and 2%, respectively, of the Company's issued and outstanding common shares on a non-diluted basis per year. The stock option plan also restricts the issuance of options to insiders if the grant will result in the total number of options granted to insiders exceeding 10% of the Company's issued and outstanding shares on a non-diluted basis. The option price and vesting terms will be specified in individual stock option agreements, adjusted from time to time in accordance with the provisions of the stock option plan. Options issued to consultants performing investor relations activities must vest in stages over a minimum period of twelve months with no more than 25% of the options vesting in any three-month period.

A summary of stock option activity for the years ended June 30, 2017 and 2016 is as follows:

	Year Ended June 30, 2017		Year Ended June 30, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	2,741,425	\$ 0.16	4,711,425	\$ 0.17
Options cancelled	-	-	(160,000)	\$ 0.23
Options expired	(200,000)	\$ 0.30	(1,810,000)	\$ 0.17
Options outstanding and exercisable, ending	2,541,425	\$ 0.15	2,741,425	\$ 0.16

At June 30, 2017, the weighted average remaining contractual life of the outstanding options is 0.69 (2016 - 1.62) years.

At June 30, 2017, there were 2,541,425 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Options Outstanding	Exercise Price	Expiry Date
1,000,000	\$0.15	August 10, 2017
1,541,425	\$0.15	July 25, 2018
2,541,425		

On August 10, 2017, 1,000,000 stock options exercisable at \$0.15 per share expired unexercised.

Sego Resources Inc.  
Notes to the Financial Statements  
Years ended June 30, 2017 and 2016  
(Stated in Canadian Dollars)

**8. Share Capital (cont'd)**

(c) Stock options (cont'd)

At June 30, 2016, there were 2,741,425 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Options Outstanding	Exercise Price	Expiry Date
200,000	\$0.30	March 30, 2017
1,000,000	\$0.15	August 10, 2017
1,541,425	\$0.15	July 25, 2018
<u>2,741,425</u>		

(d) Warrants

A summary of share purchase warrant activity for the years ended June 30, 2017 and 2016 is as follows:

	Year Ended June 30, 2017		Year Ended June 30, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	9,225,000	\$ 0.31	7,350,000	\$ 0.31
Warrants expired	(4,200,000)	\$ 0.50	-	-
Warrants issued	3,430,000	\$ 0.12	1,875,000	\$ 0.05
Warrants outstanding, ending	<u>8,455,000</u>	<u>\$ 0.12</u>	<u>9,225,000</u>	<u>\$ 0.31</u>

At June 30, 2017, the weighted average remaining contractual life of the outstanding warrants is 1.09 (2016 - 1.06) years.

At June 30, 2017, there were 8,455,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Warrants Outstanding	Exercise Price	Expiry Date
1,875,000	\$0.05	March 4, 2018
650,000	\$0.20	May 24, 2018
2,500,000	\$0.20	July 18, 2018
2,050,000	\$0.075/\$0.10	October 25, 2017/2018
1,380,000	\$0.075/\$0.10	December 30, 2017/2018
<u>8,455,000</u>		

**8. Share Capital (cont'd)**

(d) Warrants (cont'd)

At June 30, 2017, there were 829,400 (2016 – 1,225,000) share purchase warrants contingently issuable in relation to agent options to acquire units (Note 8(g)).

At June 30, 2016, there were 9,225,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Warrants		Exercise Price	Expiry Date
Outstanding			
4,200,000		\$0.50	July 25, 2016
1,875,000		\$0.05	March 4, 2018
650,000		\$0.20	May 24, 2018
2,500,000		\$0.20	July 18, 2018
<u>9,225,000</u>			

(e) Private placements

On December 30, 2016, the Company issued 1,380,000 units pursuant to a private placement at \$0.05 per unit for gross proceeds of \$69,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitled the holder to purchase an additional common share at \$0.075 until December 30, 2017 and at \$0.10 until December 30, 2018. The private placement consisted of 160,000 non-flow-through units for gross proceeds of \$8,000 and 1,220,000 flow-through units for gross proceeds of \$61,000. \$0.03 of the unit purchase price was allocated to share capital and \$0.02 was allocated to the warrants reserve. There was no remaining residual value to recognize as a liability for the premium on the flow-through shares.

A finder's fee of \$4,095 and 81,900 agent options was paid with respect to the private placement. Each agent option entitled the holder to purchase one non-flow-through unit with the same terms as the private placement units at \$0.05 until December 30, 2018.

On October 25, 2016, the Company issued 2,050,000 units pursuant to a private placement at \$0.05 per unit for gross proceeds of \$102,500. Each unit consisted of one common share and one share purchase warrant. Each warrant entitled the holder to purchase an additional common share at \$0.075 until October 25, 2017 and at \$0.10 until October 25, 2018. The private placement consisted of 300,000 non-flow-through units for gross proceeds of \$15,000 and 1,750,000 flow-through units for gross proceeds of \$87,500. \$0.04 of the unit purchase price was allocated to share capital and \$0.01 was allocated to the warrants reserve. There was no remaining residual value to recognize as a liability for the premium on the flow-through shares.

A finder's fee of \$6,125 and 122,500 agent options was paid with respect to the private placement. Each agent option entitled the holder to purchase one non-flow-through unit with the same terms as the private placement units at \$0.05 until October 25, 2018.

**8. Share Capital (cont'd)**

(e) Private placements (cont'd)

The fair value of the agent options issued was calculated as \$5,313 using the Black-Scholes option pricing model using the weighted average assumptions below. Fair value is particularly impacted by stock price volatility, determined using historical price data for a term equivalent to the expected life of the option.

	<b>2017</b>
Risk-free interest rate	0.94%
Expected life of warrants	2 years
Annualized volatility	155%
Dividend rate	0%

On March 4, 2016, the Company issued 1,875,000 common shares pursuant to a non-brokered private placement at \$0.02 per unit for proceeds of \$37,500. Each unit consisted of one common share and one share purchase warrant. Each warrant entitled the holder to purchase an additional common share at \$0.05 until March 4, 2018. The Company incurred share issue costs of \$937.

(f) Shares for debt

On August 15, 2016, the Company issued 7,857,500 common shares at \$0.05 per share to settle amounts due to related parties of \$392,875.

(g) Agent options

Agent options are the right to purchase units with the same terms as the private placement units to which they relate.

A summary of agent option activity for the years ended June 30, 2017 and 2016 is as follows:

	Year Ended June 30, 2017		Year Ended June 30, 2016	
	Number of agent options	Weighted average exercise price	Number of agent options	Weighted average exercise price
Agent options outstanding, beginning	1,850,000	\$ 0.15	1,850,000	\$ 0.15
Agent options expired	(600,000)	\$ 0.25	-	-
Agent options issued	204,400	\$ 0.05	-	-
Agent options outstanding, ending	1,454,400	\$ 0.09	1,850,000	\$ 0.15

At June 30, 2017, the weighted average remaining contractual life of the outstanding agent options is 1.10 (2016 - 1.41) years.

**8. Share Capital (cont'd)**

(g) Agent Options (cont'd)

At June 30, 2017, there were 1,454,400 agent options outstanding entitling the holders thereof the right to purchase one unit for each option held as follows:

Number of Agent Options		Exercise Price	Expiry Date
Outstanding			
1,250,000*		\$0.10	July 18, 2018
122,500**		\$0.05	October 25, 2018
81,900***		\$0.05	December 30, 2018
<u>1,454,400</u>			

\* Each unit comprises one common share and one half of one share purchase warrant. Each whole warrant may purchase one common share at \$0.20 until July 18, 2018.

\*\* Each unit comprises one common share and one share purchase warrant. Each warrant may purchase one common share at \$0.075/\$0.10 until October 25, 2017/2018.

\*\*\* Each unit comprises one common share and one share purchase warrant. Each warrant may purchase one common share at \$0.075/\$0.10 until December 30, 2017/2018.

At June 30, 2016, there were 1,850,000 agent options outstanding entitling the holders thereof the right to purchase one unit for each option held as follows:

Number of Agent Options		Exercise Price	Expiry Date
Outstanding			
600,000		\$0.25	July 25, 2016
1,250,000		\$0.10	July 18, 2018
<u>1,850,000</u>			

**9. Related Party Transactions**

***Related party transactions***

The Company incurred the following charges by directors and officers of the Company and by companies with directors in common with the Company during the years ended June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Deferred exploration costs – engineering and geological	\$ 7,000	\$ 21,600
Accounting fees	24,000	24,000
Consulting fees	8,700	17,000
Management fees	36,000	36,000
Telephone	7,800	7,800
	<b>\$ 83,500</b>	<b>\$ 106,400</b>

***Key management personnel compensation***

The Company considers its Board of Directors and officers to be key management. Included in the above are key management compensation charges during the years ended June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Deferred exploration costs – engineering and geological	\$ 7,000	\$ 21,600
Accounting fees	24,000	24,000
Consulting fees	8,700	17,000
Management fees	36,000	36,000
	<b>\$ 75,700</b>	<b>\$ 98,600</b>

On August 15, 2016, the Company issued 7,857,500 common shares at \$0.05 per share to settle amounts due to related parties of \$392,875.

***Related party balances***

At June 30, 2017, due to related parties includes \$136,650 (2016 - \$446,225) for cash advances, fees and expenses due to directors of the Company and to companies with directors in common with the Company. The amounts due to related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

**10. Supplemental Cash Flow Information**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the years ended June 30, 2017 and 2016, the following non-cash transactions were excluded from the statements of cash flows:

	<b>2017</b>	<b>2016</b>
Accounts payable and accrued liabilities for exploration and evaluation assets	\$ 11,601	\$ 11,601
Due to related parties for exploration and evaluation assets	67,599	59,752
Due to related parties settled for shares	392,875	-
Fair value of agent options	5,313	-
	<b>\$ 477,388</b>	<b>\$ 71,353</b>

**11. Commitments**

- (a) The Company entered into a year-to-year renewable agreement with J. Paul Stevenson & Associates, a company operated by J. Paul Stevenson, the CEO of the Company.

The agreement provides for management fees at \$3,000 per month and telephone services at \$650 per month. The agreement also provides for geological services on an as-needed basis. The agreement can be changed at any time on agreement between the Company and the CEO.

- (b) The Company entered into a lease agreement for office premises that commenced February 1, 2015 and expires February 1, 2020. The Company's lease payments for office premises (including rent operating expenses) for the next three fiscal years are as follows:

Year ended June 30, 2018	\$	24,543
Year ended June 30, 2019		24,955
Year ended June 30, 2020		14,557
	\$	64,055

The Company has a sub-tenant for this office premise on a month-to-month basis for \$1,000 per month, which is recorded as a recovery against rent expense.

**12. Capital Management**

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended June 30, 2017. The Company's risk management procedures and policies are detailed in Note 7.

**13. Segmented Disclosure**

The Company has one operating segment, mineral exploration and evaluation. All of the Company's non-current assets are located in Canada.

**14. Income Taxes**

At June 30, 2017, the Company has accumulated non-capital losses for tax purposes of \$3,990,614 that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

2026	\$ 44,314
2027	184,479
2028	428,058
2029	416,211
2030	441,667
2031	493,049
2032	604,818
2033	438,140
2034	347,932
2035	224,257
2036	189,195
2037	178,494
	\$ 3,990,614

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (2016 - 26%) to income before income taxes.

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

	<b>2017</b>	<b>2016</b>
Net loss for the year	\$ (157,724)	\$ (152,557)
Statutory income tax rate	26%	26%
Income tax benefit computed at statutory tax rate	(41,008)	(39,665)
Change in timing differences	7,448	2,235
Unused tax losses and tax offsets not recognized	33,560	37,430
Income tax expense	\$ -	\$ -

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at June 30, 2017 and 2016 are presented below:

	<b>2017</b>	<b>2016</b>
Non-capital losses carried forward	\$ 259,821	\$ 252,373
Excess of carrying value of mineral property interests over unused exploration expenditures for Canadian tax purposes	(259,821)	(252,373)
	\$ -	\$ -

The Company recognizes tax benefits on tax losses or other deductible amounts where it is probable the Company will generate future taxable income to utilize those tax assets.

**14. Income Taxes** (cont'd)

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of June 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Non-capital losses carried forward	\$ 2,991,304	\$ 2,841,454
Excess of undepreciated capital cost over carrying value of equipment	103,846	99,730
Investment tax credits	847,188	847,188
Share issue costs	31,096	32,563
Unrecognized deductible temporary differences	\$ 3,973,434	\$ 3,820,935

***Flow-through Expenditures***

During the year ended June 30, 2017, the Company renounced exploration expenditures of \$148,500 to investors via flow-through private placements. To June 30, 2017, the Company has paid \$28,645 on eligible exploration expenditures.

At June 30, 2017, the Company is required to expend \$119,855 on flow-through eligible expenditures by December 31, 2017. At June 30, 2017, the Company had flow-through funds on hand of \$23,632 and paid a \$50,000 exploration advance for a drilling program completed in October 2017.