

Goldstrike Resources Ltd.
Consolidated Financial Statements
December 31, 2016 and 2015

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Goldstrike Resources Ltd.

We have audited the accompanying consolidated financial statements of Goldstrike Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in 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 Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Goldstrike Resources Ltd. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 27, 2017

Goldstrike Resources Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 4,386,463	\$ 147,715
Accounts receivable	5	71,499	35,826
Prepaid expenses and deposits	6	75,674	36,854
		4,533,636	220,395
Non-current assets			
Deposits	6	50,000	-
Equipment	7	5,561	2,208
Exploration and evaluation assets	8	8,756,082	6,846,910
Petroleum and natural gas assets	9	564,997	-
TOTAL ASSETS		\$ 13,910,276	\$ 7,069,513
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	10	\$ 296,930	\$ 117,873
Loan		-	100,000
		296,930	217,873
Non-Current Liabilities			
Decommissioning liabilities	14	352,247	-
TOTAL LIABILITIES		649,177	217,873
EQUITY			
Share capital	11	42,603,543	31,613,557
Share-based payment reserves	11	15,117,115	12,971,946
Deficit		(44,459,559)	(37,733,863)
TOTAL EQUITY		13,261,099	6,851,640
TOTAL LIABILITIES AND EQUITY		\$ 13,910,276	\$ 7,069,513

Commitments (Notes 8)

Subsequent events (Note 18)

Approved on Behalf of the Board on April 27, 2017:

``Lucy Zhang``

Director

``Terry King``

Director

Goldstrike Resources Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

		Years ended December 31,	
	Notes	2016	2015
Expenses			
Listing and filing fees		\$ 42,780	\$ 26,501
Management consulting	12	59,691	17,100
Consulting fees		-	60,000
Corporate development and communication	12	56,935	35,600
Investor relations		23,781	4,385
Office and miscellaneous	12	148,932	70,392
Professional fees	12	427,974	185,492
Rent	12	74,250	59,400
Stock-based compensation	11	1,184,008	206,338
		(2,018,351)	(665,208)
Other items			
Accretion	14	2,600	-
Interest income		(24,371)	(3,005)
Royalty income		(13,800)	-
Amortization	7	2,771	934
Foreign exchange		829	(13,883)
Impairment of evaluation and exploration assets	8	347,484	615,159
Impairment of petroleum and natural gas exploration assets	9	68,102	81,613
Premium paid on acquisition of Petro One	3	3,218,116	-
Settlement of flow-through share premium liabilities	11	(278,954)	(76,185)
		(3,322,777)	(609,633)
Net and comprehensive loss for the year		\$ (5,341,128)	\$ (1,269,843)
Loss per share, basic and diluted		\$ (0.04)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted		129,342,152	99,804,965

Goldstrike Resources Ltd.
Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars)

	Notes	Share capital		Share-based payment reserves	Deficit	Total
		Number of shares	Amount			
Balance at January 1, 2015		76,036,303	\$ 30,283,335	\$ 12,832,626	\$ (36,464,020)	\$ 6,651,941
Comprehensive loss for the year		-	-	-	(1,269,843)	(1,269,843)
Shares issued for private placement, net issuance cost	11,12	20,000,000	829,863	-	-	829,863
Flow-through share premium liabilities	11	-	(76,185)	-	-	(76,185)
Warrants exercised	11	2,783,333	381,641	(145,308)	-	236,333
Finder's warrants issued	11	-	-	71,131	-	71,131
Warrants issued for mineral property interest	8, 11	-	-	7,159	-	7,159
Shares issued for mineral property interest	8, 11	1,636,688	194,903	-	-	194,903
Stock-based compensation	11	-	-	206,338	-	206,338
Balance at December 31, 2015		100,456,324	31,613,557	12,971,946	(37,733,863)	6,851,640
Comprehensive loss for the year		-	-	-	(5,341,128)	(5,341,128)
Shares issued for private placements, net issuance cost	11, 12	21,786,131	2,776,372	-	-	2,776,372
Flow-through share premium liabilities	11	-	(278,954)	-	-	(278,954)
Shares issued for acquisition of Petro One	3, 11	18,111,487	2,916,175	-	-	2,916,175
Warrants issued for acquisition of Petro One	3, 11	-	-	1,231,884	-	1,231,884
Options issued for acquisition of Petro One	3, 11	-	-	416,423	-	416,423
Warrants issued for acquisition of 30% interest in Lucky Strike	3, 11	-	-	1,384,568	(1,384,568)	-
Warrants exercised	11	26,581,994	5,445,247	(2,009,318)	-	3,435,929
Stock options exercised	11	687,500	131,146	(62,396)	-	68,750
Share-based compensation	11	-	-	1,184,008	-	1,184,008
Balance at December 31, 2016		167,623,436	\$ 42,603,543	\$ 15,117,115	\$ (44,459,559)	\$ 13,261,099

See accompanying notes to the consolidated financial statements

Goldstrike Resources Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31,	
	2016	2015
Operating activities		
Net loss for the year	\$ (5,341,128)	\$ (1,269,843)
Adjustments for non-cash items:		
Amortization	2,771	934
Impairment of exploration and evaluation assets	347,484	615,159
Impairment of petroleum and natural gas evaluation assets	68,102	81,613
Accretion	2,600	-
Stock-based compensation	1,184,008	206,338
Settlement of FT share premium liabilities	(278,954)	(76,185)
Premium paid on acquisition of Petro One	3,218,116	-
Changes in non-cash working capital:		
Accounts receivable	13,118	67,707
Prepaid expenses and deposits	(5,101)	61,186
Trade payables and accrued liabilities	(67,333)	80,925
Net cash flows used in operating activities	(856,317)	(298,878)
Investing activities		
Purchase of equipment	(2,476)	(1,474)
Exploration and evaluation assets	(1,969,866)	(865,244)
Petroleum and natural gas assets	(68,102)	-
Reclamation costs	(43,002)	-
Cash of Petro One acquired	897,461	-
Net cash flows used in investing activities	(1,185,985)	(876,502)
Financing activities		
Private Placements, net of issuance costs	2,776,372	900,993
Exercise of warrants	3,435,929	236,333
Exercise of options	68,750	-
Net cash flows from financing activities	6,281,051	1,237,326
Increase in cash and cash equivalents	4,238,748	61,946
Cash and cash equivalents, beginning	147,715	85,769
Cash and cash equivalents, ending	\$ 4,386,463	\$ 147,715
Non-cash investing activities		
Tax credit receivable	\$ 32,625	\$ -
Acquisition of Petro One by issuance of common shares	\$ 4,564,482	\$ -

1. Nature of operations

Goldstrike Resources Ltd. (the “Company”) was incorporated under the laws of the province of British Columbia, Canada. The Company trades on the TSV Venture Exchange (the “TSX-V”) under the symbol “GSR.V”, and the Frankfurt Stock Exchange under the symbol “KCG”. The primary office of the Company is located at 1300 – 111 West Georgia Street, Vancouver, B.C.

The Company is a mineral exploration company focusing on acquiring and developing exploration and evaluation assets.

On February 29, 2016, the Company completed the acquisition of Petro One Energy Corp. (“Petro One”) (the “Arrangement”) whereby the Company acquired all of the issued and outstanding common shares of Petro One on the basis outlined in Note 3.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issuance on April 19, 2017 by the directors of the Company.

Basis of measurement

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars.

Statement of compliance with IFRS

The consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled entity. The controlled entity is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. Details of the controlled entity are as follows:

Entity:	Country of incorporation:	Ownership interest	
		December 31, 2016	December 31, 2015
Petro One	Canada	100%	0%

Inter-company balances and transactions have been eliminated upon consolidation.

Significant estimates and assumptions

The preparation of these financial statements in accordance with IFRS requires management to make certain estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

2. Significant accounting policies and basis of preparation (Continued)

Significant estimates and assumptions (continued)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets and petroleum and natural gas assets, the measurements for financial instruments and share-based payments, the recoverability of deferred tax assets and the measurement of decommissioning liabilities.

Critical judgements in applying accounting policies

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The following are the most significant judgements that management has made in applying the Company's financial statements: the assessment of the Company's ability to continue as a going concern, the identification of cash-generating units and the classification of evaluation and exploration assets.

Financial instruments

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Loans and receivables
Accounts receivable	Loans and receivables
Deposits	Loans and receivables
Financial liabilities:	Classification:
Trade payables	Other financial liabilities
Loan	Other financial liabilities

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in the consolidated statement of loss and comprehensive loss when incurred. Financial assets at FVTPL are measured at fair value, and changes are recognized in the consolidated statement of loss and comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of loss and comprehensive loss.

2. Significant accounting policies and basis of preparation (Continued)

Financial instruments (continued)

Available-for-sale

Non-derivative financial assets not included in the above three categories are classified as available-for sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of loss and comprehensive loss.

Other financial liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets

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

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

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of loss and comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of loss and comprehensive loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statement 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 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. Significant accounting policies and basis of preparation (Continued)

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, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the common shares. If the proceeds from the offering are less than or equal to the estimated fair market value of common shares issued, no value is assigned to the warrants. Warrants that are issued as payment to a finder or other transaction costs are accounted for as share-based payments.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a declining-balance method over their estimated useful lives. Amortization is provided at half the annual rate in the year of acquisition. The estimated useful lives of equipment are reviewed when events and circumstances warrant. The Company's equipment consists of computer equipment and computer software, which are amortized on a 55% and 100% declining-balance basis, respectively.

Share-based payments

The Company has a stock option plan. Share-based payments to employees are measured at the grant date at fair value and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserves. The fair value of stock options is determined using the Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and guaranteed investment certificates.

2. Significant accounting policies and basis of preparation (Continued)

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits and grants received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Impairment of assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

2. Significant accounting policies and basis of preparation (Continued)

Petroleum and natural gas interests

Exploration license and unproved property acquisition costs, geological and geophysical costs and costs directly associated with an exploration well and appraisal activities are capitalized. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. As the Company has not yet commenced commercial production of petroleum and natural gas products, any revenues in the development stage from test wells or other incidental production is treated as a recovery of capitalized exploration costs.

The assessment of technical feasibility and commercial viability is based upon estimates of the recoverability of capitalized costs by future exploitation or sale and where the activities have reached a stage that permits a reasonable assessment of the existence of proved reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

When technical feasibility and commercial viability of a well is determinable based on management's assessment of current information, the exploration and evaluation assets attributable to that well are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the risks have not been incorporated into the estimate of cash flows. The increase in the provision due to the passage of time is recognized within accretion expense.

Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Changes in the present value of the estimated expenditure are reflected as an adjustment to the provision and relevant asset. The unwinding of the discount on the decommissioning provision is recognized as accretion expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was recognized.

Revenue recognition

Interest income is recorded as earned at the effective rate of interest over the term to maturity. Royalty income is recorded as earned in accordance with petroleum and natural gas farm-out agreements.

Accounting standards issued but not yet applied

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Acquisition of Petro One Energy Corp.

On February 29, 2016, the Company completed the acquisition of all the outstanding common shares of Petro One on the basis of one common share of the Company for each four shares of Petro One. Petro One and the Company have certain directors and management in common. The Arrangement was conducted by way of a court-approved plan of arrangement under the Supreme Court of British Columbia, which resulted in Petro One becoming a wholly-owned subsidiary of the Company. The following transactions were completed as of February 29, 2016 in connection with this transaction:

- All outstanding Petro One warrants, excluding Petro One finders' warrants, were exchanged for warrants of the Company on a one for one basis and the replacement warrants issued were exercisable at a price of \$0.15 per share on or before October 7, 2016;
- All outstanding Petro One finders' warrants were exchanged for warrants of the Company which are exercisable at the same price that each of the Petro One finders' warrants were exercisable, and were exercisable on or before October 7, 2016;
- All outstanding Petro One stock options were cancelled and replaced with 2,712,500 stock options of the Company which were granted on the basis of every four Petro One stock options for one stock option of the Company. The replacement stock options are exercisable at a price of \$0.10 per share and expire on the same terms as the Petro One stock options held immediately prior to the cancellation;
- 9,055,742 warrants of the Company were issued to Petro One as consideration for the acquisition of 30% interest in the Lucky Strike property.

For accounting purposes, the acquisition of Petro One has been recorded as an asset acquisition as Petro One did not have the necessary inputs and processes capable of producing outputs required to meet the definition as defined by IFRS 3, Business Combinations.

Consideration paid:		
Fair value of 18,111,487 common shares of the Company issued	\$	2,897,838
Fair value of warrants issued by the Company to replace Petro One warrants		1,231,884
Fair value of options issued by the Company to replace Petro One options		416,423
Professional fees incurred by the Company		18,337
Total consideration paid	\$	4,564,482

At the time that the acquisition was completed, Petro One held 4,750,000 common shares and 7,000,000 share purchase warrants of the Company. On closing, these shares and warrants, as well as the 9,055,742 warrants issued to Petro One for the Lucky Strike Property, were transferred to the Gold Bank Trust (the "Trust"). The Company and the Company's shareholders are beneficiaries of the Trust. The Company does not have control of the Trust or the ability to access the income or capital of the Trust. Therefore, the shares and warrants of the Company held by Petro One on closing were excluded from the assets acquired and the warrants issued for the Lucky Strike property was recorded as a distribution to the Company's shareholders rather than included in the consideration paid.

3. Acquisition of Petro One Energy Corp. (Continued)

The fair value of identifiable assets acquired and liabilities assumed resulting from the acquisition of Petro One were as follows:

Assets acquired and liabilities assumed from Petro One by the Company:	
Cash and cash equivalents	\$ 897,461
Accounts receivable	116,166
Prepays and deposits	83,719
Equipment	3,588
Exploration and evaluation assets	319,416
Petroleum and natural gas assets	564,997
Accounts payable	(246,331)
Decommissioning liabilities	(392,650)
Net assets acquired from Petro One	1,346,366
Premium paid	3,218,116
Consideration	\$ 4,564,482

The fair value of warrants issued to replace Petro One warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.51%
Dividend yield	-
Expected stock price volatility	138%
Weighted average expected life (years)	0.61

The fair value of stock options issued was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.97%
Dividend yield	-
Expected stock price volatility	175%
Weighted average expected life (years)	6.93

4. Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on deposit	\$ 262,582	\$ 147,715
Liquid short-term deposits	4,123,881	-
	\$ 4,386,463	\$ 147,715

Goldstrike Resources Ltd.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended December 31, 2016 and 2015

5. Accounts receivable

	December 31, 2016	December 31, 2015
GST receivable	\$ 33,516	\$ 9,357
Government grant receivable	34,000	26,000
Royalty income receivable	3,016	-
Other receivables	967	469
	\$ 71,499	\$ 35,826

6. Prepaid expenses and deposits

	December 31, 2016	December 31, 2015
Current prepaid expenses	\$ 75,674	\$ 36,854
Non-current deposits	50,000	-
	\$ 125,674	\$ 36,854

7. Equipment

	Computer Equipment	Computer Software	Office Equipment	Total
Cost:				
At December 31, 2014	\$ 12,641	\$ 5,530	\$ -	\$ 18,171
Additions during the year	1,474	-	-	1,474
At December 31, 2015	14,115	5,530	-	19,645
Additions during the year	12,347	186,341	1,525	200,213
At December 31, 2016	\$ 26,462	\$ 191,871	\$ 1,525	\$ 219,858
Amortization:				
At December 31, 2014	\$ 10,973	\$ 5,530	\$ -	\$ 16,503
Change for the year	934	-	-	934
At December 31, 2015	11,907	5,530	-	17,437
Change for the year	9,627	186,198	1,035	196,860
At December 31, 2016	\$ 21,534	\$ 191,728	\$ 1,035	\$ 214,297
Net book value:				
At December 31, 2015	\$ 2,208	\$ -	\$ -	\$ 2,208
At December 31, 2016	\$ 4,928	\$ 143	\$ 490	\$ 5,561

Goldstrike Resources Ltd.
Notes to the Consolidated Financial Statements
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8. Exploration and evaluation assets

A continuity of the Company's exploration and evaluation assets is as follows:

Exploration Costs																
	Balance at Dec 31, 2015	Acquisition	Assay	Assessment	Trenching & Drilling	Contractors & Labour	Exploration Management	Logistics	Travel & Accommodatio n	Mapping	Permmtting	Geological & Geophysical Consulting	Subtotal	Government Grants	Impairment	Balance at Dec 31, 2016
Mineral Property Interests																
BRC	\$ 263,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,997
Cando2	56,039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,039
Lucky Strike	851,773	329,671	34,783	1,200	-	64,271	29,931	59,901	134,987	-	-	78,372	733,116	(32,625)	-	1,552,264
Plateau	5,270,133	6,435	128,121	3,617	160,352	204,038	77,933	278,342	375,032	25,867	2,915	293,513	1,556,165	-	-	6,826,298
St. Patrick	13,389	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,389
Strike Claims	44,095	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,095
Summit	347,484	-	-	-	-	-	-	-	-	-	-	-	-	-	(347,484)	-
	\$ 6,846,910	\$ 336,106	\$ 162,904	\$ 4,817	\$ 160,352	\$ 268,309	\$ 107,864	\$ 338,243	\$ 510,019	\$ 25,867	\$ 2,915	\$ 371,885	\$ 2,289,281	\$ (32,625)	\$ (347,484)	\$ 8,756,082

Goldstrike Resources Ltd.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
Years ended December 31, 2016 and 2015

8. Exploration and evaluation assets (Continued)

A continuity of the Company's exploration and evaluation assets is as follows:

Exploration Costs																			
	Balance at Dec 31, 2014	Acquisition	Assay	Assessment	Trenching & Drilling	Contractors & Labour	Exploration Management	Logistics	Permitting	Travel & Accommodati on	Mapping	Permittting	Geological & Geophysical Consulting	Land Management	Subtotal	Government Grants	Impairment	Balance at Dec 31, 2015	
Mineral Property Interests																			
Big one	\$ 381,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (381,916)	\$ -	
BRC	260,519	3,478	-	-	-	-	-	-	-	-	-	-	-	-	3,478.00	-	-	263,997	
Cando2	56,039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,039	
Gull	233,243	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(233,243)	-	
Lucky Strike	766,412	15,472	4,235	5,945	-	11,818	35,600	10,394	-	13,256	-	-	14,561	80	111,361	(26,000)	-	851,773	
Plateau	4,216,577	188,002	44,953	28,416	129,327	72,783	35,600	178,437	-	157,785	1,709	-	216,544	-	1,053,556	-	-	5,270,133	
St. Patrick	13,389	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,389	
Strike Claims	44,095	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,095	
Summit	347,484	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	347,484	
Total	\$ 6,319,674	\$ 206,952	\$ 49,188	\$ 34,361	\$ 129,327	\$ 84,601	\$ 71,200	\$ 188,831	\$ -	\$ 171,041	\$ 1,709	\$ -	\$ 231,105	\$ 80	\$ 1,168,395	\$ (26,000)	\$ (615,159)	\$ 6,846,910	

8. Exploration and evaluation assets (Continued)

B2 Syndicate Option Agreements

On March 22, 2011, the Company entered into option agreements with the B2 Syndicate (the "Syndicate") to earn up to 100% interest in properties located in the Yukon Territory. Two directors and an officer of the Company are members of the Syndicate. The properties are subject to a 3% Net Smelter Royalty ("NSR") royalty which may be reduced by 1% for a payment of \$1,500,000.

The agreement terms for the properties are as follows:

Big One and Gull

During the year ended December 31, 2015, the Company allowed the option agreements on Big One and Gull to expire and fully impaired the properties.

Plateau

The option agreement was amended on November 1, 2013. Under the amended agreement, the Company is required to make the following payments:

- \$90,000 (paid) and issue 450,000 shares on June 15, 2011 (issued);
- Issue 500,000 shares (issued), pay \$100,000 or issue shares in the equivalent amount (paid), and incur \$100,000 in exploration expenditures (incurred) by November 1, 2012;
- Issue 500,000 shares (issued) and pay \$200,000 or issue shares in the equivalent amount (324,676 shares issued) by November 30, 2013;
- Issue 750,000 shares (issued) and pay \$300,000 or issue the amount in shares (487,013 shares issued) by November 1, 2014; and
- Issue 750,000 shares (issued), pay \$500,000 or issue the amount of shares (811,688 shares issued), and incur \$2,500,000 in exploration expenditures (expenditures incurred) by November 1, 2015 (Note 11).

Goldspike Exploration Inc. Option Agreement

Summit

On March 14, 2011, and as amended May 1, 2013, the Company entered into an option agreement with Goldspike Exploration Inc. to earn up to 100% interest in the Summit property located in the Yukon Territory. The property is subject to a 3% NSR which may be reduced by 1% for a payment of \$1,500,000.

Under the amended agreement, the Company is required to make the following payments:

- \$50,000 (paid) and issue 200,000 shares on June 15, 2011 (issued);
- Issue 300,000 shares (issued), pay \$100,000 or issue shares in the equivalent amount (192,308 shares issued), and incur \$100,000 in exploration expenditures (incurred) by October 31, 2012;
- Issue 200,000 shares by May 31, 2013 (issued);
- Issue 800,000 shares and pay \$125,000 or issue shares in the equivalent amount by October 30, 2017; and
- Issue 600,000 shares, pay \$250,000 or issue shares in the equivalent amount, and incur \$1,000,000 in exploration expenditures by October 31, 2017.

During the year ended December 31, 2016, the Company assessed that the carrying value of the property was not recoverable and fully impaired the property.

8. Exploration and evaluation assets (Continued)

Petro One Option Agreements

During the year ended December 31, 2011, the Company entered into option agreements with Petro One, to acquire the Lucky Strike and BRC properties which are located in the Yukon Territory, Canada.

Lucky Strike

Under the option agreement dated November 23, 2010, the Company is required to meet the following conditions in order to earn a 70% interest in the Lucky Strike property:

- Issue 2,000,000 shares and 4,000,000 warrants on June 15, 2011 (issued);
- An exploration program costing not less than \$300,000 for Petro One to incur qualifying expenses as required by an underlying option agreement by December 31, 2011 (condition met);
- Issue 1,000,000 shares by June 20, 2012 (issued);
- Pay \$50,000 (paid) and issue 1,000,000 shares by June 20, 2013 (issued);

On November 20, 2013, all future commitments under the option agreement were waived as part of a joint venture agreement with Petro One (the "Joint Venture") and the Company was deemed to have exercised its options on the property and earned its interest.

On February 29, 2016, the Company acquired Petro One (Note 3) and consequently now holds a 100% interest in the Lucky Strike property and the joint venture agreement was terminated.

BRC

Under the option agreement dated March 24, 2011, and as amended October 29, 2012, the Company is required to make the following payments in order to earn a 100% interest in the BRC property:

- Issue 2,000,000 shares and 3,000,000 warrants on June 15, 2011 (issued); and
- Arranging for an exploration program costing not less than \$200,000 for Petro One to incur qualifying expenses as required by an underlying option agreement by December 31, 2011 (condition met).

On November 20, 2013, all future commitments under the option agreement were waived as part of the Joint Venture and the Company was deemed to have exercised its options on the property and earned its interest.

On December 10, 2015, the Company issued 75,000 shares with fair value of \$7,500 and 75,000 warrants exercisable at \$0.10 for two years with fair value of \$7,159, in connection with the purchase of royalties equal to 3% net smelter returns from the Lucky Strike and BRC properties.

Cando2 Property

On September 8, 2011, the Company entered into a staking agreement with 517769 B.C. Ltd, a company owned by the spouse of an officer of the Company, and 1511558 Alberta Inc., a company partially owned by a director of the Company (collectively the "Vendors"). The Vendors identified the property for staking; the Company acquired the information from the Vendors and staked the property for the sole benefit of the Company subject to a 3% NSR royalty which may be reduced by 1% for a payment of \$1,500,000.

Strike Claims Property

On July 25, 2013, the Company entered into an agreement to purchase a 100% interest in 39 mineral claims in Yukon Territory for a cash payment of \$20,000 (paid) and the issuance of 225,000 shares (issued).

St. Patrick Property

St. Patrick Property is located in the Yukon Territory and was acquired by staking.

9. Petroleum and natural gas assets

	Well Equipment	Exploration and Development	Total
Balance at December 31, 2014	\$ -	\$ 89,160	\$ 89,160
Recovery		(7,547)	(7,547)
Write-off	-	(81,613)	(81,613)
Balance at December 31, 2015	-	-	-
Additions	171,546	461,553	633,099
Amortization	(42,886)	42,886	-
Write-off	-	(68,102)	(68,102)
Balance at December 31, 2016	\$ 128,660	\$ 436,337	\$ 564,997

The Company's petroleum and natural gas assets consist of a number of oil and gas wells located in Saskatchewan and Manitoba that were acquired as a result of the acquisition of Petro One (Note 3). The primary assets are the wells that comprise the Milton property located in Saskatchewan.

Certain of these petroleum and natural gas assets were subject to a joint venture agreement between the Company and Petro One. On completion of the acquisition, the joint venture agreement was terminated.

10. Trade payables and accrued liabilities

	December 31, 2016	December 31, 2015
Accounts Payable	\$ 223,498	\$ 420
Accrued Liabilities	45,000	22,090
Due to related parties (Note 12)	28,432	95,363
	\$ 296,930	\$ 117,873

11. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital during the year ended December 31, 2016

For the year ended December 31, 2016, the Company issued 26,581,994 common shares upon the exercise of warrants with exercise price ranging from \$0.06 to \$0.25 for gross proceeds of \$3,435,929. Accordingly, the fair value of \$2,009,318 was reallocated from share-based payment reserves to share capital.

For the year ended December 31, 2016, the Company issued 687,500 common shares upon the exercise of options with an exercise price at \$0.10 for gross proceeds of \$68,750. Accordingly, the fair value of \$62,396 was reallocated from share-based payment reserves to share capital.

11. Share capital (Continued)

Issued share capital during the year ended December 31, 2016 (continued)

On April 5, 2016, the Company completed the second and last tranches of a private placement with gross proceeds of \$580,000 by issuing 4,461,538 units at the price of \$0.13 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable to purchase one additional share for \$0.25 for 36 months after the closing date of the private placement.

On March 24, 2016, the Company completed the first tranche of the private placement with gross proceeds of \$1,521,777 by issuing 11,705,979 units at the price of \$0.13 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable to purchase one additional share for \$0.25 for 36 months after the closing date of the private placement. The Company issued 148,600 common shares in finders' fees with a fair value of \$20,804 in connection with the private placement.

On March 21, 2016, the Company completed a private placement for gross proceeds of \$929,902 by issuing 5,470,014 flow-through units ("FT Unit"), at the price of \$0.17 per unit. Each FT Unit is comprised of one flow-through share which is a "flow-through" share for the purposes of the Income Tax Act (Canada) and one share purchase warrant exercisable to purchase one additional share for \$0.30 for 24 months after the closing date of the private placement. A flow-through share premium liability of \$278,954 has been recognized and settled in connection with the issuance of "flow-through" shares.

In connection with the private placements, the Company paid finder's fees of \$255,307.

On February 29, 2016, the Company issued 18,111,487 common shares of the Company with the fair value of \$2,897,838, in connection with the Arrangement with Petro One (Note 3).

Issued share capital during the year ended December 31, 2015

During the year ended December 31, 2015, the Company issued 2,783,333 common shares on the exercise of warrants with exercise prices ranging from \$0.06 to \$0.10 for gross proceeds of \$236,333. On exercise, \$145,308 was reclassified from share-based payment reserve to share capital.

In December 2015, the Company issued 75,000 common shares with a fair value of \$7,500, in connection with the purchase of royalties equal to 3% net smelter returns from the Lucky Strike and 3% net smelter returns from the BRC properties.

In September 2015, the Company issued 750,000 common shares with a fair value of \$90,000 and an additional 811,688 common shares with a fair value of \$97,403 pertaining to the Plateau property option agreement (Note 8).

In February 2015, the Company closed a non-brokered private placement and raised \$1,000,000 by issuing 14,920,000 non-flow-through units and 5,080,000 flow-through units, all at the price of \$0.05 per unit. Each NFT Unit is comprised of one common share and one share purchase warrant exercisable to purchase one additional share for \$0.06 for 60 months after the closing date. Each FT Unit is comprised of one common share which is a "flow-through" share for the purposes of the Income Tax Act (Canada) and one-half of a share purchase warrant, with each full warrant exercisable to purchase one additional share for \$0.10 for 24 months after the closing date. Shares issuable on any exercise of warrants comprised in the FT Units and NFT Units are not "flow-through" shares. A flow-through share premium liability of \$76,185 has been recognized and settled in connection with the issuance of the "flow-through" shares.

In connection with the offering, the Company paid finder's fees of \$44,030 and issued 714,000 finders' warrants with a fair value of \$71,131 which are exercisable to purchase one share for \$0.06 for 24 months after closing and 306,600 finders' warrants which are exercisable to purchase one share for \$0.10 for 24 months after closing. Other share issuance costs incurred in connection with this offering totalled \$54,976.

11. Share capital (Continued)

Renunciation of exploration expenditure

During the year ended December 31, 2016, the Company incurred and renounced \$929,848 exploration expenditure under its flow-through share program.

As at December 31, 2015, the Company incurred and renounced \$253,949 qualifying exploration expenditures under its flow-through share program.

Stock options

The Company has adopted a stock option plan, which provides that the Board of Directors of the Company may, in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent of the issued and outstanding common shares.

As at December 31, 2016, the Company had the following options outstanding and exercisable:

Date Issued	Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
January 26, 2011	January 26, 2021	\$ 0.10	650,000	650,000
August 5, 2011	August 5, 2021	\$ 0.17	100,000	100,000
August 5, 2011	August 5, 2021	\$ 0.10	2,900,000	2,900,000
August 19, 2011	August 19, 2021	\$ 0.10	100,000	100,000
August 30, 2011	August 30, 2021	\$ 0.10	100,000	100,000
October 17, 2011	October 17, 2021	\$ 0.17	100,000	100,000
June 23, 2014	June 23, 2024	\$ 0.10	1,700,000	1,700,000
August 15, 2014	August 15, 2024	\$ 0.10	2,100,000	2,100,000
January 13, 2015	January 13, 2020	\$ 0.05	1,000,000	1,000,000
March 6, 2015	March 5, 2020	\$ 0.10	1,025,000	750,000
February 29, 2016	August 3, 2020	\$ 0.10	125,000	125,000
February 29, 2016	November 26, 2020	\$ 0.10	725,000	725,000
February 29, 2016	February 2, 2021	\$ 0.10	75,000	75,000
February 29, 2016	May 5, 2021	\$ 0.10	225,000	225,000
February 29, 2016	July 31, 2024	\$ 0.10	1,450,000	1,450,000
April 11, 2016	April 11, 2021	\$ 0.16	100,000	25,000
April 19, 2016	April 19, 2026	\$ 0.17	1,000,000	1,000,000
April 28, 2016	April 28, 2026	\$ 0.18	2,350,000	2,350,000
May 6, 2016	May 6, 2026	\$ 0.18	3,000,000	3,000,000
July 26, 2016	July 26, 2021	\$ 0.26	100,000	25,000
July 29, 2016	July 29, 2021	\$ 0.26	200,000	50,000
October 11, 2016	October 11, 2021	\$ 0.26	500,000	-
			19,625,000	18,550,000

11. Share capital (Continued)

Stock options (Continued)

A continuity of the Company's options is as follows:

	December 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	10,390,000	\$ 0.09	8,740,000	\$ 0.10
Options granted	10,262,500	0.16	2,100,000	0.08
Option cancelled	(300,000)	0.16	(450,000)	0.20
Option expired	(40,000)	0.17	-	-
Option exercised	(687,500)	0.13	-	-
Options outstanding, end of year	19,625,000	\$ 0.13	10,390,000	\$ 0.09

On October 11, 2016, 500,000 stock options were granted to an independent consultant of the Company exercisable for one common share each at a price of \$0.26 per share at any time until October 11, 2021. The stock options vest and become exercisable over two years (12.5% each three months after the date of grant).

The expiry date of 100,000 stock options held by a consultant was extended from October 17, 2016 to October 17, 2021. The exercise price of the stock options was increased from \$0.10 to \$0.17 per share at the commencement of the extended term.

The expiry date of 100,000 stock options held by a consultant was extended from August 5, 2016 to August 5, 2021. The exercise price of the stock options was increased from \$0.10 to \$0.17 per share at the commencement of the extended term.

On July 29, 2016, 200,000 stock options were granted to independent consultants of the Company exercisable for one common share each at a price of \$0.26 per share at any time until July 29, 2021. The stock options vest and become exercisable over one year (25% each three months after the date of grant).

On July 26, 2016, 100,000 stock options were granted to an independent consultant of the Company exercisable for one common share each at a price of \$0.26 per share at any time until July 26, 2021. The stock options vest and become exercisable over one year (25% each three months after the date of grant).

On July 20, 2016, the Company cancelled 300,000 stock options granted to independent consultants who are no longer with the Company.

On May 6, 2016, 3,000,000 stock options were granted to directors and independent consultants of the Company exercisable for one common share each at a price of \$0.18 per share until May 6, 2026. The stock options fully vested on the grant date.

On April 29, 2016, 2,350,000 stock options were granted to directors and independent consultants of the Company exercisable for one common share each at a price of \$0.18 per share until April 28, 2026. The stock options fully vested on the grant date.

As at April 20, 2016, 1,000,000 stock options were granted to a director and executive officer of the Company exercisable for one common share each at a price of \$0.17 per share until April 20, 2026. The stock options fully vested on the grant date.

11. Share capital (Continued)

Stock options (Continued)

On April 12, 2016, 400,000 stock options were granted to independent consultants of the Company exercisable for one common share each at a price of \$0.16 per share until April 11, 2021. The stock options vest and become exercisable over two years (25% each six months after the date of grant).

On February 29, 2016, all outstanding stock options of the Company with an exercise price above \$0.10 per share were reduced \$0.10 per share.

On February 29, 2016, the Company granted 2,712,500 stock options to directors, officers and consultants at an exercise price of \$0.10 per share with expiry dates ranging from August 3, 2020 to July 31, 2024, pursuant to the transaction with Petro One (Note 3).

The total fair value of stock options granted for the year ended December 31, 2016, excluding the 2,712,500 stock options granted pursuant to the transaction with Petro One (Note 3), was \$1,203,029, estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 8.95 years, volatility of 141%, dividend yield of 0% and risk-free interest rate of 1.29%.

The incremental value of stock options modified during the year ended December 31, 2016 was \$13,718, estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, volatility of 141%, dividend yield of 0% and risk-free interest rate of 0.74%.

During the year ended December 31, 2016, the Company recognized share-based compensation of \$1,184,007.

As at December 31, 2016, 18,550,000 options were exercisable. The weighted average life and weighted average exercise price of exercisable options are 6.59 years and \$0.13, respectively.

In June 2015, the Company cancelled 450,000 stock options which were granted to consultants who are no longer providing services to the Company.

On March 6, 2015, the Company granted 1,100,000 incentive stock options to two independent consultants at an exercise price of \$0.20 per share until March 5, 2020. The stock options vest and become exercisable over two years (25% each six months after the grant date).

As at January 13, 2015, the Company granted 1,000,000 incentive stock options to an independent consultant. All of the options fully vested on the grant date and are exercisable at the price of \$0.05 per share until January 13, 2020.

The fair value of stock options granted for the year ended December 31, 2015 was \$173,447, estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, volatility of 177.02 %, dividend yield of 0% and risk-free interest rate of 2.02%. During the year ended December 31, 2015, the Company recognized share-based compensation of \$206,338.

11. Share capital (Continued)

Share purchase warrants

As at December 31, 2016, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price	Number of warrants outstanding
February 13, 2015	February 13, 2017	\$ 0.10	1,122,050
February 13, 2015	February 13, 2020	\$ 0.06	12,220,000
February 29, 2016	February 28, 2021	\$ 0.10	6,055,742
March 21, 2016	March 21, 2018	\$ 0.30	5,293,544
March 24, 2016	March 24, 2019	\$ 0.25	11,695,979
April 5, 2016	April 5, 2019	\$ 0.25	4,461,538
			40,848,853

A continuity of the Company's warrants is as follows:

	December 31, 2016		December 31, 2015	
	Number of Common Shares Issuable	Weighted Average Exercise Price	Number of Common Shares Issuable	Weighted Average Exercise Price
Warrants outstanding, beginning	31,183,279	\$ 0.21	17,363,454	\$ 0.34
Warrants issued	48,907,007	0.19	18,555,600	0.07
Warrants expired	(12,659,438)	0.20	(1,952,442)	0.20
Warrants exercised	(26,581,995)	0.13	(2,783,333)	0.09
Warrants outstanding, ending	40,848,853	\$ 0.17	31,183,279	\$ 0.21

On April 5, 2016, the Company issued 4,461,538 warrants at an exercise price of \$0.25 per share and exercisable until April 5, 2019, as part of a non-flow-through private placement offering.

On March 23, 2016, the Company issued 11,705,979 warrants at an exercise price of \$0.25 per share and exercisable until March 24, 2019, as part of a non-flow-through private placement offering.

On March 21, 2016, the Company issued 5,470,014 warrants at an exercise price of \$0.30 per share and exercisable until March 21, 2018, as part of a flow-through private placement offering.

On February 29, 2016, the Company issued 18,213,734 warrants at an exercise price of \$0.10 per share and \$0.375 and exercisable until October 07, 2016, in connection with the Arrangement transaction with Petro One (Note 3).

On February 29, 2016, the Company reduced the exercised price of 8,307,679 warrants from \$0.80, \$0.70 and \$0.25 to \$0.15.

On February 29, 2016, the expiry date of 4,000,000 warrants with exercise price of \$0.10 was extended from July 10, 2016 to October 07, 2016.

11. Share capital (Continued)

Share purchase warrants (Continued)

On December 10, 2015, the Company issued 75,000 warrants at an exercise price of \$0.10 per share and exercisable until December 10, 2017, in connection with the purchase of royalties equal to 3% of net smelter returns from the Lucky Strike and 3% of net smelter returns from the BRC properties. The estimated fair value of the warrants on issuance was \$7,159

On February 13, 2015, the Company issued 14,920,000 warrants at an exercise price of \$0.06 per share and exercisable until February 13, 2020, as part of a non-flow-through private placement offering. 714,000 finder's warrant at exercise price of \$0.06 and exercisable until February 13, 2017 were also issued. The fair value of the finder's warrants was \$50,971.

On February 13, 2015, the Company issued 2,540,000 warrants at an exercise price of \$0.10 per share and exercisable until February 13, 2017, as part of a flow-through private placement offering. 306,600 finder's warrant at exercise price of \$0.10 and exercisable until February 13, 2017 were also issued. The fair value of the finder's warrants was \$20,160.

The fair value of finders' warrants issued was estimated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2016	December 31, 2015
Risk-free interest rate	0.51%	0.43%
Dividend yield	-	-
Expected stock price volatility	135.61%	160.37%
Weighted average expected life (years)	0.52	2.00

As at December 31, 2016, the weighted average exercise price and weighted average life of the warrants are \$0.17 and 2.60 years, respectively.

Share-based payment reserves

The share-based payment reserves record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

12. Related party transactions

Related party transactions with directors and officers are as follows:

	December 31, 2016	December 31, 2015
Legal fees incurred to a firm of which the Chairman of the Company is a principal	\$ 293,098	\$ 150,001
Share issue costs incurred to a firm of which the Chairman of the Company is a principal	70,685	47,383
Rent incurred to a company controlled by the spouse of the Chief Operating Officer of the Company	18,563	14,850
Rent incurred to a company controlled by the Chairman of the Company	18,563	14,850
Geological consulting fees incurred to a former director of the Company and capitalized to exploration and evaluation assets	54,655	131,335

12. Related party transactions (Continued)

Key personnel compensation:

	December 31, 2016	December 31, 2015
Management and accounting fees incurred to the Chief Financial Officer of the Company	\$ 119,383	\$ 24,000
Corporate development and communication fees incurred to the Chief Operating Officer of the Company	56,935	35,600
Exploration management fees incurred to the Chief Operating Officer of the Company and capitalized to exploration and evaluation assets	110,865	71,200
Directors' fees incurred to directors of the Company	12,000	12,000

In March 2016, the Company issued 400,000 non-flow-through units at the price of \$0.13 per unit to the Chairman and an officer of the Company for gross proceeds of \$52,000 (Note 11).

In February 2015, the Company issued 300,000 non-flow-through units at the price of \$0.05 per unit to a director of the Company for gross proceeds of \$15,000 and issued 500,000 flow-through units at the price of \$0.05 per unit to a director of the Company for gross proceeds of \$25,000 (Note 11).

As at December 31, 2016 \$28,432 (December 31, 2015 - \$95,363) was owing to related parties and has been included in trade payables and accrued liabilities (Note 10). The amounts are unsecured, non-interest bearing and due on demand.

13. Income taxes

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	December 31, 2016	December 31, 2015
Net loss	\$ (5,341,128)	\$ (1,269,843)
Statutory tax rate	26%	26%
Expected income tax recovery	(1,388,696)	(330,159)
Impact of change of future tax rate	-	(256,017)
Permanent differences	235,314	103,476
Impact of acquisition of Petro One	(6,583,393)	-
Adjustment to prior year provision versus statutory	107,816	(72,584)
Increase in valuation allowance	7,628,959	555,284
Income tax recovery	\$ -	\$ -

13. Income taxes (Continued)

The Company's tax-effected future income tax assets and liabilities are estimated as follows:

	December 31, 2016	December 31, 2015
Deferred income tax assets		
Non-capital loss carry-forwards	\$ 5,222,111	\$ 1,963,987
Canadian eligible capital	12,900	-
Equipment	475,966	219,063
Research and development	183,776	183,776
Share issuance costs	77,575	46,438
Tax credits	451,911	528,757
Asset retirement obligation	91,584	-
Exploration and evaluation assets	7,877,112	4,013,693
	14,392,935	6,995,714
Less: Valuation allowance	(14,392,935)	(6,995,714)
Net deferred income tax assets	\$ -	\$ -

The tax pools relating to these deductible temporary differences expire as follows:

	December 31, 2016	Expiry date range	December 31, 2015	Expiry date range
Non-capital losses	\$20,085,040	2025 to 2036	\$7,553,797	2022 to 2035
Canadian resource pool	\$39,617,654	No expiry	\$15,437,279	No expiry
Equipment	\$1,836,200	No expiry	\$842,549	No expiry
Share issue costs	\$298,366	2016 to 2020	\$178,608	2016 to 2020
Investment tax credits	\$465,931	2020 to 2035	\$676,899	2020 to 2035
Research and development expenditure pool	\$706,829	No expiry	\$706,829	No expiry

14. Decommissioning liabilities

Opening balance, December 31, 2015	\$ -
Additions (Note 3)	392,650
Accretion	2,600
Accretion incurred during the year	(43,003)
Closing balance, December 31, 2016	\$ 352,247

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas interests including well sites, gathering systems and processing facilities. The total decommissioning liabilities were estimated by management based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Company has estimated the total discounted amount of future cash flows to settle the liabilities to be \$352,247 as at December 31, 2016. These payments are expected to be made over the next two to five years.

14. Decommissioning liabilities (Continued)

A risk-free rate of 0.66% and an inflation rate of approximately 2.00% were used to calculate the fair value of the decommissioning liabilities.

15. Contingencies

Petro One has guaranteed a \$173,070 letter of credit, expiring in June 2017, issued by Bank of Montreal for The Minister of Finance – The Saskatchewan Oil and Gas Orphan Fund.

16. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents. Cash and cash equivalents are held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. All of the Company's financial liabilities are due within a year.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not incur significant expenditures that are denominated in foreign currencies, and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is considered minimal.

Interest rate risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash and cash equivalents earn interest income at variable rates. The fair value of cash and cash equivalents are minimally affected by changes in short term interest rates.

16. Financial risk management (Continued)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2016	December 31, 2015
Loans and receivables:		
Cash	\$ 4,386,463	\$ 147,715
Accounts receivable	71,499	35,826
Deposits	50,000	-
	<u>\$ 4,507,962</u>	<u>\$ 183,541</u>

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2016	December 31, 2015
Non-derivative financial liabilities:		
Trade payables	\$ 223,498	\$ 420
Due to related parties	28,432	95,363
Loan	-	100,000
	<u>\$ 251,930</u>	<u>\$ 195,783</u>

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

17. Capital Management

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any external restrictions on its capital.

18. Subsequent events

- a) Up to the date of the approval of these consolidated financial statements, the Company issued 1,933,830 common shares on the exercise of warrants with exercised prices ranging from \$0.06 to \$0.30 for gross proceeds of \$259,739.
- b) On March 4, 2017, the Company entered into an Investment Agreement with Newmont Canada FN Holdings ULC ("Newmont"), a subsidiary of Newmont Mining Corporation, whereby Newmont agreed to purchase 12,705,715 units of the Company by way of a non-brokered private placement at \$0.4742 per unit and whereby the Company agreed to enter into an Earning and Venture Agreement with Newmont and its parent company granting to Newmont the right and option to earn a 51% interest in the Company's Plateau project over four years by:
 - making cash payments of USD \$6,000,000 (CAD \$8,000,000), of which USD \$1,000,000 is payable on closing (received) and an additional USD \$1,000,000 by December 15, 2017 is mandatory;
 - incurring a minimum of USD \$13,000,000 (CAD \$17,400,000) in exploration expenditures on the Plateau property (of which US\$4,000,000 by December 15, 2018 is mandatory); and
 - completing an NI 43-101 Resources Estimate (Phase 1).

If Newmont does not complete Phase 1, it will not earn any interest in the Plateau project. Subject to completing Phase 1, Newmont will have the right and option to earn an additional 24% interest in Plateau by:

- incurring a minimum of an additional USD \$16,000,000 (CAD \$21,400,000) in exploration expenditures; and
- completing a feasibility study by December 15, 2027 (Phase 2).

If Newmont does not complete Phase 2, its interest will revert to 49%. After completion of Phase 2, Newmont must fund all expenditures on Plateau, including ongoing drilling and other exploration, and environmental compliance, until it delivers a program and budget for the development of the first mine or mines on the property, and, if the Company then exercises its Financing Option, Newmont must fund 100% of all costs relating to the Plateau project for the duration of the Venture, including all mine development costs, with the Company's share of such costs to be repaid from 80% of the Company's share of project cash flow.

During April 2017, the Company received shareholder and TSX approval of both agreements, and on April 24, 2017 the Company completed the initial private placement of USD \$4,500,000 (CAD \$6,025,050) by issuing 12,705,715 units, the parties entered into the Earning and Venture Agreement, and Newmont made the initial cash payment of US\$1,000,000 to the Company pursuant to the Earning and Venture Agreement. Each unit is comprised of one common share of the Company and one warrant exercisable to purchase one additional common share for \$0.75 for four years after closing, subject to acceleration if the Company's Shares have a closing price equal to or higher than C\$1.50 per share for ten consecutive trading days on the TSX Venture Exchange (the "TSX-V").

The Investment Agreement provides that for three years Newmont will have the option to purchase that number of units which will result in Newmont holding up to 19.9% of the Company's common shares. Each such unit will be issuable at a 10% or 15% premium to market and will be comprised of one common share and one warrant. The warrants will be exercisable at two times the issue price of the unit for two years.